2019

ANNUAL REPORT

THE FIRST EQUATOR BANK IN CHINA

兴业银行
INDUSTRIAL BANK CO.,LTD.
股票代码:601166

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1988 - 2019

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 twenty-second meeting of the ninth session of the Board of the Company was held on April 28, 2020. The meeting considered and approved the 2019 annual report and the summary thereof.

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.

KPMG Huazhen LLP has audited the Company's 2019 financial statements in accordance with the Chinese Auditing Standards ("CAS") and has issued a standard auditors' report with unqualified opinions.

The Company's director, president Tao Yiping (performing the duties of the Legal representative) and general manager of the financial department Lai Furong hereby warrant that the financial statements in the 2019 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 RMB7.62 (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 RMB2.549 billion in total. Of which, the total nominal value of the preferred shares of "Industrial P1" is RMB13 billion with 6% coupon rate in the first interest cycle, the coupon rate in the second interest cycle has been adjusted to 5.55% since December 8, 2019 and proposed dividends to be paid for 2019 of "Industrial P1"are RMB776 million in total; the total nominal value of the preferred shares of "Industrial P2" is RMB13 billion and proposed dividends to be paid for 2019 are RMB702 million with an annual dividend yield of 5.40%; and the total nominal value of the preferred shares of "Industrial P3" is RMB30 billion, the interest period of "Industrial P3" for 2019 was from April 10, 2019 to December 31, 2019 and proposed dividends to be paid for 2019 are RMB1.071 billion with an annual dividend yield of 4.90%.

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.

President's Statement

Another year has passed. A year's hard work has brought us steady growth in scale, quality, and efficiency. As at the end of 2019, the Bank's total assets increased by 6.47% from the beginning of the year, operating income increased by 14.54% year-on-year, net profit attributable to shareholders of the parent company increased by 8.66% year-on-year, and the non-performing loan ratio decreased by 0.03 percentage point from the beginning of the year. With the growth came a comprehensive improvement of development quality: the growth rate of weighted risk assets decreased by 1.44 percentage points year-on-year, and the operation of light assets and light capital improved marginally; net non-interest income increased rapidly, accounting for 43.2% of the operating income; the ratios of loans overdue for over 60 days and over 90 days to non-performing loans were both less than 100%, maintaining a low level in the industry; the provision to loan ratio and the provision coverage ratio maintained a high level in the industry; the liquidity ratio, liquidity coverage ratio, and net stable capital ratio significantly improved.

Last year, Industrial Bank jumped to 23rd place and 213th place on the lists of Global Top 1,000 Banks and World Top 500 Companies, respectively. The internationally recognized Fitch rating of long-term foreign-currency issuer default and MSCI rating of environmental, social and corporate governance were both upgraded.

Blessed with these achievements, we are grateful for all the efforts and dedication, and appreciate the support and recognition of all sectors of the society. Looking back to 2019, our deepest experience is summed up in one sentence: remain true to our original aspiration and relentlessly pursue our mission.

Focusing on the general trend of economic and financial development, we have unswervingly implemented the strategy of "commercial banking + investment banking". Investment banking relied on the immense customer base and channel resources of commercial banking to play on a wider stage. Interbank finance was committed to achieving the long-cherished goal of becoming "an integrated operator in the financial market" and "an integrated service provider for financial institutions". With a customer coverage rate of over 90%, it has formed a broad and deep cooperative and win-win situation. It underwrote RMB520 billion of debt financing instruments for non-financial enterprises, retaining the first position in the market, and continuously making breakthroughs in merger and acquisition financing, equity investment, and asset turnover. The "Bond Bank" optimized its asset structure, improved its turnover capacity, and consolidated its position as a market maker; Agency Services diversified offering; "FICC Bank" emerged and became an important pivot for revenue growth. The scale of asset custody exceeded RMB12 trillion, and the number of products remained the largest in the industry. Wealth management business progressed steadily. The scale of net worth wealth management products complying with the new regulations on asset management ranked in the forefront of the market. The comprehensive wealth management capacity ranked first for nine consecutive quarters in the evaluation of third-party authoritative institutions. The wealth management subsidiary successfully opened for business, providing a core platform for the development of light assets and light capital. The annual sales of wealth-related products were nearly RMB6.4 trillion. With large wealth products under large asset management of a large investment bank, the structure became more coordinated.

Commercial banking leveraged the diverse financial functions of investment banking to continuously improve the quality and efficiency of customer service, laying a more solid foundation for development. The annual increase and growth rate of deposits and loans both ranked top among peer banks, and the asset-liability indicators were "healthier". The net operating income of retail finance increased significantly, establishing the tripod of corporate business, retail business, and interbank and financial market business. Corporate customers and retail customers increased by 11.91% and 13.64%, respectively. The growth of SMEs and private enterprise customers accelerated. Inclusive small and micro loans exceeded the regulatory requirements of "two increases and two controls". With the joint efforts of the entire Group, green finance has achieved the mid-term goals of exceeding RMB1 trillion in financing balance and exceeding ten thousand in the number of customers ahead of schedule. For green development, we all share the glory!

For internal transformation, we accelerated our financial supply-side structural reforms, aiming to enhance endogenous driving forces such as financial technology, research and consultation, risk management, and group synergy to provide lasting propellers for sustainable development. Fintech continued to deepen reforms to unleash the potential of digital production, and promote the gradual establishment of an open bank led by finance, supported by businesses and the government, and driven by customers. As at the end of the year, the Bank had launched cloud fund management platforms for 550 non-bank financial institutions and established cooperation on core business information systems with 372 small and medium-sized banks. The number of financial institutions registered on the institutional investment trading platform reached 1,472, and the number of customers registered on the Internet wealth management platform "Qianda Money Manager" reached 14,370.7 thousand. Through the "Wealth Cloud", the Bank joined hands with 16 rural credit cooperatives to provide quality financial services to the rural areas. The asset promotion and turnover platform "Xing Cai Zi", the Group's unified credit management system, and the online financing system for small and micro enterprises went live. Fujian Financial Services Cloud Platform achieved "10,000 Enterprises Logging on to the Cloud"...The assistance of technology not only protects the wholesale business and elevates the retail business, but also makes financial services more friendly and inclusive.

The outbreak of novel coronary pneumonia came unexpectedly at the beginning of 2020 and is still raging all over the world. China's anti-epidemic performance and results have further strengthened our confidence in the stability and long-term improvement of China's economy and finance. After the strategic transformation in recent years, the Bank has formed a more balanced business structure and greater professional strength, which allow us to be more confident and rational in the face of storms and challenges.

Achievement will come if we stay on the right track and persevere.

In the face of short-term fluctuations and long-term opportunities, we will always maintain our strategic stability, and leverage the balance advantage of our diversified finance, the leading advantage of our special businesses, the empowering advantage of scientific research and risk control, and the integration advantage of group synergy to weather the storm with the real economy with more efficient and higher quality services and write a new chapter for the value-based bank with higher quality development.

President:

Director, Vice President
Chen Jinguang

Director, Vice President,
Secretary of the Board
Chen Xinjian

Vice President
Sun Xiongpeng

Supervisor
Zhang Guoming

2019 Honors and Awards

According to the list of "2019 Top 1000 Global Banks" released by the British magazine The Banker, the Company ranked 23rd in terms of tier 1 capital, up three places from the previous year, and ranked 28th in terms of total assets, same as the previous year.

According to the 2019 "Fortune 500" rankings of the US magazine Fortune, the Company ranked 213th, up 24 places from the previous year, and ranked second among the peer domestic banks on the list.

According to Forbes' list of "Top 2000 Global Listed Companies" in 2019, the Company ranked 55th, up 7 places from the previous year, 10th among Mainland Chinese enterprises, and 2nd among joint stock banks on the list.

Named the "Excellent Commercial Bank in Asia" for the fourth consecutive year and "2019 Outstanding FinTech Bank of the Year" in the 21st century Asian financial competitiveness selection.

Won the "Best Joint Stock Bank of the Year" award in the "2019 Chinese Financial Institution Gold Metal List" selection by Financial Times.

Won three awards in the "2019 China Business Network Value List" selection, namely "Annual Joint Stock Commercial Bank", "Best Excellent Custody Service Bank" and "Best Green Bank".

Won the 2019 "Best Performing Private Bank" by the British magazines The Banker and PWM.

The unified user platform of the Company's group network finance won the "ECI Awards International Digital Business Innovation Excellence Award" at the 2019 ECI Awards Interna-tional Digital Business Innovation Summit.

Won the "Best Green Finance National Commercial Bank" and "Best Green Bond Bank" in the 2019 "China's Excellent Green Finance" selection by Asiamoney.

Won the "Listed Company • 2019 Golden Sail Award for Excellent Board of Directors" jointly issued by Southern Finance Omnimedia Group and 21st Century Business Herald.

Won the "Financial Holding Group Company with Excellent Competitiveness" and "Overseas Financial Bank with Excellent Competitiveness" in the 2019 (11th) Excellent Competitive Financial Institutions selection by China Business Journal.

Won the "Top Ten Private Enterprises for Financial Service Innovation Award", "Top Ten Investment Banks for Innovation Award", "Top Ten Financial Technology Innovation Award" and "Top Ten Wealth Management Innovation Award" in "2019 China Financial Innovation Award" selection by The Banker.

Won the "2019 Responsible Corporation" award at the "2019 Responsible Corporations" selection by China Newsweek.

Won three awards in the "2019 First Tianji Award for Banking Industry in China" selection by the Securities Times, namely the "2019 All-round Bank for Investment Banking Business", "2019 Fintech Service Bank" and "2019 Technology Innovation Enterprise Service Bank".

Won the "Best Pension Financial Institution Award" in the "Pension Finance Industry Selection" in the 2019 Pension Finance Industry Development Summit.

Won the "Outstanding Institution of the Year Award", "Top Ten Transactions of the Year Award" and "Excellent Transaction of the Year Award" at the 2019 Annual Conference of China Securitization and Structured Finance and the 5th Annual Conference of China Securitization Forum.

Won the title of "2019 China Business Journal FinTech Intelligent Risk Control Institution" selected by 2019 FinTech Conference directed by the Chinese Academy of Social Sciences and hosted by the China Business Journal.

Won the "Outstanding Asset Management Award", "Outstanding Public Welfare Brand Award", and "Outstanding Bank for Inclusive Finance Award" in the JRJ.com 2019 "Pilot China" annual selection.

Won the "2019 People's Ingenuity Service Award" in the "2019 Quality Development Summit Forum and the 16th People's Choice Ingenuity Award" of people.cn.

Won the "Sustainable Development Award of the Year" and "Best Bank for Responsible Investment" in the Chinese Enterprise ESG "Golden Responsibility Award" of Sina.

Won the "Social Responsibility Industry Influence Award" in the 2019 (13th) "CSR Competitiveness-Chinese Corporate Social Responsibility" selection by China Business Journal.

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Definition

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.
Group/the Group	Industrial Bank Co., Ltd. and its subsidiries
Central Bank/PBOC	The People's Bank of China
CSRC	China Securities Regulatory Commission
CBIRC	China Banking and Insurance Regulatory Commission
KPMG Huazhen	KPMG Huazhen 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.
CIB Wealth Management	CIB Wealth Management 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

1. 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: Tao Yiping (performing the duties of the legal representative)

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: KPMG Huazhen LLP

Office address: 8/F, KPMG Tower, Oriental Plaza, 1 East Chang An Avenue, Dongcheng District, Beijing, China

Names of the signing accountants: Shijian, Chen Sijie

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

Office address: GF Securities Tower, 26 Machang 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 April 26, 2019 to December 31, 2020

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

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

(1) Key accounting data and financial indicators

Unit: RMB million

Item	2019	2018	Increase/decrease in 2019 compared with 2018 (%)	2017
Operating income	**181,308**	158,287	14.54	139,975
Profit before tax	**74,503**	68,077	9.44	64,753
Net profit attributable to the shareholders of the parent company	**65,868**	60,620	8.66	57,200
Net profit attributable to the shareholders of the parent company, after deduction of non- recurring gains and losses	**65,458**	60,048	9.01	57,122
Basic EPS (RMB)	**3.10**	2.85	8.77	2.74
Diluted EPS (RMB)	**3.10**	2.85	8.77	2.74
Basic EPS, after deduction of non-recurring gains and losses (RMB)	**3.08**	2.82	9.22	2.69
ROA (%)	**0.96**	0.93	Up 0.03 percentage point	0.92
Weighted average ROE (%)	**14.02**	14.27	Down 0.25 percentage point	15.35
Weighted average ROE, after deduction of non-recurring gains and losses (%)	**13.93**	14.13	Down 0.20 percentage point	15.33
Cost-to-income ratio (%)	**26.03**	26.89	Down 0.86 percentage point	27.63
Cash flows from operating activities	**(588,009)**	(356,099)	Negative in the same period of last year	(162,642)
Net cash flow per share from operating activities (RMB)	**(28.31)**	(17.14)	Negative in the same period of last year	(7.83)
Item	December 31, 2019	December 31, 2018	Increase/decrease in 2019 compared with 2018 (%)	December 31, 2017
Total assets	**7,145,681**	6,711,657	6.47	6,416,842
Shareholders' equity attributable to the shareholders of the parent company	**541,360**	465,953	16.18	416,895
Shareholders' equity attributable to the ordinary shareholders of the parent company	**485,518**	440,048	10.33	390,990
Net assets per share attributable to the shareholders of the parent company (RMB)	**23.37**	21.18	10.33	18.82
NPL ratio (%)	**1.54**	1.57	Down 0.03 percentage point	1.59
Provision coverage ratio (%)	**199.13**	207.28	Down 8.15 percentage points	211.78
Provision-to-loan ratio (%)	**3.07**	3.26	Down 0.19 percentage point	3.37

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. The effect of changes in accounting policies: in accordance with "Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments", "Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets", "Accounting Standards for Business Enterprises No. 24 – Hedge Accounting" and "Accounting Standards for Business Enterprises No. 37 – Presentation and Reporting of Financial Instrument" revised by the Ministry of Finance in 2017, the Company has adopted the above new standards since January 1, 2019.

3. From June 30, 2019, the Company will cease to recover items for which assets are written off and related profits and losses are classified as non-recurring gains and losses. The previous indicators of related profits and losses and gains have been restated.

4. As at the end of the reporting period, the Company issued an aggregate of RMB56 billion preferred shares (Industrial P1, Industrial P2 and Industrial P3) with non-cumulative dividends. The dividends of the preferred shares for 2019 have not yet been distributed, which will be distributed after approval by the general shareholders' meeting.

(II) 2019 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	**47,619**	**42,288**	**46,699**	**44,702**
Net profit attributable to the shareholders of the listed company	**19,658**	**16,221**	**19,031**	**10,958**
Net profit attributable to the shareholders of the listed company, after deduction of non-recurring gains and losses	**19,629**	**16,169**	**18,908**	**10,752**
Net cash flow from operating activities	**(348,059)**	**(14,152)**	**(177,289)**	**(48,509)**

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

Unit: RMB million

Item	2019	2018	2017
Gains and losses on the disposal of non-current assets	**36**	20	70
Government grants recognized in profit or loss	**363**	655	362
Net other non-operating income and expense	**239**	144	(166)
Impact on income tax	**(177)**	(231)	(167)
Total	**461**	588	99
Non-recurring gains and losses attributable to the shareholders of the parent company	**410**	572	78
Non-recurring gains and losses attributable to minority shareholders	**51**	16	21

(IV) Supplementary financial data

Unit: RMB million

Item	December 31, 2019	December 31, 2018	December 31, 2017
Total liabilities	**6,596,029**	6,239,073	5,994,090
Placements from banks and other financial institutions	**190,989**	220,831	187,929
Total deposits	**3,759,063**	3,303,512	3,086,893
Including: Demand deposits	**1,463,908**	1,254,858	1,310,639
Time deposits	**2,003,549**	1,814,016	1,567,574
Other deposits	**291,606**	234,638	208,680
Total loans	**3,441,451**	2,934,082	2,430,695
Including: Corporate loans	**1,796,080**	1,608,207	1,482,362
Personal loans	**1,449,547**	1,166,404	910,824
Discounted bills	**195,824**	159,471	37,509
Loan loss provisions	**105,581**	95,637	81,864
Including: Loan loss provisions at fair value through other comprehensive income	**728**	N/A	N/A

(V) Capital adequacy ratio

Unit: RMB million

Key indicator	December 31, 2019	December 31, 2018	December 31, 2017
Net capital	**684,547**	577,582	526,117
Including: Core Tier 1 capital	**485,821**	441,197	392,199
Other Tier 1 capital	**55,953**	25,970	25,935
Tier 2 capital	**143,659**	111,247	109,057
Deductions	**886**	832	1,074
Total risk weighted assets	**5,123,362**	4,734,315	4,317,263
Capital adequacy ratio (%)	**13.36**	12.20	12.19
Tier 1 capital adequacy ratio (%)	**10.56**	9.85	9.67
Core Tier 1 capital adequacy ratio (%)	**9.47**	9.30	9.07

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, 2019	December 31, 2018	December 31, 2017
Loan-to-deposit ratio (converted to RMB)	-	**85.76**	83.90	74.80
Liquidity ratio (converted to RMB)	⩾ 25	**75.07**	66.52	60.83
Proportion of loans to the largest single borrower	⩽ 10	**1.38**	1.59	2.84
Proportion of loans to the top ten borrowers	⩽ 50	**11.00**	10.99	14.66
Migration ratio of normal loans	-	**2.38**	2.10	2.17
Migration ratio of special mention loans	-	**38.81**	43.90	26.65
Migration ratio of substandard loans	-	**79.55**	61.36	74.46
Migration ratio of doubtful loans	-	**36.12**	21.22	41.98

Notes: 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	Amount at the end of previous year	Changes in accounting policies	Increase during the period	Decrease during the period	Closing balance
Share capital	20,774	-	-	-	**20,774**
Preferred shares	25,905	-	29,937	-	**55,842**
Capital reserve	75,011	-	-	97	**74,914**
Other comprehensive income	2,356	611	265	-	**3,232**
General reserve	73,422	-	5,103	-	**78,525**
Surplus reserve	10,684	-	-	-	**10,684**
Undistributed earnings	257,801	(5,361)	65,868	20,919	**297,389**
Shareholders' equity attributable to the shareholders of the parent company	465,953	(4,750)	101,173	21,016	**541,360**

(VIII) Items measured at fair value

Unit: RMB million

Item	December 31, 2018	Changes in fair value for the period recognized in gains and losses	Accumulated changes in fair value recognized in equity	Provision for impairment made/ (reversed) in the period	December 31, 2019
Financial assets at fair value through profit or loss	459,598	N/A	N/A	N/A	**N/A**
Available-for-sale financial assets	644,886	N/A	N/A	N/A	**N/A**
Precious metals	3,185	(84)	-	-	**252**
Derivative financial assets	42,092	(1,989)	-	-	**32,724**
Derivative financial liabilities	38,823				**31,444**
Loans and advances to customers	N/A	-	(86)	72	**198,163**
Trading financial assets	N/A	1,345	-	-	**652,034**
Other debt investments	N/A	292	483	817	**599,382**
Other equity instrument investments	N/A	-	(163)	-	**1,929**
Trading financial liabilities	2,594	(16)	-	-	**4,214**

Business Overview of the Company

1. 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, innovating steadily, refining 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 2019, affected by the complex situation at home and abroad, China's economy was always under great downward pressure. The government intensified its efforts on "six stabilities", focusing on stability in employment, financial operations, foreign trade, foreign investment, domestic investment, and expectations, achieving notable results. The macro-economy maintained stable operation. The state implemented a stable monetary policy and an active fiscal policy and strengthened countercyclical adjustments and structural adjustments to create a favorable fiscal and financial environment for economic operations. The total economic volume increased steadily. The total GDP neared the RMB100 trillion milestones, and the per capita GDP exceeded US$10,000. The economic restructuring progressed robustly. While the main economic indicators remained within a reasonable range, the contribution of the service industry to economic growth further increased. The industrial structure and consumption structure continued to upgrade. New industries, new businesses and new models developed rapidly. Strategic emerging industries, technology service industries, and high-tech service industries continued the rapid development momentum and gradually became the backbone of economic growth.

Financial supervision remained stringent and tight. Critical progress was achieved in the battle to prevent and resolve financial risks. Regulatory authorities dealt with problem financial institutions in an orderly manner, regulated the operation order of the Internet financial institutions, and mitigated potential risks to ensure the stable operation of the financial system. Financial supply-side reforms were implemented to a deeper extent to unclog transmission channels for marketization of interest rate. The loan prime rate (LPR) mechanism was launched. Regulatory authorities explored and strengthened the differentiated supervision of large financial institutions such as financial holding groups and systemically important financial institutions, while carrying out targeted implementation using such tools as targeted RRR cuts, re-lending and re-discounting to guide small and medium-sized banking financial institutions to return to serving the real economy and grassroots companies. Focusing on the supervision of key areas such as corporate governance and equity management, regulatory authorities improved the policy framework and made up for the regulatory shortcomings to strengthen the foundation for the stable operation of banking financial institutions. The financial industry further accelerated the opening up to the domestic and overseas markets. Regulatory authorities introduced various measures to gradually lower the threshold for foreign financial institutions to enter the Chinese market based on the principle of applying the same criteria for Chinese and foreign institutions. A number of foreign-funded and Sino-foreign joint venture institutions were approved for establishment.

In the face of profound changes in the external operating environment, China's banking industry carried out the three major tasks of "serving the real economy, preventing and controlling financial risks, and deepening financial reforms", continued to maintain stable operations, steadily increased scale and profit, and accelerated the disposal of non-performing loans. The asset quality remained stable and the asset structure was further optimized. The banking industry strengthened the implementation of inclusive finance and poverty alleviation finance, served small and micro enterprises as well as private enterprises through multiple channels and on multiple dimensions, and expanded the depth and breadth of services. Following the trend of informationization and digitization of the economy and society, the banking industry deepened the organic integration of financial technology and business and accelerated the exploration of the application of big data, cloud computing, blockchain, artificial intelligence and other technologies in banking businesses. It implemented technological empowerment and innovated business models from multiple dimensions in key aspects of bank operation and management such as marketing and promotion, risk management and control, operation support, and analysis and decision-making, so as to strengthen the foundation, increase driving force and promote transformation through technological means, thereby improving operating efficiency and development quality.

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 7,145.681 billion, up 6.47% compared with the end of previous year, of which loans increased by 17.29% compared with the end of previous year; and various net investments were down by 6.61% compared with the end of previous year. 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 “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.

Strengthening transformation force through updating strategy system. Adhering to a customer-centered approach and oriented towards light capital, light asset, and high efficiency, the Company constantly optimizes its strategy system and strengthens the role of development strategy as the "compass" and "construction blueprint" to ensure that the Company's business transformation is always in the fast lane. In recent years, in response to changes in the economic situation and regulatory situation, the Company has gradually explored, deepened and summarized to create a complete strategic system of "1234". Adhering to the general policy of progressing steadily and accelerating transformation, leveraging the two engines of "commercial banking + investment banking", and with customers as the foundation, commercial banking as the carrier, and investment banking as the functional arm, it focused on strengthening the building of the three capacities of settlement bank, investment bank, and transaction bank to make new contributions in key areas, achieve new breakthroughs in key industries, create new value for key customers, and reach new heights for key products, thereby forming a clear grid system and actively creating new growth points.

Improving core capacities 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, wealth management, digital finance and research and consultation. The Company continued to promote the strategic construction of unified-bank. It strengthened the convey and execution of the Group’s strategy among the subsidiaries to ensure the effective implementation of the Group's strategic intentions and form strategic synergy. The Company continuously improved the Group's consolidated management structure and processes. It relied on corporate governance and gave play to the binding role of capital management to strengthen the management and control over group members in accordance with laws and regulations. The Company centrally utilized the Group's various license and platform resources to guide its subsidiaries to focus on the main businesses, refine expertise, highlight core business capabilities, and constantly explore new models and new initiatives for sharing resource in customers, products, information, channels, and brands. It innovated business coordination mechanisms to build a high-quality, efficient, and professional integrated financial service system.

Leading digital transformation through deepening the technological reform. 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. During the reporting period, the Company further deepened the reform of the financial technology system and mechanism. It continuously stimulated the vitality of science and technology from the aspects of resource investment, organization structure, team building, and system and mechanism and deepened the integration of technology and business to gradually establish a sustainable technology development path suitable for the Company's strengths and characteristics.

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, innovating steadily, refining steadily", and actively implemented the national macro-control policies and financial regulatory requirements to implement development strategies deeply, serve the real economy intensely, maintain good development of various businesses, promote the transformation to the new stage 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 RMB7,145.681 billion, representing an increase of 6.47% compared with the end of previous year; the balance of domestic and foreign currency deposit was RMB3,759.063 billion, representing an increase of 13.79% compared with the end of previous year; the balance of domestic and foreign currency loan reached RMB3,441.451 billion, representing an increase of 17.29% compared with the end of previous year.

(2) Profitability maintained relatively good status. During the reporting period, the operating income recorded RMB181.308 billion, up 14.54% year-on-year, of which net fee and commission income reached RMB49.679 billion, up 15.59% year-on-year. Net profit attributable to the shareholders of the parent company reached RMB65.868 billion, representing a year-on-year increase of 8.66%. Weighted average ROE was 14.02%, representing a year-on-year decrease of 0.25 percentage point, total return on assets reached 0.96%, representing a year-on-year increase of 0.03 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 RMB53.022 billion, up RMB6.882 billion compared with the end of previous year with NPL ratio of 1.54%, down 0.03 percentage point compared with the end of previous year. During the reporting period, the provisions amounted to RMB58.096 billion, representing a year-on-year growth of 25.20%, the provision-to-loan ratio was 3.07% at the end of the reporting period, and the provision coverage ratio was 199.13%.

2. Composition of operating income and operating profit

During the reporting period, operating income of the Company was RMB181.308 billion, and its operating profit was RMB74.266 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	**72,294**	**15.76**	**32,165**	**(10.44)**
Fujian	**20,874**	**4.94**	**7,841**	**(4.39)**
Beijing	**7,408**	**4.50**	**5,050**	**19.02**
Shanghai	**5,209**	**(17.84)**	**1,533**	**(58.72)**
Guangdong	**11,998**	**20.67**	**6,575**	**61.59**
Zhejiang	**6,833**	**78.64**	**4,150**	**529.74**
Jiangsu	**11,135**	**85.96**	**7,606**	**174.78**
Northeast and other regions	**16,082**	**12.91**	**(5,641)**	**Negative in the same period of last year**
Western China	**14,229**	**(1.77)**	**7,675**	**58.94**
Central China	**15,246**	**8.68**	**7,312**	**36.11**
Total	**181,308**	**14.54**	**74,266**	**9.35**

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

Unit: RMB million

Item	Amount	Percentage in total operating income (%)	Increase/decrease year-on-year (%)
Interest income from loans	**153,153**	**43.52**	**22.70**
Interest income from placements	**4,792**	**1.36**	**77.02**
Interest income from deposits in Central Bank	**6,209**	**1.76**	**(5.13)**
Interest income from deposits in banks and other financial institutions	**2,209**	**0.63**	**(25.09)**
Interest income from resale agreements	**2,676**	**0.76**	**(5.24)**
Gain and loss, and interest income from investments	**119,968**	**34.09**	**(20.16)**
Fee and commission income	**53,634**	**15.24**	**13.96**
Interest income from financing lease	**5,291**	**1.50**	**(7.45)**
Other income	**4,020**	**1.14**	**Negative in the same period of last year**
Total	**351,952**	**100**	**4.35**

3. Financial position and operating results

(1) Changes of key financial indicators and descriptions

Unit: RMB million

Item	December 31, 2019	December 31, 2018	Increase/ decrease over previous year (%)	Brief description
Total assets	**7,145,681**	6,711,657	6.47	Stable growth in various assets and optimization of asset structure
Total liabilities	**6,596,029**	6,239,073	5.72	Stable growth in various liabilities and optimization of liability structure
Shareholders' equity attributable to the shareholders of the parent company	**541,360**	465,953	16.18	Issuing preferred shares and transfer-in of the net profit earned in the current year
Net profit attributable to the shareholders of the parent company	**65,868**	60,620	8.66	The interest-bearing assets achieved stable growth; interest margin increased year-on-year; there was a rapid increase in non-interest income; the cost was under control at a reasonable level; various provisions were made sufficiently
Weighted average ROE (%)	**14.02**	14.27	Down 0.25 percentage point	The growth in net profit was slower than the growth in weighted net assets, resulting in decrease in return on net assets
Net cash flows from operating activities	**(588,009)**	(356,099)	Negative in the same period of last year	The structure of assets and liabilities was optimized, 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, 2019	December 31, 2018	Increase/ decrease over previous year (%)	Brief description
Deposits with banks and other financial institutions	**87,260**	53,303	63.71	Increase in short-term deposits with banks
Placements with banks and other financial institutions	**231,475**	98,349	135.36	Increase in short-term placements with banks and other financial institutions
Financial assets purchased under resale agreements	**41,861**	77,083	(45.69)	Decrease in bonds purchased under resale agreements
Trading financial assets	**652,034**	N/A	N/A	The Company has adopted the New Financial Instruments Standard since January 1, 2019 and items were presented according to the related classification and measurement requirements under New Financial Instruments Standard and the Notice of the Revised Format of 2018 Financial Statements for Financial Enterprise released by MoF in December 2018. The Company has not re-presented the figures for the comparable period
Debt investments	**1,444,176**	N/A	N/A	
Other debt investments	**599,382**	N/A	N/A	
Other equity instrument investments	**1,929**	N/A	N/A	
Financial assets at fair value through profit or loss	**N/A**	459,598	N/A	
Available-for-sale financial assets	**N/A**	647,102	N/A	
Held-to-maturity investments	**N/A**	395,142	N/A	
Investments classified as receivables	**N/A**	1,387,150	N/A	
Other assets	**43,047**	67,804	(36.51)	The items were presented according to the Notice of the Revised Format of 2018 Financial Statements for Financial Enterprise; interest receivable of financial instruments provided based on effective interest method was not included within other assets
Borrowing from Central Bank	**168,259**	268,500	(37.33)	Decrease in borrowing from Central Bank
Provisions	**6,253**	-	-	Provisions for off-balance sheet activities
Other liabilities	**40,038**	84,869	(52.82)	The items were presented according to the Notice of the Revised Format of 2018 Financial Statements for Financial Enterprise; interest payable of financial instruments provided based on effective interest method was not included within other liabilities
Other debt instruments	**55,842**	25,905	115.56	Issuing preferred shares

Main accounting item	2019	2018	Increase/ decrease over previous year (%)	Brief description
Investment gains	**24,992**	26,482	(5.63)	Being fairly interrelated, the overall gains of these three items after consolidation amounted to RMB27.465 billion, representing a year-on-year increase of RMB9.362 billion. The first reason for such increase was that net interest income of trading financial assets was presented within investment gains according to the Notice of the Revised Format of 2018 Financial Statements for Financial Enterprise. The second reason was that the bond market was improving, and the income of bond-related financial assets has increased
Gains from changes in fair value	**1,622**	2,919	(44.43)	
Foreign exchange gains	**851**	(11,298)	Negative in the same period of last year	
Impairment loss of assets	**N/A**	46,404	N/A	The Company has adopted the New Financial Instruments Standard since January 1, 2019 and items were presented according to the related classification and measurement requirements under New Financial Instruments Standard and the Notice of the Revised Format of 2018 Financial Statements for Financial Enterprise released by MoF in December 2018. The Company has not re-presented the figures for the comparable period
Credit impairment loss	**58,088**	N/A	N/A	
Impairment loss of other assets	**8**	N/A	N/A	

(II) Analysis of the balance sheet

1. Asset

As at the end of the reporting period, the total assets of the Company stood at RMB7,145.681 billion, up 6.47% compared with the end of previous year, of which loans (excluding accrued interest) increased by RMB507.369 billion or 17.29% compared with the end of previous year; and various net investments decreased by RMB191.282 billion or 6.61% compared with the end of previous year. The composition of the total assets of the Company is shown in the table below:

Unit: RMB million

Item	December 31, 2019		December 31, 2018	
	Balance	Percentage (%)	Balance	Percentage (%)
Net loans and advances to customers	**3,345,180**	**46.81**	2,838,445	42.29
Investment [note 1]	**2,700,934**	**37.80**	2,892,216	43.09
Financial assets purchased under resale agreements	**41,861**	**0.59**	77,083	1.15
Finance lease receivables	**106,273**	**1.49**	104,253	1.55
Deposits with banks	**87,260**	**1.22**	53,303	0.79
Placements with banks and other financial institutions	**231,475**	**3.24**	98,349	1.47
Cash and balances with Central Bank	**486,444**	**6.81**	475,781	7.09
Others [note 2]	**146,254**	**2.04**	172,227	2.57
Total	**7,145,681**	**100**	6,711,657	100

Notes: 1. Included the trading financial assets, debt investments, other debt investments, 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, fixed assets, construction in progress, intangible assets, goodwill, deferred income tax assets and other assets.

The details of loans are set out as follows:

(1) Classification of loans

Unit: RMB million

Type	December 31, 2019	December 31, 2018
Corporate loans	**1,796,080**	1,608,207
Personal loans	**1,449,547**	1,166,404
Discounted bills	**195,824**	159,471
Total	**3,441,451**	2,934,082

As at the end of the reporting period, corporate loans accounted for 52.19%, down 2.62 percentage points as compared with the figure at the end of previous year; personal loans accounted for 42.12%, up 2.37 percentage points as compared with that at the end of the previous year; and discounted bills accounted for 5.69%, up 0.25 percentage point as compared with the figure at the end of previous year. During the reporting period, the Company followed the trend of financial supply-side structural reforms, rationally optimized the credit structure in accordance with the requirements of the state's industrial policies and credit policies, and actively improved the financial services to new growth drivers, focusing on financing needs of such areas as retail credit, green finance, and supply chain finance.

(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", "real estate" and "wholesale and retail". The details on distribution by industry are set out as follows:

Unit: RMB million

Industry	December 31, 2019			December 31, 2018		
	Loan balance	Percentage (%)	NPL ratio (%)	Loan balance	Percentage (%)	NPL ratio (%)
Agriculture, forestry, husbandry and fishery	**7,724**	**0.22**	**1.29**	6,967	0.23	0.66
Mining	**60,172**	**1.75**	**2.52**	59,421	2.03	3.39
Manufacturing	**354,788**	**10.31**	**3.34**	359,593	12.26	3.79
Production and supply of power, heat, gas and water	**80,332**	**2.33**	**0.50**	77,948	2.66	0.61
Construction	**123,785**	**3.60**	**1.47**	95,487	3.25	1.30
Transportation, logistics and postal service	**101,484**	**2.95**	**2.59**	79,355	2.70	1.15
Information transmission, software and IT service	**20,863**	**0.60**	**0.33**	18,046	0.62	1.96
Wholesale and retail	**238,168**	**6.92**	**6.87**	224,723	7.66	6.98
Accommodation and catering	**3,794**	**0.11**	**0.43**	3,183	0.11	0.54
Finance	**26,020**	**0.76**	**9.49**	21,537	0.73	0.18
Real estate	**251,859**	**7.32**	**0.84**	195,490	6.66	1.21
Leasing and commercial services	**286,222**	**8.32**	**0.85**	263,411	8.98	0.55
Scientific research and technical service	**14,145**	**0.41**	**1.75**	8,524	0.29	1.85
Water conservation, environment and public facility administration	**202,979**	**5.90**	**0.04**	173,268	5.91	0.09
Residential services, repair and other related services	**3,028**	**0.09**	**0.25**	1,469	0.05	1.93
Education	**2,125**	**0.06**	**0.00**	898	0.03	0.56
Sanitation and social services	**8,214**	**0.24**	**0.09**	8,427	0.29	0.57
Culture, sporting and entertainment	**7,355**	**0.21**	**1.28**	6,539	0.22	0.19
Public administration, social security and social organizations	**3,023**	**0.09**	**0.00**	3,825	0.13	0.00
International organization	**0.00**	**0.00**	**0.00**	96	0.00	0.00
Personal loans	**1,449,547**	**42.12**	**0.75**	1,166,404	39.75	0.64
Discounted bills	**195,824**	**5.69**	**0.00**	159,471	5.44	0.00
Total	**3,441,451**	**100**	**1.54**	2,934,082	100	1.57

During the reporting period, while correctly grasping the changes in the economic condition and the direction of national policy regulation, the Company implemented a differentiated credit policy of "guaranteeing some, controlling some, and curtailing some", further focused on key industries and business areas as well as regional characteristic industries. While maintaining the advantages in traditional business areas, it actively seized new development opportunities to guide business structure adjustment and transformation-driven development. The Company focused on supporting environmental governance and clean energy fields characterized by green development, people's livelihood, and inclusiveness such as water supply, sewage treatment, and urban natural gas; increased investment in industries with weak cyclicity such as medicine, education, tourism, culture, automobiles, and modern logistics, focusing on "mainstream markets and mainstream businesses" to prevent medium and low-end market risks in accordance with the national policy direction, industry upgrade and integration, and the polarization trend of the enterprises; grasping the trend of industrial upgrade, focused on high-end equipment manufacturing, high-end electronic and digital manufacturing, intelligent manufacturing and assembling, and the integration of big data and artificial intelligence with the real economy; and supported the upgrade and transformation of traditional industries in line with national policy direction. Implementing the basic keynote of “progressing steadily, innovating steadily, refining steadily”, the Company actively followed up on the strategic deployment of "commercial banking + investment banking", and with customers as the foundation, commercial banking as the carrier, and investment banking as the functional arm. With the "Four Keys Strategy” as the starting point and upholding the philosophy of "wining through professionalism, compliance, and efficiency", the Company focused on promoting the integration of risk and business and the combination of commercial banking and investment banking, continuously improving professional capabilities, refined management and approval efficiency. It coordinated and guided business structure adjustment and transformation-driven development, and strengthened the prevention of major risks and asset quality control.

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 end of previous year.

(3) Loan distribution by geographical region

Unit: RMB million

Region	December 31, 2019		December 31, 2018	
	Loan balance	Percentage (%)	Loan balance	Percentage (%)
Head office	**359,167**	**10.44**	307,847	10.49
Fujian	**359,748**	**10.45**	313,459	10.68
Guangdong	**395,599**	**11.49**	328,717	11.20
Jiangsu	**336,525**	**9.78**	265,858	9.06
Zhejiang	**276,693**	**8.04**	208,879	7.12
Shanghai	**151,732**	**4.41**	115,511	3.94
Beijing	**179,249**	**5.21**	181,167	6.17
Northeast	**128,394**	**3.73**	115,147	3.92
Western China	**435,396**	**12.65**	376,378	12.83
Central China	**495,151**	**14.39**	427,733	14.58
Other regions	**323,797**	**9.41**	293,386	10.01
Total	**3,441,451**	**100**	2,934,082	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. The Company intensified its refined and differentiated management. For businesses with market advantages, resource advantages, technological advantages, location advantages, and management advantages, the branches can, based on the characteristics of the region and in accordance with the principle of helping the good performers and eliminating the under-achievers, formulate regional characteristic risk policies to promote the development of featured businesses of the branches on the premises of in-depth understanding of the industry, mature project reserves and risk control measures, using management methods such as the list system, while taking into consideration comprehensive factors such as industry rankings, enterprise qualifications, industry development prospects.

(4) Forms of loan guarantee

Unit: RMB million

Security type	December 31, 2019		December 31, 2018	
	Loan balance	Percentage (%)	Loan balance	Percentage (%)
Unsecured loans	**880,060**	**25.57**	728,050	24.81
Guaranteed loans	**709,810**	**20.63**	625,002	21.30
Secured by mortgage	**1,352,975**	**39.31**	1,150,190	39.20
Secured by collateral	**302,782**	**8.80**	271,369	9.25
Discounted bills	**195,824**	**5.69**	159,471	5.44
Total	**3,441,451**	**100**	2,934,082	100

As at the end of the reporting period, the proportion of the Company's unsecured loans increased by 0.76 percentage point as compared with the figure at the end of previous year; the proportion of guaranteed loans decreased by 0.67 percentage point as compared with that at the end of previous year; the proportion of loans secured by mortgage and collateral decreased by 0.34 percentage point as compared with the figure at the end of previous year, while the proportion of loans secured by discounted bills increased by 0.25 percentage point as compared with the figure at the end of previous year.

(5) Loans granted to the top ten borrowers

Unit: RMB million

Customer	December 31, 2019	Percentage in total loans (%)
Customer A	**8,809**	**0.26**
Customer B	**8,755**	**0.25**
Customer C	**8,460**	**0.25**
Customer D	**7,500**	**0.22**
Customer E	**7,176**	**0.21**
Customer F	**6,668**	**0.19**
Customer G	**6,000**	**0.17**
Customer H	**5,860**	**0.17**
Customer I	**5,736**	**0.17**
Customer J	**5,366**	**0.16**
Total	**70,330**	**2.05**

The loan balance of the Company's largest single borrower as at the end of the period was RMB8,809 million, accounting for 1.38% 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, 2019			December 31, 2018		
	Loan balance	Percentage (%)	NPL ratio (%)	Loan balance	Percentage (%)	NPL ratio (%)
Personal residential and business mortgage loans	**910,879**	**62.84**	**0.33**	749,360	64.25	0.31
Personal business loans	**85,612**	**5.91**	**1.25**	63,978	5.49	2.08
Credit cards	**349,312**	**24.10**	**1.47**	271,960	23.32	1.06
Others	**103,744**	**7.15**	**1.57**	81,106	6.94	1.21
Total	**1,449,547**	**100**	**0.75**	1,166,404	100	0.64

Personal housing and commercial housing loans decreased by 1.41 percentage points compared with the end of previous year. Personal business loans increased by 0.42 percentage point compared with the end of previous year. Credit card balances increased by 0.78 percentage points compared with the end of previous year. During the reporting period, the NPL ratio of personal loans recorded 0.75%, reflecting overall controllable risk.

The Company further strengthened risk prevention and control of personal loan business. Firstly, subject to compliance with regulatory policies and macro credit orientation, the Company adopted differentiated credit and risk control policies for different regions, varieties and customer bases. Secondly, the Company continued to enhance the level of intelligence in retail risk management and control. It enriched the perspective of personal credit risk assessment by introducing multi-channel and multi-dimensional data; continuously optimized the credit decision-making model by establishing monitoring, adjustment, and feedback mechanisms; and promoted the integration of risk management and technology by improving risk management system tools. Thirdly, the Company carefully researched and judged the current risk situation, promptly carried out risk investigation and post-incident evaluation in key areas, strengthened inspection and supervision, and effectively implemented various policies and management requirements.

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 RMB191,282 million or 6.61% to RMB2,700,934 million from the figure at the end of previous year. The specific composition of investment is set out as follows:

① Classification based on accounting item

Unit: RMB million

Item	December 31, 2019		December 31, 2018	
	Balance	Percentage (%)	Balance	Percentage (%)
Trading financial assets	**652,034**	**24.14**	N/A	N/A
Debt investments	**1,444,176**	**53.47**	N/A	N/A
Other debt investments	**599,382**	**22.19**	N/A	N/A
Other equity instrument investments	**1,929**	**0.07**	N/A	N/A
Financial assets at fair value through profit or loss	**N/A**	**N/A**	459,598	15.89
Available-for-sale	**N/A**	**N/A**	647,102	22.37
Receivables	**N/A**	**N/A**	1,387,150	47.96
Held-to-maturity	**N/A**	**N/A**	395,142	13.66
Long-term equity investments	**3,413**	**0.13**	3,224	0.11
Total	**2,700,934**	**100**	2,892,216	100

② Classification based on issuer

Unit: RMB million

Type	December 31, 2019		December 31, 2018	
	Balance	Percentage (%)	Balance	Percentage (%)
Government bonds	**897,359**	**33.19**	920,255	31.62
Central bank bills and financial bonds	**101,802**	**3.77**	115,417	3.97
Corporate bonds and asset-backed securities	**402,348**	**14.88**	320,965	11.03
Other investments	**1,298,883**	**48.03**	1,550,295	53.27
Long-term equity investments	**3,413**	**0.13**	3,224	0.11
Total	**2,703,805**	**100**	2,910,156	100
Accrued interest	**21,238**		N/A	
Impairment provision	**(24,109)**		(17,940)	
Net value	**2,700,934**		2,892,216	

During the reporting period, the Company further optimized the investment asset structure by maintaining the scale of standard investments such as bonds and interbank deposits. Meanwhile, the Company actively reduced the scale of non-standard assets, leading to reduction of the scale of 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 RMB3,413 million, and the details are set out as follows:

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 RMB3,052 million.

CIB Wealth Management Co., Ltd. held the book value of other long-term equity investment of RMB282 million in total at the end of the reporting period.

CIB Guoxin Asset Management Co., Ltd. held the book value of other long-term equity investment of RMB79 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 (excluding accrued interests) of RMB87,459 million in deposits with banks and other financial institutions, increased RMB34,140 million or 64.03% from the figure at the end of previous year.

Unit: RMB million

Type	December 31, 2019		December 31, 2018	
	Balance	Percentage (%)	Balance	Percentage (%)
Deposits with domestic banks	**47,986**	**54.87**	29,316	54.98
Deposits with other domestic financial institutions	**6,080**	**6.95**	5,236	9.82
Deposits with foreign banks	**33,370**	**38.15**	18,694	35.06
Deposits with other foreign financial institutions	**23**	**0.03**	73	0.14
Total	**87,459**	**100**	53,319	100
Accrued interest	**129**		N/A	
Impairment provision	**(328)**		(16)	
Net value	**87,260**		53,303	

The placements 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 RMB231.851 billion in placements with banks and other financial institutions (excluding accrued interest), increased RMB133.442 billion or 135.60% from the figure at the end of previous year.

Unit: RMB million

Item	December 31, 2019		December 31, 2018	
	Balance	Percentage (%)	Balance	Percentage (%)
Placements with domestic banks	**34,074**	**14.70**	8,339	8.47
Placements with other domestic financial institutions	**151,002**	**65.13**	51,485	52.32
Placements with foreign banks	**46,775**	**20.17**	38,585	39.21
Total	**231,851**	**100**	98,409	100
Accrued interest	**697**		N/A	
Impairment provision	**(1,073)**		(60)	
Net value	**231,475**		98,349	

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

As at the end of the reporting period, the Company recorded a balance of RMB42.501 billion in financial assets purchased under resale agreements (excluding accrued interest), representing a decrease of RMB34.915 billion or 45.10% compared with the end of previous year.

Unit: RMB million

Type	December 31, 2019		December 31, 2018	
	Balance	Percentage (%)	Balance	Percentage (%)
Bonds	**42,501**	**100**	76,098	98.30
Bills	-	-	1,318	1.70
Total	**42,501**	**100**	77,416	100
Accrued interest	**69**		N/A	
Impairment provision	**(709)**		(333)	
Net value	**41,861**		77,083	

2. Liabilities

As at the end of the reporting period, the total liabilities of the Company stood at RMB6,596,029 million, representing an increase of RMB356,956 million or 5.72% from the figure at the end of previous year.

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

Unit: RMB million

Item	December 31, 2019		December 31, 2018	
	Balance	Percentage (%)	Balance	Percentage (%)
Deposits from banks and other financial institutions	**1,233,937**	**18.71**	1,344,883	21.56
Placements from banks and other financial institutions	**192,310**	**2.92**	220,831	3.54
Financial assets sold under repurchase agreements	**193,412**	**2.93**	230,569	3.70
Due to customers	**3,794,832**	**57.53**	3,303,512	52.95
Bonds payable	**899,116**	**13.63**	717,854	11.51
Others [note]	**282,422**	**4.28**	421,424	6.74
Total	**6,596,029**	**100**	6,239,073	100

Note: included borrowing from Central Bank, trading financial liabilities, derivative financial liabilities, employee benefits payable, tax payable, provisions 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 (excluding accrued interest) was RMB3,759.063 billion, an increase of RMB455.551 billion or 13.79% compared with the figure at the end of previous year.

Unit: RMB million

Item	December 31, 2019		December 31, 2018	
	Balance	Percentage (%)	Balance	Percentage (%)
Demand deposits	**1,463,908**	**38.94**	1,254,858	37.98
Incl: Corporate	**1,176,810**	**31.31**	1,001,358	30.31
Personal	**287,098**	**7.63**	253,500	7.67
Time deposits	**2,003,549**	**53.30**	1,814,016	54.92
Incl: Corporate	**1,628,915**	**43.33**	1,541,943	46.68
Personal	**374,634**	**9.97**	272,073	8.24
Other deposits	**291,606**	**7.76**	234,638	7.10
Subtotal	**3,759,063**	**100**	3,303,512	100
Accrued interest	**35,769**		N/A	
Total	**3,794,832**		3,303,512	

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 RMB1,227.846 billion in deposits from banks and other financial institutions (excluding accrued interest), a decrease of RMB117.037 billion or 8.70% from the figure at the end of previous year.

Unit: RMB million

Transaction counterparty	December 31, 2019		December 31, 2018	
	Balance	Percentage (%)	Balance	Percentage (%)
Deposits from banks	**336,521**	**27.41**	416,471	30.97
Deposits from other financial institutions	**891,325**	**72.59**	928,412	69.03
Subtotal	**1,227,846**	**100**	1,344,883	100
Accrued interest	**6,091**		N/A	
Total	**1,233,937**		1,344,883	

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 RMB193.055 billion in financial assets sold under repurchase agreements (excluding accrued interest), representing a decrease of RMB37.514 billion or 16.27% from the figure at the end of previous year.

Unit: RMB million

Type	December 31, 2019		December 31, 2018	
	Balance	Percentage (%)	Balance	Percentage (%)
Bonds	**143,966**	**74.57**	181,969	78.92
Bills	**49,089**	**25.43**	48,600	21.08
Subtotal	**193,055**	**100**	230,569	100
Accrued interest	**357**		N/A	
Total	**193,412**		230,569	

(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 rapid increase in net non-interest 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 RMB65.868 billion, up 8.66% year-on-year.

Unit: RMB million

Item	2019	2018	Increase/Decrease YoY (%)
Operating income	**181,308**	158,287	14.54
Net interest income	**102,988**	95,657	7.66
Net non-interest income	**78,320**	62,630	25.05
Business tax and surcharges	**(1,756)**	(1,408)	24.72
Operating and administrative expense	**(46,557)**	(42,064)	10.68
Impairment loss of assets	**(58,096)**	(46,404)	25.20
Other operating costs	**(633)**	(497)	27.36
Net non-operating income and expense	**237**	163	45.40
Profit before tax	**74,503**	68,077	9.44
Income tax	**(7,801)**	(6,832)	14.18
Net profit	**66,702**	61,245	8.91
Profit and loss of minority shareholders	**834**	625	33.44
Net profit attributable to the shareholders of the parent company	**65,868**	60,620	8.66

1. Net interest income

During the reporting period, the net interest income of the Company was RMB102.988 billion, representing an increase of RMB7.331 billion or 7.66% year-on-year. After elimination of the impact of presenting the interest income from trading financial assets under the New Financial Instruments Standard, the net interest income of the Company recorded a year-on-year increase of 14.32%. The business maintained a steady and rapid growth. The net interest margin recorded a year-on-year increase of 11 BP. The specific composition is set out as follows:

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

Unit: RMB million

Item	2019		2018	
	Balance	Percentage (%)	Balance	Percentage (%)
Interest income				
Interest income from corporate and personal loans	**146,482**	**54.32**	121,266	44.82
Interest income from discounted bills	**6,671**	**2.47**	3,553	1.31
Interest income from investments	**94,976**	**35.22**	123,781	45.75
Interest income from the amount due from the Central Bank	**6,209**	**2.30**	6,545	2.42
Interest income from placements with banks and other financial institutions	**4,792**	**1.78**	2,707	1.00
Interest income from resale agreements	**2,676**	**0.99**	2,824	1.04
Interest income from deposits in banks and other financial institutions	**2,209**	**0.82**	2,949	1.09
Interest income from financing lease	**5,291**	**1.96**	5,717	2.11
Other interest income	**371**	**0.14**	1,236	0.46
Subtotal of interest income	**269,677**	**100**	270,578	100
Interest expense				
Interest expense on borrowings from the Central Bank	**7,215**	**4.33**	8,639	4.94
Interest expense on deposits	**86,691**	**52.01**	69,985	40.01
Interest expense on bonds issuance	**27,812**	**16.68**	27,707	15.84
Interest expense on deposits from banks and other financial institutions	**34,548**	**20.73**	55,205	31.56
Interest expense on placements from banks and other financial institutions	**6,289**	**3.77**	8,899	5.09
Interest expense on repurchase agreements	**3,888**	**2.33**	4,259	2.43
Other interest expenses	**246**	**0.15**	227	0.13
Subtotal of interest expense	**166,689**	**100**	174,921	100
Net interest income	**102,988**		95,657	

The Company's net interest spread was 1.64%, representing an increase of 10 BP year-on-year; the net interest margin was 1.94%, representing an increase of 11 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	2019		2018	
	Average balance	Average yield(%)	Average balance	Average yield(%)
Interest-bearing assets				
Corporate and personal loans and advances	**3,232,179**	**4.74**	2,686,176	4.69
Based on loan type:				
Corporate loans	**1,934,451**	**4.71**	1,667,424	4.82
Personal loans	**1,297,728**	**4.78**	1,018,752	4.48
Based on loan term:				
General short-term loans	**1,229,281**	**4.49**	1,139,365	4.51
Medium and long-term loans	**1,809,461**	**5.04**	1,460,677	4.87
Discounted bills	**193,437**	**3.45**	86,134	4.12
Investments	**2,090,509**	**4.46**	2,577,388	4.80
Deposits in the Central Bank	**403,170**	**1.54**	425,645	1.54
Deposits in and placements with banks and other financial institutions (including financial assets purchased under resale agreements)	**380,268**	**2.54**	291,577	2.91
Finance lease	**108,012**	**4.90**	109,533	5.22
Total	**6,214,138**	**4.30**	6,090,319	4.44

Item	2019		2018	
	Average balance	Average cost ratio(%)	Average balance	Average cost ratio(%)
Interest-bearing liabilities				
Due to customers	**3,630,994**	**2.39**	3,201,074	2.19
Corporate deposits	**3,035,254**	**2.42**	2,719,409	2.25
Demand deposits	**1,164,053**	**0.95**	1,073,591	0.75
Time deposits	**1,871,201**	**3.33**	1,645,818	3.22
Personal deposits	**595,741**	**2.25**	481,665	1.84
Demand deposits	**263,900**	**0.31**	246,033	0.30
Time deposits	**331,841**	**3.79**	235,632	3.44
Deposits in and placements from banks and other financial institutions (including financial assets sold under repurchase agreements)	**1,581,787**	**2.83**	1,872,021	3.66
Borrowings from the Central Bank	**217,812**	**3.31**	262,826	3.29
Bonds payable	**817,016**	**3.40**	693,831	3.99
Total	**6,247,610**	**2.66**	6,029,752	2.90
Net interest spread		**1.64**		1.54
Net interest margin		**1.94**		1.83

Standard for measuring net interest margin:

(1) 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) The Company has adopted the New Financial Instruments Standard since January 1, 2019. The interest income of trading financial assets was not presented within 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 RMB78.320 billion, representing an increase of RMB15.690 billion or 25.05% year-on-year and representing an increase of 14.89% after elimination of the impact of presenting the interest income from trading financial assets under the New Financial Instruments Standard. The specific composition is set out as follows:

Unit: RMB million

Item	2019	2018
Net fee and commission income	**49,679**	42,978
Gain and loss from investment	**24,992**	26,482
Gain and loss from changes in fair value	**1,622**	2,919
Gain and loss from exchange	**851**	(11,298)
Gain from disposal of assets	**38**	19
Other income	**363**	637
Income from other businesses	**775**	893
Total	**78,320**	62,630

During the reporting period, the Company realized fee and commission income of RMB49.679 billion, up RMB6.701 billion or 15.59% 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 RMB27.465 billion, representing an increase of RMB9.362 billion year-on-year. The first reason for such increase was that net interest income for trading financial assets was presented in investment gains according to the Notice of the Revised Format of 2018 Financial Statements for Financial Enterprise. The second reason was that the bond market was improving, and the income of bond-related financial assets has increased.

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

Unit: RMB million

Item	2019		2018	
	Balance	Percentage (%)	Balance	Percentage (%)
Fee and commission income:				
Fee income from payment and settlement	**1,395**	**2.60**	1,682	3.57
Fee income from bank cards	**30,174**	**56.26**	21,408	45.49
Fee income from agency business	**3,269**	**6.10**	2,670	5.67
Fee income from guarantee commitment	**1,591**	**2.97**	1,526	3.24
Fee income from trading business	**1,005**	**1.87**	942	2.00
Fee income from custody business	**2,707**	**5.05**	3,405	7.24
Fee income from consulting service	**9,272**	**17.29**	11,124	23.64
Fee income from trust business	**2,469**	**4.60**	2,118	4.50
Fee income from lease business	**841**	**1.57**	1,053	2.24
Other fee income	**911**	**1.69**	1,134	2.41
Subtotal	**53,634**	**100**	47,062	100
Fee and commission expense	**3,955**		4,084	
Net fee and commission income	**49,679**		42,978	

3. Operating and administrative expense

During the reporting period, the operating expense of the Company was RMB46.557 billion, up RMB4.493 billion or 10.68% year-on-year. The specific composition is set out as follows:

Unit: RMB million

Item	2019		2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Accrued payroll	**28,008**	**60.16**	26,229	62.35
Depreciation and amortization	**2,199**	**4.72**	2,423	5.76
Lease expense	**3,107**	**6.67**	3,003	7.14
Other general and administrative expenses	**13,243**	**28.45**	10,409	24.75
Total	**46,557**	**100**	42,064	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 26.03%, maintaining at a low level.

4. Impairment loss

During the reporting period, the Company's impairment loss was RMB58.096 billion, up RMB11.692 billion or 25.20% year-on-year. The specific composition of impairment loss of assets is set out as follows:

Unit: RMB million

Item	2019		2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Impairment loss of loans	**46,692**	**80.37**	38,067	82.03
Impairment loss of debt investments	**4,633**	**7.97**	N/A	N/A
Impairment loss of other debt investments	**817**	**1.41**	N/A	N/A
Impairment loss of off-sheet assets	**1,277**	**2.20**	N/A	N/A
Impairment loss on investment in accounts receivable	**N/A**	**N/A**	5,409	11.66
Impairment loss on available-for-sale financial assets	**N/A**	**N/A**	648	1.40
Impairment loss on finance lease receivable	**626**	**1.08**	1,128	2.43
Other impairment loss	**4,051**	**6.97**	1,152	2.48
Total	**58,096**	**100**	46,404	100

During the reporting period, the Company accrued a loan impairment loss of RMB46.692 billion, up RMB8.625 billion year-on-year, mainly due to the adequate provision for loan losses by the Company in accordance with the relevant provisions of the Accounting Standards for Business Enterprises based on the expected credit loss model as well as quantitative parameters of risk such as the customer's default probability and default loss rate, taking into consideration macro forwarding adjustments.

5. Income tax

During the reporting period, the effective income tax rate of the Company was 10.47%. 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	2019
Profit before tax	74,503
Statutory tax rate (%)	25
Income tax calculated at statutory tax rate	18,626
Effect on tax due to adjustment on the following items:	
Tax-exempt income	(12,324)
Non-deductible items	1,488
Adjustment on the tax of previous years	11
Income tax expense	7,801

(IV) Analysis of the cash flow statement

Unit: RMB million

Item	2019	2018
Cash flows from operating activities	**(588,009)**	(356,099)
Cash flows from investing activities	**602,337**	422,390
Cash flows from financing activities	**166,667**	10,436

During the reporting period, the net cash outflow from operating activities was RMB588.009 billion, representing an increase of RMB231.910 billion as compared with last year, mainly due to the increased efforts in loan issuance.

Net cash inflow from investing activities was RMB602.337 billion, representing an increase of RMB179.947 billion 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 inflow from financing activities were RMB166.667 billion, representing an increase of RMB156.231 billion 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. According to 2016-2020 Group Development Plan and Industrial Bank Medium-term Capital Management Plan (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.

Based on regulatory policies and changes in the operating environment, the Company has prepared the capital management plan for 2019 on the basis of the Mid-term Capital Management Plan (2018-2020) and submitted it to the Board for review. The Company continued to strengthen the management of capital constraints. Subject to the restrictive condition that core Tier 1 capital shall be used to endogenously support business development, it reasonably formulated the annual comprehensive business plan and capital budgets. According to the annual goals for capital adequacy ratio management determined by the Board, the Company reasonably arranged the total amount of risk-weighted assets, optimized the allocation as well as management and control mechanism of risk-weighted asset quotas, and tilted limited capital resources to businesses and operating institutions with sound capital return and meeting the criteria of key product, customer, and industry standards, so as to promote the continuous improvement of capital use efficiency.

The Company implemented the external capital replenishment plan set out in the Mid-Term Capital Management Plan (2018-2020), completing the capital replenishment tasks of issuing RMB30 billion of preferred shares and RMB50 billion of Tier 2 capital bonds during the reporting period, and redeeming RMB20 billion of Tier 2 capital bonds issued in 2014 with a redemption clause at the end of the fifth year. Meanwhile, the Board and shareholders' general meeting of the Company also considered and approved the Proposal regarding the Issuance of Undated Capital Bonds, proposing to issue undated capital bonds of not more than RMB30 billion in the national inter-bank bond market, which is subject to the approval by relevant regulatory authorities.

The Company strengthened the Group's consolidated capital management by centrally considering the needs of consolidated subsidiaries for regulatory compliance, shareholder returns, business development and risk coverage, tracking and monitoring the capital allocation and use of consolidated subsidiaries, and maintaining a stable capital adequacy level and reasonable capital structure of consolidated subsidiaries.

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 order to further improve the second pillar of the New Capital Accord, the Company started internal capital adequacy assessment process (ICAAP) project during the reporting period.

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 the non-retail internal rating model and pre-production verification, and the third-phase system upgrade was in progress. It started internal capital adequacy assessment process (ICAAP) project and retail internal rating third-phase upgrade project.

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.

3. Capital adequacy ratio

Unit: RMB million

Item	December 31, 2019	December 31, 2018
Total capital	**685,433**	578,414
1. Core Tier 1 capital	**485,821**	441,197
2. Other Tier 1 capital	**55,953**	25,970
3. Tier 2 capital	**143,659**	111,247
Capital deductions	**886**	832
1. Amount of deduction from core Tier 1 capital	**886**	832
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	**-**	-
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	**684,547**	577,582
Minimum capital requirement	**409,869**	378,745
Reserve capital and counter-cyclical capital requirement	**128,084**	118,358
Additional capital requirement	**-**	-
Core Tier 1 capital adequacy ratio (before consolidation) (%)	**9.09**	9.03
Tier 1 capital adequacy ratio (before consolidation) (%)	**10.24**	9.61
Capital adequacy ratio (before consolidation) (%)	**13.10**	12.01
Core Tier 1 capital adequacy ratio (after consolidation) (%)	**9.47**	9.30
Tier 1 capital adequacy ratio (after consolidation) (%)	**10.56**	9.85
Capital adequacy ratio (after consolidation) (%)	**13.36**	12.20

(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., Industrial Consumer Finance Co., Ltd. and CIB Wealth Management 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 RMB63.231 billion, the total credit risk exposure was RMB7,904.368 billion, and the credit risk weighted assets reached RMB4,587.234 billion, up 6.12% year-on-year, among which the balance of securitized assets was RMB147.038 billion, the credit risk exposure was RMB147.009 billion and the credit risk weighted assets reached RMB60.117 billion.

As at the end of the reporting period, the Company adopted the standard approach for market risk measurement. The amount of market risk-weighted assets was RMB19.506 billion, which was 12.5 times of the total market risk capital requirement of RMB243.827 billion.

As at the end of the reporting period, the Company adopted the basic indicator approach for operating risk measurement. The amount of operating risk-weighted assets was RMB23.384 billion, which was 12.5 times of the total operating risk capital requirement of RMB292.300 billion.

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, 2019	September 30, 2019	June 30, 2019	March 31, 2019
Net Tier 1 capital	**540,887**	**530,174**	**511,084**	**481,626**
Balance of on- and off-balance sheet assets after adjustment	**8,431,425**	**8,203,022**	**8,160,918**	**7,796,450**
Leverage ratio (%)	**6.42**	**6.46**	**6.26**	**6.18**

Please refer to the Investor Relations column at the Company's website (www.cib.com.cn) for details of leverage ratio.

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, 2019
Qualified high-quality current assets	**946,577.00**
Net cash outflow during the next 30 days	**526,923.09**
Liquidity coverage ratio (%)	**179.64**

6. Net stable funding ratio

As at the end of the reporting period, in accordance with the Measures for Information Disclosure regarding Net Stable Funding Ratio of Commercial Banks, information about the Company's net stable funding ratio was as follows:

Unit: RMB million

Item	December 31, 2019	September 30, 2019	June 30, 2019
Net stable funding ratio (%)	**104.57**	**105.24**	**102.72**
Available stable funding	**3,920,969.26**	**3,851,224.98**	**3,750,972.69**
Required stable funding	**3,749,700.91**	**3,659,301.48**	**3,651,590.48**

According to the Capital Rules for Commercial Banks (Provisional), the Company issued Information Disclosure Report on Capital Adequacy Ratio of Industrial Bank Co., Ltd. for 2019. Please refer to the website of Shanghai Stock Exchange (www.sse.com.cn) and the Investor Relations column at the website of the Company (www.cib.com.cn) for details.

II. Discussion and analysis on future development

(1) Industrial pattern and trends

The year 2020 is the closing year of building a well-off society in an all-round manner and the "13th Five-Year Plan", and a critical year to win the three tough battles. The unexpected COVID-19 epidemic posed great challenges and uncertainties. The state will go all out in combating the epidemic. It will focus on both epidemic prevention and resumption of work and production. On this basis, the state will promote high-quality development centering on implementing the new development philosophy, and seek a dynamic balance between multiple goals including stabilizing growth and preventing risks, so as to ensure reasonable growth in quantity and steady improvement in quality.

In terms of macro policies, in order to effectively combat the epidemic and resume work and production, the state will continue to implement active fiscal policies and prudent monetary policies. Fiscal policies will focus on improving quality and efficiency, and monetary policies will focus on unclogging the transmission mechanism and reducing the financing cost of the real economy.

In terms of economic operation, the state will give full play to the foundation role of consumption and the key role of investment. While maintaining stable and healthy development of real estate and promoting the optimization and upgrade of traditional industries, the state will vigorously support strategic emerging industries, advanced manufacturing, livelihood construction, infrastructure, new infrastructure, digital economy, consumption and modern service industry, and senior care industry to accelerate the cultivation of new growth drivers. On the basis of giving play to the comparative advantages of each region, priority will be given to the development of Beijing-Tianjin-Hebei, the Yangtze River Delta, the Pearl River Delta and certain important urban agglomerations in order to promote the creating of new engines to drive high-quality development of the entire country.

In terms of the financial sector, the state will deepen the structural reform on the financial supply side. It will improve the financial institution system, market system, and product system to build a modern financial system that is highly adaptable, competitive, and inclusive and accelerate the development of capital markets and direct financing. It will direct large banks to focus on serving smaller enterprises and encourage small and medium-sized banks to focus on their principal businesses, thereby intensifying the efforts to serve the real economy. It will guide the allocation of more financial resources to strategic emerging industries, advanced manufacturing, private enterprises, small and micro enterprises and other key areas and weak links. It will support the differentiated development and characteristic operation of joint-stock commercial banks. At the same time, it will continue to improve financial supervision policies and maintain strict supervision and heavy penalties.

(II) The Company's development strategy and business objectives

Guided by Xi Jinping’s socialist ideology with Chinese characteristics in the new era, keeping in mind the original aspiration and mission of “exploring the path for financial reform and making contributions to economic development”, and in accordance with the general requirements of promoting high-quality development and building a value-based bank, the Company will stabilize its performance, enhance structure, strengthen characteristics, make up shortcomings, consolidate foundation, and increase driving force. It will continue to deepen reforms according to the needs of transformation and development and solidly implement the "1234" strategy to ensure reasonable growth of the overall scale, operating income, and net profit, maintain high asset quality, and further consolidate the leading position among peer banks, laying a more solid foundation for achieving the goal of becoming a “First-class Bank, Everlasting CIB".

Firstly, optimize the "two layouts on- and off-balance sheet". The Company adopts different development strategies for on- and off-balance sheet, and adjusts and optimizes the business layout, so as to better release the strategic potential of "commercial banking + investment banking". The space on the balance sheet is limited, so we focus on enhancing refinement and quality by consolidating the customer base, optimizing the structure of assets and liabilities to build a solid foundation for develop. The space off the balance sheet is unlimited, so we focus on increasing scale and strength by promoting the off-balance sheet transfer of on-balance sheet assets, aligning customer financing with agency funds off the balance sheet, and meeting customer's wealth management needs off the balance sheet. By enlarging the off-balance sheet space, we aim to broaden the source of income and accelerate the transformation of light assets and light capital.

Secondly, build "three financial ecosystems". The Company continued to expand its circle of partners along the direction of building a "settlement, investment, and transaction" bank, and formed a broad cooperative and win-win financial ecology. The Company endeavors to build a scenario ecosystem by integrating financial services into production and living scenarios of customers to enhance customer stickiness and capital flow, thereby strengthening the foundation of commercial banking. The Company endeavors to build an investment banking ecosystem by effectively integrating multi-market, multi-channel, and multi-product financial service functions to provide customers with a package of financing solution, demonstrating the advantages of a large investment bank. The Company endeavors to build an investment ecosystem by continuously expanding the investment map and investing extensively in building underlying assets and grouping them into financial products suitable for customers' investment and wealth management, thereby strengthening the positioning of large asset management and wealth management.

Thirdly, implement the "four keys". By integrating the functions of commercial banking + investment banking, the Company focuses on key areas and accentuates characteristics in region, industry, customer, and product. Through grid deployment, sand-table implementation, and refined management, the Company focus on improving the contribution of key regions, expanding the coverage in key industries, tapping the value chain of key customers, enhancing the competitiveness of key products, thereby ensuring the efficiency of input and output and achieving differentiated development and characteristic management.

Fourthly, enhance the "four empowerments". The Company will unleash the driving force of financial technology to transform the role of information technology from management support and analysis to that of a leader and executor. We will take full advantage the guiding power of economic research to facilitate more effective development of low-risk customers by the Company to obtain comprehensive income, and be more confident in serving high-risk customers to obtain surplus income, thereby continuously improving capital gains. We will give full play to our risk management instincts to establish more refined risk tolerance, access standards and authorization system and improve the operation capability of special assets, so as to seize business opportunities and enhance profitability in a timely manner by improving risk control ability. We will tap the potential of synergy to effectively integrate the Group's powers to provide customers with high-quality comprehensive financial services, thereby maximizing overall benefits.

In 2020, in accordance with the general requirements of promoting high-quality development and building a value-based bank, adhering to the general policy of striving for growth while maintaining stability, and based on the needs of transformation-driven development, the Company will continue to deepen reforms and promote the implementation of the "1234" strategy, so as to ensure reasonable increase in overall scale, operating income and net profit, continuous improvement of asset quality, and out-performance of the broader market. Meanwhile, the Company will actively cope with the impact of the epidemic, take active measures to serve the real economy, practice inclusive finance, strengthen the support for private enterprises, small and micro enterprises, and key state-supported industries and manufacturing industries, striving to satisfy the people's needs for financial services.

III. Business overview of the Company

(1) 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	-	**4,443**	**2,704,162**
Financial Markets	168 Jiangning Road, Shanghai	-	**97**	**762,408**
Credit Card Center	500 Lai'an Road, Pudong New District, Shanghai	-	**1,044**	**343,531**
Beijing Branch	20 Chaoyangmen North Avenue, Chaoyang District, Beijing	**79**	**2,599**	**582,647**
Tianjin Branch	11 Baoding, Road, Heping District, Tianjin	**83**	**1,309**	**74,176**
Shijiazhuang Branch	1 Weiming South Avenue, Qiaoxi District, Shijiazhuang	**65**	**1,827**	**82,371**
Taiyuan Branch	1 Changfeng West Street, Wanbolin District, Taiyuan	**75**	**1,631**	**127,878**
Hohhot Branch	5 Xing'an South Road, Xincheng District, Hohhot	**44**	**1,117**	**57,124**
Shenyang Branch	77 Wenhua Road, Heping District, Shenyang	**45**	**1,259**	**75,876**
Dalian Branch	85A Yide Avenue, Zhongshan District, Dalian	**24**	**601**	**39,115**
Changchun Branch	283 Jiefang Road, Nanguan District, Changchun	**29**	**1,050**	**53,641**
Harbin Branch	88 Huanghe Road, Nangang District, Harbin	**30**	**904**	**48,175**
Shanghai Branch	168 Jiangning Road, Shanghai	**79**	**2,218**	**436,335**
Nanjing Branch	2 Changjiang Road, Nanjing	**113**	**3,327**	**356,994**
Suzhou Branch	125 Wangdun Road, Suzhou Industrial Park, Suzhou	**17**	**564**	**66,554**
Hangzhou Branch	40 Qingchun Road, Hangzhou	**107**	**2,426**	**258,207**
Ningbo Branch	905 Baizhang East Road, Ningbo	**32**	**690**	**47,115**
Hefei Branch	Binhu Time Square, Binhu New District, Hefei	**41**	**1,255**	**88,336**
Fuzhou Branch	32 Wuyi Middle Road, Fuzhou	**63**	**1,413**	**223,626**
Xiamen Branch	78 Hubin North Road, Xiamen	**29**	**1,172**	**100,411**
Putian Branch	22 Xueyuan South Road, Chengxiang District, Putian	**12**	**363**	**16,802**
Sanming Branch	Building 362, New Qianlong Village, Meilie District, Sanming	**12**	**373**	**15,007**
Quanzhou Branch	Xingye Building, Fengze Street, Quanzhou	**50**	**1,237**	**70,933**
Zhangzhou Branch	491 Zhanghua Middle Road, Xiangcheng District, Zhangzhou	**21**	**593**	**34,928**
Nanping Branch	399 Binjiang Middle Road, Nanping	**17**	**350**	**15,358**
Longyan Branch	298 Longyan Avenue, Xinluo District, Longyan	**12**	**406**	**21,591**
Ningde Branch	6 Tianhu East Road, Jiaocheng District, Ningde	**13**	**330**	**25,050**
Nanchang Branch	1568 Honggu Middle Avenue, Honggutan New District, Nanchang	**48**	**878**	**46,166**
Ji'nan Branch	86 Jingqi Road, Ji'nan	**116**	**2,780**	**185,892**

Unit	Business Address	Number of outlets	Number of employees	Size of assets (RMB million)
Qingdao Branch	886 Tongan Road, Laoshan District, Qingdao	**22**	**628**	**49,533**
Zhengzhou Branch	288 Jinshui Road, Zhengzhou	**45**	**1,468**	**107,582**
Wuhan Branch	108 Zhongbei Road, Wuchang District, Wuhan	**70**	**1,462**	**128,901**
Changsha Branch	192 Shaoshan North Road, Changsha	**44**	**1,484**	**125,953**
Guangzhou Branch	101 Tianhe Road, Guangzhou	**128**	**3,321**	**442,861**
Shenzhen Branch	4013 Shennan Boulevard, Futian District, Shenzhen	**50**	**1,546**	**299,263**
Nanning Branch	146 Minzu Boulevard, Qingxiu District, Nanning	**30**	**1,058**	**68,950**
Haikou Branch	7 Jinlong Road, Longhua District, Haikou	**12**	**391**	**19,699**
Chongqing Branch	1 Honghuang Road, Hongqihegou, Jiangbei District, Chongqing	**62**	**1,190**	**110,042**
Chengdu Branch	936 Shijicheng Road, Gaoxin District, Chengdu	**121**	**1,847**	**132,647**
Guiyang Branch	45 Zhonghua South Road, Guiyang	**15**	**567**	**38,247**
Kunming Branch	363 Jinbi Road, Xishan District, Kunming	**28**	**873**	**46,059**
Xi'an Branch	1 Tangyan Road, Xi'an	**75**	**1,152**	**116,396**
Lanzhou Branch	75 Qingyang Road, Chengguan District, Lanzhou	**13**	**390**	**17,509**
Xining Branch	54 Wusi West Road, Xining	**4**	**208**	**14,180**
Urumqi Branch	898 Weitai South Road, Urumqi	**40**	**783**	**53,340**
Yinchuan Branch	239 Shanghai West Road, Jinfeng District, Yinchuan	**2**	**160**	**5,341**
Lhasa Branch	6 Yangdao Road, Taiyang Island, Chengguan District, Lhasa	**1**	**97**	**7,162**
Hong Kong Branch	3 Garden Road, Central, Hong Kong	**1**	**261**	**186,091**
Netting and summation adjustment within the system				**(1,951,909)**
Total		**2,019**	**57,142**	**6,978,256**

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**	**120,683**	**16,055**	**3,030**	**2,090**	**1,561**
China Industrial International Trust Limited	**10,000**	**42,145**	**19,520**	**4,461**	**2,188**	**1,664**
CIB Fund Management Co., Ltd.	**1,200**	**3,628**	**3,165**	**880**	**543**	**421**
Industrial Consumer Finance Co., Ltd.	**1,900**	**37,352**	**3,558**	**5,035**	**1,296**	**1,031**
CIB Wealth Management Co., Ltd.	**5,000**	**5,012**	**5,008**	**4**	**1**	**8**

(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 assets, 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 Financial Leasing has total assets of RMB120.683 billion and total liabilities of RMB104.628 billion. Owners' equity amounted to RMB16.055 billion. Total leasing assets on balance sheet amounted to RMB118.042 billion, which included RMB112.307 billion financing leasing assets and RMB5.735 billion operating leasing assets. During the reporting period, operating income was RMB3.030 billion, operating profit was RMB2.090 billion, and the net profit after tax was RMB1.561 billion.

During the reporting period, Industrial Financial Leasing continued to deepen cooperation between banking and leasing, achieving investment of RMB21.974 billion in joint projects. It continued to consolidate the advantages of its green leasing brand and made green leasing investment of RMB6.121 billion in the areas of water environment treatment, energy conservation and emission reduction, and clean energy. As at the end of the reporting period, the balance of green leasing assets was RMB38.877 billion, accounting for 34.60% of financial leasing assets. Industrial Financial Leasing tapped the characteristic markets of various regions and optimized the industry layout by promoting business investment in the fields with stable cash flow, such as public utilities and transportation. It set good positioning for leasing products and provided integrated financial service to key customers and key industries of the Group through professional products such as sale and leaseback, direct lease, and operating lease. By comparing advanced domestic and foreign peers, Industrial Financial Leasing adopted differentiated pricing and other incentive policies to guide the rapid development of transformation businesses such as vehicles and aircraft. During the reporting period, Industrial Financial Leasing invested RMB6.825 billion in the specialized sectors. To reduce financing costs, Industrial Financial Leasing promoted the construction of an RMB and foreign currency denominated trading system with diversified counterparties. Liability instruments covered all types of products for which it currently can cooperate with financial institutions, and financing channels covered all state-owned banks, policy banks, joint-stock banks, major municipal commercial banks, rural commercial banks, foreign banks and some non-banking financial institutions, achieving a breakthrough with the first USD financing for export credit agencies.

(2) China Industrial International Trust Limited

China Industrial International Trust Limited is a holding subsidiary of the Company with a registered capital of RMB10 billion and the Company holds 73% of the equity interest. 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.

During the reporting period, Industrial Trust promoted the active management business and steadily cut the scale of its passage business. Asset quality remained stable and all indicators met regulatory requirements. As at the end of the reporting period, Industrial Trust's fixed assets amounted to RMB42.145 billion, up 12.07% from the end of the previous year, owners' equity was RMB19.520 billion, up 11.27% from the end of the previous year, and the asset under management was RMB672.936 billion. During the reporting period, the operating revenue was RMB4.461 billion, the total profit was RMB2.188 billion, and the net profit was RMB1.664 billion.

Industrial Trust continued to shift towards the active management business, and the structure of trust business continued be optimized. As at the end of the reporting period, the size of subsisting trust business of Industrial Trust reached RMB549.959 billion, with the subsisting size of active management trust business reaching RMB123.145 billion, up 17.77% from the end of the previous year; the size of active management business accounting for 22.39%, up 7.98 percentage points from the end of the previous year; the subsisting size of passage business was RMB426.815 billion, a decrease of RMB194.250 billion or 31.28% from the end of the previous year. During the reporting period, the cumulative revenue of trust business was RMB2.468 billion, a year-on-year increase of 15.59%, including RMB1.766 billion of revenue from active management business, a year-on-year increase of 38.43%, accounting for 71.55%. Industrial Trust continued to promote business model innovation. The green trust business maintained the leading position. As of the end of the reporting period, the subsisting size of the Industrial Trust's green trust was RMB65.804 billion. The competitiveness of the asset management business improved significantly. As of the end of the reporting period, the subsisting size of the fixed-income actively managed asset management products of Industrial Trust was RMB23.096 billion, an increase of RMB10.580 billion over the end of the previous year. New progress was made in the equity investment business.

(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 4 branches across the nation, including Shanghai, Beijing, Shenzhen and Fuzhou as well as the wholly-owned fund subsidiary CIB Asset Management Co., Ltd.

During the reporting period, CIB Fund witnessed smooth overall development with respect to various businesses. As at the end of the reporting period, the total assets of CIB Fund reached RMB3.628 billion, representing an increase of 11.15% as compared to the end of previous year; owner's equity was RMB3.165 billion, representing an increase of 15.01% as compared to the end of previous year. During the period, it recorded operating revenue of RMB880 million, net profit of RMB421 million and ROE of 14.23%. Total asset scale under management at the end of the reporting period was RMB335.625 billion, of which mutual fund reached RMB192.880 billion. Size of specific accounts of the fund company reached RMB22.838 billion, and size of specific accounts of the branch companies reached RMB119.907 billion. As of the end of the reporting period, the size of non-monetary funds (excluding monetary funds, wealth management bond funds, and connection funds) managed by CIB Fund was RMB95.010 billion, an increase of 63.79% over the end of the previous year. The scale of non-monetary funds ranked 28th in the industry.

CIB Fund diversified and improved the product lines of public offering, consolidated and expanded the advantages of fixed income business, and vigorously promoted the development of equity business. For fixed-income products, CIB Fund built a full product line covering a wide variety of types such as cash management, open-ended bond fund, regularly open bond fund, and secondary bond fund. The newly issued bond index fund "Industrial Bank China Securities Bank 50 Financial Bond Index" was approved as a green pure bond regularly open bond fund and "Shanghai Securities 1-5 Year Local Government Bond ETF". The size of a single product of Industrial Bank Tianrong Bond Fund exceeded RMB10 billion. In terms of equity products, CIB issued the first stock ETF fund with a launching size of nearly RMB1.6 billion. It launched the first FOF public fund "CIB Pension 2035". With industry themes as a point of breakthrough, and leveraging its advantages in investment research, CIB Fund prioritized investment in equity-themed funds, focusing on such areas as consumption, technology, medicine, and high-end equipment manufacturing and selecting industry leaders, so as to enhance brand awareness and influence.

Leveraging its own abundant resources and relying on the resources of the Group, CIB Fund developed and created featured products. Focusing on the Group's green financial specialty business, CIB Fund launched a green bond fund. It applied and obtained approval for Fujian regional index fund "Industrial Bank China Securities Fujian 50 ETF" to serve the real economy of the region with Fujian, the Group's place of origin, as the core.

(4) Industrial Consumer Finance Co., Ltd.

Industrial Consumer Finance Co., Ltd. is a controlling subsidiary of the Company. It has a registered capital of RMB1.9 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 persevered on the development of inclusive finance. As of the end of the reporting period, Industrial Consumer Finance had total assets of RMB37.352 billion, and balance of various loans of RMB34.260 billion, a year-on-year increase of 65.55%. Industrial Consumer Finance adhered to the new risk control model of "traditional + big data" and focused on building a risk control system covering the full-process of "pre-loan + during load + post-loan". Industrial Consumer Finance implemented standardized operation protocols where the account manager carried out "personal approval and personal visit", "face-to-face interview and contract signing", and "home delivery of loans". It integrated and used traditional and emerging credit information to embellish customer profiles, optimize risk strategies, and enhance precision services for long-tail customers. Through comprehensive use of risk strategies, it developed and continuously optimized the automated approval system, thereby achieving industry-leading approval timeliness.

During the reporting period, Industrial Consumer Finance successfully completed capital increase to increase its registered capital to RMB1.9 billion. At the same time, Industrial Consumer Finance continued to promote the construction of a diversified financing system. It successfully issued the one tranche of financial bonds in August and November respectively, issuing a total of RMB3 billion for two tranches. Both the issuer and bond ratings were rated AAA. It issued one tranche of the "Xing Qing" series personal consumer loans ABS in September and November respectively, issuing a total of RMB4.068 billion for the two tranches.

(5) CIB Wealth Management Co., Ltd.

CIB Wealth Management Co., Ltd. is a wholly-owned subsidiary of the Company with a registered capital of RMB5 billion. It was officially approved for opening on December 13, 2019. Its business covers the public issuance of wealth management products for the unspecified social public, and investment and management of entrusted investor properties; the non-public issuance of wealth management products to qualified investors, and investment and management of entrusted investor properties; financial advisory and consulting services; other businesses approved by the CBIRC.

CIB Wealth Management is an important part for the implementation of the Company's strategic transformation of "light capital, light assets and high efficiency". It will adhere to market-oriented and professional approach to develop into a leading domestic asset management institution with high market influence, driving the high-quality development of the Company's asset management business. As at the end of the reporting period, CIB Wealth Management has total assets of RMB5.012 billion. Owners' equity amounted to RMB5.008 billion. During the reporting period, it achieved operating income of RMB3,900.3 thousand in aggregate and net profit of RMB8,191.4 thousand.

Other Important Subsidiaries

(6) Industrial Futures Co., Ltd.

Industrial Futures Co., Ltd. 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. Industrial Futures has established a wholly-owned risk management subsidiary - Industrial Yinqi Commodity Trading Co., Ltd. It has 17 subsidiaries in Shanghai, Beijing, Zhejiang, Fujian, Guangdong, Shenzhen and other areas, forming a nationwide presence in major economic centers of China and established footholds in areas that it specializes in.

During the reporting period, with traditional brokerage business as its principle business, Industrial Futures accelerated the development of asset management and risk management business and continued to intensify innovation, achieving steady and orderly development of all businesses. As at the end of the reporting period, Industrial Futures has total assets of RMB5.281 billion, up 33.62% year-on-year. Its aggregate customers' equity amounted to RMB4.511 billion, up 36.08% year-on-year. Its asset management business amounted to RMB6.598 billion, up 174.72% year-on-year.

Industrial Futures actively responded to the call of the central government and regulatory authorities to serve the state's strategy to combat poverty. It tapped industry characteristics, adhered to precision requirements, and deepened professional assistance to fulfill social responsibilities. During the reporting period, Industrial Futures launched an "insurance + futures" project covering six national poverty-stricken counties with a nominal principal of RMB130 million.

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

CIB Economic Research and Consulting Co., Ltd. is a holding subsidiary of the Company with a registered capital of RMB60 million. Its research scope includes: macro economy, asset allocation strategy, fixed income, overseas studies, green finance, exchange rate and commodities, fund research, equity research, industry research, credit rating and other areas.

Improve the research system to continuously improve core competitiveness. Focusing on the core development direction of the financial industry, CIB Research continued to monitor the changes in the new financial ecology and carry out in-depth analysis of the transformation path of China's asset management and wealth management to provide research support for the transformation and development of the Group. It conducted in-depth research on green finance and in-depth analysis of commercial banks' climate investment and financing innovation, green financial supply chain, green bonds and other topics in conjunction with industry development trends, so as to continuously expand brand influence. It closely followed the trend of the fixed income market and conducted in-depth research on the trend of short- and medium-term interest rates, bond investment strategies and credit bond-themed strategies. It continuously optimized the overseas research report system to improve the quality of in-depth special reports.

Continuously promote the innovation-driven development of the credit product system. On the research side, CIB Research continuously improved the credit evaluation methodology, expanded the coverage of core bond issuers, increased tracking and update frequency, and improved the accuracy and forward-looking of scoring. During the reporting period, the success rate of early warning of the substantial breach of the contract by issuers reached 80%, which was further verified and recognized by the market. On the basis of achieving full coverage of bond issuers, CIB Research closely tracked and conducted in-depth research on 1,500 key bond issuers to further improve the quality and depth of research. It launched six major series of special studies, namely financing platform evaluation methods, special study on financial reporting quality, special study on regions of real estate debt, special study on university-enterprise reform, special study on PPP, and disposal of default bonds, to further enrich the special reporting system on credit and strengthen the research and judgment of the trends in the credit market. On the product side, CIB Research continued to improve the product form, building a product system comprising eight major products and ten sub-products such as credit bond inspection, new bond research, and bond pool. With the in-depth advancement of product system construction, its customers and revenue achieved rapid growth, and its market competitiveness continued to improve. As of the end of the reporting period, the total number of customers contracted by CIB Research exceeded 160.

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

CIB FINTECH (Shanghai) Co., Ltd. is a holding subsidiary of the company. Its business scope includes financial data cloud service and open bank integrated financial services. As the Company's technology core and innovation incubator, CIB FINTECH has the full responsibility for the Company's technology research and development and digital innovation. It provides solutions and export technology products and services for the digital transformation of commercial banking through cutting-edge technologies such as cloud computing, artificial intelligence, open APIs, process robots, and blockchain.

During the reporting period, the business of Financial Industry Cloud grew steadily. Digital Financial Cloud had a total of 366 contracted small and medium-sized banks, and a total of 211 small and medium-sized banks launched the cloud. 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 provincial rural credit cooperatives, foreign banks, financial companies and financial leasing companies. In terms of product services, the comprehensive replacement and upgrade of the new-generation system groups was steadily advancing. The first batch of 64 customers went live. The general consulting services for businesses and IT were launched simultaneously.

In terms of innovative businesses, the open platform has launched 252 financial services and API interface services. During the reporting period, a total of 215 million transactions were completed, an increase of 59.26% year-on-year, and the transaction size was RMB401.628 billion, an increase of 160.12% year-on-year. It brought RMB1.5 billion of daily average settlement-type deposits for partner banks, served over 30,000 corporate customers, and brought 2.27 million scenario-end customers cumulatively brought for partner banks. In terms of smart banking, it has completed the launch of RPA process robots in 24 processes of the Group in aggregate, delivered over 400 robots, saved more than 500 man-months, and generated over RMB700 million of new revenue of in aggregate. It signed contracts with 10 external customers in aggregate and delivered 6 business processes.

(9) 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 in February 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.

Industrial Asset Management gave full play to the service functions of the professional operation license for special assets and private equity fund managers, and its operating performance met expectations. As of the end of the reporting period, Industrial Asset Management had total assets of RMB15.983 billion, total liabilities of RMB11.906 billion, and net assets of RMB4.077 billion. During the reporting period, it achieved a net operating income of RMB333 million and a net profit of RMB155 million.

Industrial Asset Management is rooted in Fujian and serves Fujian. It carries out special asset management centering on the needs of serving the risk prevention of local government and risk disposal of financial institutions to help optimize the regional financial ecology. The traditional acquisition and disposal business of special assets remained steady with moderate growth. During the reporting period, the total amount of creditor's rights of various special assets acquired was RMB29.448 billion in aggregate, of which the primary bulk transfer market in Fujian accounted for more than 20%. The total amount of creditor's rights of various special assets disposed of was RMB14.138 billion in aggregate. The special asset innovative investment business achieved effective breakthroughs. Industrial Asset Management steadily promoted the business of investment in non-performing credit card ABS, and actively developed the business of stock pledge for relief in the capital market and market-oriented debt-to-equity conversion business. During the reporting period, Industrial Asset Management completed two stock transactions and three stock pledge for relief transactions (transaction amount totaling RMB1.141 billion), and successfully launched the first market-based debt-to-equity conversion project jointly undertaken by multiple banks in Fujian Province. Industrial Asset Management continued to promote financing. During the reporting period, it successfully issued RMB2 billion of perpetual bonds, RMB1 billion of private equity corporate bonds, and RMB500 million of privately placed debt financing instruments, further optimizing its capital and liability structure.

(II) Business analysis

1. Customer lines

Corporate finance business

The size of the Company's corporate financial assets and liabilities steadily increased, and the customer management system was gradually improved. As at the end of the reporting period, the corporate deposits amounted to RMB3,097.130 billion, increasing by RMB324.227 billion from the end of the previous year. Corporate loans reached RMB1,996.134 billion, increasing by RMB224.952 billion from the end of the previous year. The corporate finance business had a total of 783.9 thousand customers, up by 83.4 thousand from the end of the previous year. The corporate finance business' value and core customers aggregated at 103.8 thousand, up by 10.3 thousand from the end of the previous year.

Large customer business improved the operation system of key customers. The operating results in relation to strategic customers, listed companies and customers from professional customer base were remarkable. As at the end of the reporting period, the number of large corporate customers reached 44,717, up by 4,918 from the end of the previous year. The number of subsidiaries of Head Office-level key customers that cooperated with the Company reached 10,259, up by 887 from the end of the previous year. 3,199 companies that are already or plan to be listed were cooperating with the Company, up by 189 from the end of the previous year. Large customer corporate loans (including discounted bills) reached RMB883.627 billion, increasing by RMB54.303 billion from the end of the previous year. Daily average deposits of subsidiaries of Head Office-level key customers reached RMB597.524 billion, increasing by RMB52.721 billion from the end of the previous year. Corporate loans (including discounted bills) reached RMB464.282 billion, increasing by RMB62.409 billion from the end of the previous year. Daily average deposits of listed or to-be-listed companies that cooperated with the Company reached RMB224.966 billion, increasing by RMB29.780 billion from the end of the previous year. In the institutional business sector, on the basis of achieving full coverage of the central financial agency qualification, the financial agency business at all levels continued to expand in size and volume, and the special bond, finance and consulting business continues to expand. As at the end of the reporting period, the Company has 29,242 institutional customers, increasing by 2,392 from the end of the previous year. Daily average deposits reached RMB841.391 billion, increasing by RMB148.413 billion from the end of the previous year. In the auto finance sector, the Company accelerated the use of customized products for auto finance and promoted upgrade 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. As of the end of the reporting period, the auto finance business has 9,067 customers, increasing by 1,172 from the end of the previous year. Financing balance was 205.403 billion, increasing by RMB32.753 billion from the end of the previous year. Daily average deposits reached RMB110.818 billion, increasing by RMB14.313 billion from the end of the previous year.

The medium and small financial services focused on inclusive small and micro customers, private enterprise customers, as well as technological innovation customers. As at the end of the reporting period, the Company had 709.9 thousand medium and small enterprise customers, representing an increase of 77.4 thousand compared with that at the beginning of the period; the balance reached RMB825.744 billion, representing an increase of RMB155.820 billion compared with the beginning of the period. The small business loan customers in inclusive finance business aggregated at 56.4 thousand, up by 20.4 thousand from the end of the previous year. Loan balances amounted to RMB126.049 billion, up by RMB34.051 billion from the end of the previous year, representing a year-on-year increase of 56.67% and 37.01%, respectively, exceeding the regulatory requirements of “two increases and two controls”. The number of private enterprise loan customers was 24.3 thousand. The loan balance was RMB738.835 billion, an increase of RMB98.432 billion compared with the beginning of the period. The Company improved the effectiveness of launching industrial cluster business. 576 SMEs launched cluster businesses, an increase of 154 compared with the beginning of the period. The number of credit customers under the cluster reached 10,274, an increase of 2,588 from the beginning of the period. The Company strengthened the promotion of online and offline products. It launched and ran online financing systems for small and micro enterprises independently developed by the Company, launching two online financing products, "Quick Easy Loan” and "Quick Mortgage Loan”, to quickly approve loans through online review for risk control. It strengthened the launch of key offline products such as industrial plant loans, equipment mortgages, "Integrity and Easy Loan”, and “Tax Easy Financing” and continued to promote the "Revolving Loan" business to reduce the cost of enterprises for loan renewal and financing. It accelerated the innovation of market-leading products, creating products such as "Annual Review Loan”, "Intellectual Property

Pledge", "Technology Loan" and "Tianli Wealth Management for Small and Micro Enterprise”. The Company launched the marketing activities for the Technological Innovation High-tech Park platform, launching the "Zhi Ma Kai Hua-Technological Innovation Little Giant" special marketing program to support innovation of technological innovation financial products. It actively tapped the function of "Zhi Ma Kai Hua-Industrial Investment” in attracting and guiding customers to continuously enhance the influence of the “Zhi Ma Kai Hua” technological innovation financial brand. The Company had 27.5 thousand financial innovation customers, an increase of 3,609 from the beginning of the period.

The transaction banking business endeavored to build a supply chain financial product ecosystem by improving the construction of the three trading platforms, namely "Xingxiang Bill Pool”, "U + Factoring”, and "Xing Cai Tong”. Focusing on the four key industries of medical care, housing construction, transportation and education, it utilized financial technology to create an industry ecosystem. It strengthened the customer base and product portfolio of international business, and gradually formed a cross-border integrated and diversified system. As of the end of the reporting period, the qualified balance of supply chain financing was RMB249.461 billion, an increase of RMB133.562 billion from the end of the previous year, up 115.24%. The number of cooperative core enterprises was 403, an increase of 121 from the end of the previous year. The number of upstream and downstream customers driven by core enterprises was 4,845, an increase of 64.07%. The pooling volume of the bill pool business was RMB170.499 billion, an increase of RMB94.963 billion from the end of the previous year, up 125.64%. The business volume of bill pool financing was RMB143.420 billion, an increase of RMB91.866 billion from the end of the previous year, a nearly double year-on-year increase. The number of customers of key cash management products was 9,065. The number of customer account transactions was 101 million, and the amount was RMB29.55 trillion. The number of corporate financial merchants of Internet payment was 46.2 thousand, and the average daily transaction volume was RMB696 million. The local and foreign currency cross-border settlement amount was US$202.146 billion, an increase of US$51.123 billion from the same period last year, up 33.85% year-on-year. The number of international settlement customers was 16,152, an increase of 5,352 from the end of the previous year, up 49.56%. Foreign receipt, payment and remittance transactions amounted to US$ 161.655 billion, an increase of US$ 68.415 billion from the same period last year, up 73.38% year-on-year. The average daily foreign currency deposits of domestic corporate finance were US$17.575 billion, and the average daily foreign currency loans of corporate finance were US$14.328 billion. Foreign currency deposits and loan balances remained the first among peer joint-stock banks.

The green finance business completed the mid-term target of "two ten thousand" one year ahead of schedule. In 2015, the Company established the "two-ten thousand” medium-term target for green finance, that is, by 2020, the Group’s financing balance of green finance exceeded RMB1 trillion, and the number of green finance customers exceeded 10,000. As of the end of the reporting period, the financing balance of green finance was RMB1,010.897 billion, the number of green finance customers was 14,764, and provided a total of RMB2,223.242 billion of green financing to 19,454 companies. In accordance with the requirements of "Building a First-class Comprehensive Service Provider of Green Finance" and "a Market-Leading Green Finance Group", the Company focused on key industry areas such as public service areas, clean energy and renewable energy as well as key special policy areas such as pilot areas for reform and innovation of green finance to effectively grasp the opportunities in the development of green industries such as the pilot areas for reform and innovation of green finance, the key areas of environmental protection inspection by the central government, the “Belt and Road Initiative”, the Yangtze River Great Protection Area, and the Xiongan New District, while consolidating the advantages in traditional fields, so as to ensure the sustained growth in the size of green finance and effective service to the construction of ecological civilization.

Building on the first-mover advantage of green finance, the Company promoted the export of professional capabilities. It strengthened technological support. The Company's self-developed professional system for green finance -"Green Finance Platform (GFP)" system ranked first in the "Top Ten Financial Innovation Projects in Fujian Province" in the 17th China-Strait Project Achievement Fair, and won the second prize of the People's Bank of China's Science and Technology Development Award. Support the construction of China's green finance system through "financing + intelligence". In the green credit sector, through three-way cooperation, the Company combined its professional capabilities in green finance with the government's preferential policies on green finance to innovatively launch green financial products and services such as "Environmental Protection Loan", "Green Ticket Pass" and "Green Creative Loan". In the green bond sector, the Company issued a total of RMB130 billion of green finance bonds, and the amount of its existing domestic green finance bonds was RMB100 billion. The Company participated in the revision of a number of green finance systems and policies and the drafting of planning schemes for pilot areas for reform and innovation of green finance in many regions. It entered into green finance cooperation agreements with nine provinces (autonomous regions) including Guizhou, Zhejiang, Jiangxi, and Xinjiang, with a total contract value of RMB570 billion. Since the signing of the contracts by the provinces and autonomous regions, the Company has invested more than RMB260 billion as of the end of the reporting period. As of the end of the reporting period, green finance-supported projects could save 30.04 million tons of standard coal annually, reduce carbon dioxide emissions by 84.3913 million tons annually, reduce chemical oxygen demand (COD) by 4.0701 million tons annually, comprehensively utilize 45.6782 million tons of solid waste annually, and save 410.0616 million tons of water annually. The above energy saving and emission reduction amount translated into shutting down 193 100-MW thermal power stations and suspending the running of 100,000 taxis for 41 years.

Retail finance business

The number of core valuable retail customers increased rapidly, the scale of comprehensive financial assets of retail customers 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 77.9246 million, an increase of 9.3524 million over the end of the previous year. The balance of financial assets of retail customers totaled RMB2,083.8 billion, a year-on-year increase of RMB312.4 billion. The balance of personal deposits was RMB664.602 billion, representing an increase of RMB133.442 billion from the end of the previous year, of which savings deposits amounted to RMB606.834 billion, representing an increase of RMB148.649 billion from the end of the previous year. As at the end of the reporting period, the balance of personal loans (excluding credit cards) was RMB1,065.976 billion, up 22.00% from the end of the previous year. The total amount of personal loans issued during the reporting period was RMB452.409 billion, up 26.54% year-on-year. During the reporting period, net income of retail banking was RMB54.367 billion, up 28.30% year-on-year.

The private banking business is committed to providing comprehensive financial service solutions for top high-net-worth customers. As at the end of the reporting period, the private banking customers was 40,191, a net increase of 9,601 compared with the end of the previous year, up 31.39%. The monthly daily average of entrusted finance assets of private banking customers amounted to RMB529.239 billion, an increase of RMB103.524 billion compared with the end of the previous year, up 24.32%. The investment research team regularly provided market analysis and major asset allocation strategy reports and established product evaluation systems covering public fund, insurance, private placement and other products to guide private banking customers in asset management and wealth management. The private banking business established a family wealth management studio to vigorously promote the full-process services including family trust and discretionary entrusted services. As of the end of the reporting period, more than 300 transactions had been conducted for family trust and discretionary entrusted services. The private banking business strictly implemented the new asset management regulations for agency products and selected leading management organizations in various strategy categories as agency product partners. During the reporting period, the monthly daily average balance of trust products deployed for private banking customers exceeded RMB100 billion, an increase of more than 75% from the end of the previous year. The private banking business explored and improved a unique non-financial value-added service system, focusing on meeting the personalized needs of high-end customers for health management, medical cosmetology, and child education. It created a value-added service system for private banking comprising "Four Major Clubs". During the reporting period, it carried out nearly 700 online and offline value-added service activities, covering nearly 30,000 people.

Bank card business continued to promote management and product innovation. As at the end of the reporting period, there were 57.5906 million debit cards issued, an increase of 5.0406 million from the end of the previous year. The number of debit card customers was 51.2445 million, and the per capita debit card number was 1.12. The cumulative development of acquiring merchants was 901.7 thousand. During the reporting period, the Company's express payment product bundled a total of 35.9514 million customers, recording a total transaction number of 2.367 billion and transaction value of RMB1,258.962 billion. The Company developed nearly 10.6036 million mobile payment customers of UnionPay cloud flash payment. The bank card business developed and promoted an acquiring App for account managers which reduced the entry work by using the App at the front-end to carry out information collection, picture taking, OCR recognition, GPS positioning, etc. to achieve paperless operations throughout the entire process, thereby improving the efficiency of account managers. At the same time, the App was connected to external data sources such as public security authorities, industry and commerce authorities, payment and clearing associations, UnionPay, etc. to automatically check the authenticity and risk information of merchants, thereby saving back-end human resources. The bank card business improved and continuously upgraded the merchant service public account by launching the merchant business statements, FAQs, electronic agreement signing, transaction inquiry and other functions, establishing initial ability of merchant services.

Through technology empowerment and data driving, the credit card business accelerated the digital and refined transformation and integration of business operations, risk prevention and control, and service models. As at the end of the reporting period, the Company issued 51.9280 million credit cards in aggregate, and 9.2151 million new cards were issued during the period; and a total transaction amount of RMB1,972.049 billion was achieved during the reporting period, up 29.87% year-on-year. The Company enhanced the core competitiveness of the credit card business by applying big data and artificial intelligence technologies in various fields such as risk management, interest-bearing operations, customer maintenance, and marketing and promotion. It sped up the construction and operation of the "Hao Xing Dong" platform to promote crossover cooperation and expand retail ecological service scenarios with an open and win-win Internet philosophy, thereby reshaping the value chain of the credit card business with digital capabilities. It paid close attention to the new characteristics and trends of changes in the risk environment, and maintained the ability of risk prevention and control at an advanced level in the industry through a series of measures such as continuously optimizing credit policies, strengthening fraud prevention and control, restructuring the collection system of non-performing assets, and solidly performing compliance management. The Company's collection robot project won the third prize of the "Banking Technology Development Award" of the People's Bank of China, the big data marketing service system for credit card was awarded the "Excellent Application of Big Data in Industry Award" in China Academy of Information and Communications Technology's 2019 Big Data "Galaxy Award", the intelligent audit system project of the credit card center was included in the "Best Practice Project Database for Financial Information Technology Risk Management and Audit" sponsored by the

Information Technology Audit Branch of the China Computer Users Association.

The retail wealth business strengthened research on product supply strategies and built a diversified and multi-layered round-the-clock customer asset allocation supermarket covering equity, insurance, and precious metals with "fixed income +" as the main theme, to drive the rapid sales growth of standard net-worth bank wealth management products and agency products. The Company strengthened the unified organization and coordination of the Group's grand wealth management business and strengthened the enhancement effect of financial technology on customer experience and sales service capabilities. During the reporting period, the sales of retail wealth management products were RMB5.60 trillion in aggregate; the sales revenue from agency products was RMB2.830 billion, a year-on-year increase of 54.86%, accounting for 45.27% of the revenue from the intermediate business of retail wealth management. As at the end of the reporting period, the financial assets of retail wealth management totaled at RMB1.48 trillion, an increase of 15.63% from the end of the previous year; the balance of standard net-worth bank wealth management products was RMB496.354 billion, an increase of 82.13% over the end of the previous year, accounting for 46.59% of the balance of retail bank wealth management products. In addition to developing the housing mortgage loans in a standard manner and giving priority to supporting the financing needs of the first ordinary home for personal use, the retail credit business increased the support for inclusive small and micro enterprises and actively invested in the development of small-sum online consumer products. It continued to intensify the expansion of retail core liabilities and actively developed basic settlement services such as payroll, acquiring, and third-party depository, focusing on expanding low-cost liabilities.

The retail online financial business actively carried out business innovation and customer operations. During the reporting period, it launched the new version of mobile banking App. As of the end of the reporting period, the number of effective customers of the Company's mobile banking was 31.3061 million, an increase of 22.71% from the end of the previous year; and the number of monthly active users (MAU) was 11.519 million. During the reporting period, the number of mobile banking transactions was 243.4049 million in aggregate, a year-on-year increase of 24.92%. The number of effective personal banking customers was 13.7496 million; the number of effective customers of corporate and interbank online banking was 411.7 thousand, the number of customer contracted by "Qianda Money Manager" was 14.371 million; the number of customers contracted by IB Steward was 237 thousand; and the transaction replacement rate of E-finance was 95.35%. The number of online transactions of the Company's main financial products (wealth management, funds, insurance, etc.) accounted for more than 90% of that of all channels. The Group's unified portal "Diversified Finance" successfully secured 155 Internet applications from inside and outside the Group. During the reporting period, it obtained a total of 10 million visits from inside and outside the Group, achieving a cross traffic attraction of over 4.74 million within the Group, adding 1.8351 million customers and obtaining nearly 84 thousand new customers. The total number of products sold was nearly 97.8 thousand in aggregate, with an amount of nearly RMB7.442 billion. The Company added a new App information push service to enhance precision marketing capabilities. After being launched in the fourth quarter, the App recorded credit card installment business of RMB1.075 billion and sold RMB2.371 billion worth of wealth management products. The Company optimized the performance of the Group's online finance App to improve user experience, driving the number of active users of mobile banking to increase by 10.66% year-on-year, the number of transactions for financial products to increase by 28.26% period-on-period, and the number of transactions for fund business to increase by 15.91% period-on-period. It provided back-end precision marketing strategy support for the Group to carry out 264 marketing activities participated by 12.6132 million people.

Interbank finance business

During the reporting period, the Company developed the financial market business centering on the positioning of "integrated service provider of financial institutions" and "integrated financial market operator" and based on inter-industry cooperation. Upholding the philosophy of "serving interbank customers, financial market and real economy" and a market-oriented, professional, and refined business strategy, it gave full play to the advantages of the integrated comprehensive management system comprising "customer + product + synergy" and the talent team to continuously promote in-depth business development and value enhancement, achieving stable development of various businesses of interbank finance.

The financial institutions business optimized the layered and categorized customer marketing service system. It conducted extensive business cooperation with interbank financial institutions in all main fields of the entire financial industry of China including commercial banks, securities companies, fund companies, futures companies, trust companies, financial companies, financial leasing companies, financial asset management companies, consumer finance companies, auto finance companies and wealth management subsidiaries of commercial banks, with a coverage rate of more than 90% for interbank customers. It established correspondent bank relationship with 1,394 banks in 106 countries and regions, further improving the global correspondent service network. It developed in-depth cooperation with various financial trading venues on agency clearing, fund settlement, system construction, etc. During the reporting period, it obtained the qualification of the first batch integrated service bank for OTC commodity swap business of the Dalian Commodity Exchange. Based on interbank cooperation, the Company further extended integrated financial services such as depository settlement, agency receipt and payment, agency sales, and asset management to corporate and personal end customers. With settlement and clearing + custody as the foundation, investment banking + financial market and investment + wealth management as the entry point, it formed a full-chain customer service system and, upholding the philosophy of open banking, collaborated with interbank customers to achieve product opening, channel sharing, and advantages complementing, thereby building a new cooperative ecosystem to serve interbank finance. During the reporting period, the non-bank (financial institution) fund management cloud platform, an integrated and comprehensive platform for professional services to non-banking financial institutions, secured a total of over 550 customers, achieving RMB14.80 trillion of securities funds settlement in aggregate and retaining a large amount of capital through various depository and settlement businesses. It continuously optimized the allocation of major interbank assets, focusing on developing interbank investment business such as interbank financing business and bills, financial bonds, asset securitization, and various asset management products, and continuously increasing the proportion of standard products.

The Bank-to-Bank Platform is the first financial institutions cooperation brand in China. Through the platform, the Company provided various integrated financial services for various small and medium-sized financial institutions, including wealth management, payment settlement, technological output, asset transfer, financing credit, 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 legal person corporations of various businesses of the Bank-to-Bank Platform was 2,022, up 6.09% year-on-year. The platform accumulatively cooperated with 372 commercial banks on establishment of information systems for core businesses, among which 226 banks managed to operate with online information systems. The balance of interbank deposits of small and medium financial institutions was RMB617.500 billion, an increase of 49.35% from the end of the previous year. The platform handled RMB3,514.325 billion of transactions on behalf of the People's Bank of China's High-Value Payment System and Bulk Electronic Payment System, unified clearing platform, and super online banking system, a year-on-year increase of 30.91%. QianDa Money Manager, the Internet wealth management platform introduced the wealth management products of a total of 54 partner banks. The number of registered customers was 14.3707 million. Sales of financial products on the Bank-to-Bank Platform reached RMB784.370 billion. The "Wealth Cloud" wealth management agency sales business established cooperation with 16 provincial rural credit cooperatives to connect the Company's asset management capabilities and technology platform to the sales channels of cooperative institutions, and help small and medium-sized banks to transform their wealth management. "Institutional investment trading platform" has provided online full-process transaction services covering a wide variety of products such as funds, wealth management, bonds, interbank certificates of deposit, asset securitization, etc. As at the end of the reporting period, the number of registered institutional customers was 1,472. Agency receipt and payment product "Hui Shou Fu" industrious promoted payment solutions for non-banking financial industries such as funds, insurance, trust, and consumer finance, recording a transaction amount of RMB1,288.047 billion during the reporting period, a year-on-year increase of 1,695.66%. By accessing financial infrastructure of the Central Bank such as the High-Value Payment System and Bulk Electronic Payment System, unified clearing platform, and super online banking system on behalf of medium and small-sized banks to improve financial payment environment of rural areas, it provided multi-level payment and settlement services for residents and businesses, accessing the unified clearing platform on behalf of over 146 banks in aggregate. It accelerated the development of international business, accessing the Cross-border Interbank Payment System on behalf of 129 banks in aggregate and providing agency fund settlement services for six Bond Connect market-makers, with agency cross-border settlement volume of RMB257.419 billion, a year-on-year increase of 997.27%.

2. Public product line

The investment banking business endeavored to implement the strategic layout of "commercial banking + investment banking" and continuously promoted the transformation of investment banking business towards "financing + intelligence" to achieve stable business development. As at the end of the reporting period, the underwriting scale was RMB520.965 billion for non-financial corporate debt financing instruments. The issuance size of overseas bonds of which the Company participated in underwriting was US$41.742 billion, and the total size of the four tranches of corporate asset securitization and two tranches mortgage-backed securities was RMB46.502 billion. It consolidated the market position of non-financial corporate debt financing instruments in the interbank market, retaining the first position for the underwriting scale and number of non-financial corporate bonds in the market. It implemented the "light bank" strategy by promoting the development of asset securitization, agency promotion and other business and establishing the "Xing Cai Zi" grant transfer platform. It continued to intensify efforts in exploring key areas such as mergers and acquisitions, private creditor's rights, asset securitization, and capital market to facilitate the optimization of customer structure and diversity of business models. Adhering to the policy of "compliance and innovation", it has launched a number of market-first businesses, including the issuance of the market's first floating-rate credit asset securitization products linked to the LPR benchmark price.

The asset management business continued to accelerate core capacity building. As of the end of the reporting period, the balance of the Company's wealth management product (excluding structured deposits) was RMB1,337.233 billion, an increase of 3.68% from the end of the previous year; the size of the Company's non-principal-guaranteed wealth management products was RMB1,329.233 billion, a year-on-year increase of 8.53%, with its proportion in wealth management products increasing to 99.40%; the size of net worth products was RMB748.358 billion, a year-on-year increase of 23.18%, with its proportion in wealth management products increasing to 55.96%; the balance of wealth management products in large retail channels was RMB1,094.285 billion, a year-on-year increase of 7.58%, with its proportion in wealth management products increased to 81.83%. The Company has built mainstream product lines including cash management, fixed income pure debt, fixed income enhancement, project investment, equity-debt hybrid, equity investment, multi-asset strategy, cross-border investment, as well as three characteristic products including the strait index, green finance, and pension finance, to create a product system that covers a full range of customer types, the entire investment market, and all mainstream strategies. The Company enhanced investment research capabilities, increased allocation of standard assets, continued to enlarge the bond portfolio, deeply explored credit and flexibly used bond investment strategies to improve bond investment income.

The treasury business continued to strengthen the centralized management and investment operation of the fixed income investment business, and solidly advanced the construction of the "bond bank" and "FICC bank" brands. In terms of the bond bank, the Company further promoted the integration of investment underwriting, investment sales, and investment research. It actively learned from the research results, continued to promote the construction of customer base and asset layout around key industries, and optimized investment and trading strategies in a timely manner to enhance the overall benefit of the Group. In terms of the FICC Bank, the Company continued to strengthen the exchange rate and interest rate hedging business as well as and the bond and lending product system to consolidate the profit base. It accelerated the innovation of new structured deposit products in light of market demands and seized the opportunities of fluctuations in exchange rates, interest rates, and the gold market to create new products that met market demands. It stepped up the promotion of over-the-counter bond sales, successfully issuing over-the-counter local bonds for six provinces and municipalities including Beijing, Shanghai, and Zhejiang. The Company continued to maintain its market leading position in the fields of bonds, exchange rates, interest rates, etc., and played an active role in improving market liquidity and pricing efficiency, steadily enhancing its strength in market-making transactions. The Company ranked third in the spot transaction volume of bonds in interbank market by China Central Depository and Clearing Co., Ltd., and ranked seventh in the comprehensive trading volume of exchange rate and second in the comprehensive market-making trading volume of interest rate swaps in the China Foreign Exchange Trading Center.

The asset custody business continued to improve system support capabilities and professional service capabilities by building a full-process service system for custody business to reshape its core competitiveness. Its business maintained steady development amidst adjustment, and its market position remained stable. As at the end of the reporting period, the number of online custody products of the Company was 26,585, retaining the first place in the industry. The scale of asset custody business totaling RMB12,384.040 billion, an increase of RMB777.462 billion from the end of the previous year, up 6.70%. The scale of trust and brokerage asset management custody maintained the second place in the industry. The product structure was further optimized. The proportion of valuation-type products continued to increase, of which the scale of custody business of securities investment fund was RMB1,178.456 billion, an increase of RMB282.018 billion over the end of the previous year; and the scale of non-bank net worth wealth management custody was RMB181.568 billion, an increase of 280.89% over the end of the previous year.

3. Operation support

For operation management, the Company continued to build a safe and cost-efficient "smart operation" service system with an optimized overall structure and agile and fast processes, so as to lay a solid mid- and back-end operation foundation for the implementation of the Company's strategies. The Company gave full play to its professional capabilities in operating services to create the synergy of a settlement bank with customers and product departments. “IB Steward” intensified the services to small and micro enterprises. On the basis of satisfying the payment settlement and wealth management of small and micro enterprises, it launched full-process online financing for small and micro enterprises, the "Xing Cai Zi" trading platform for asset promotion and matching, and functions such as registration for customers of other banks. The Company innovated the payment business. It acted as an agent for nearly 300 domestic and foreign small and medium-sized financial institutions and financial companies to access payment and clearing channels, launched the self-service treasury allocation function for treasury business, expanded the SWIFT global bank-enterprise direct connection business, and launched "bill pool”, "instant discounting” and other functions, thereby effectively helping the business lines to enhance product advantages. It completed the integration of cross-border payment and clearing channels for domestic institutions to build a nationally unified cross-border payment and clearing channel. It promoted the "light process and light system" transformation to enhance efficiency with automation and intelligence. Intelligent customer service was connected to 16 of the Company’s service channels. During the reporting period, the intelligent customer service diverted 22.64% of the flow, a year-on-year increase of 3.99 percentage points. The Company promoted the achievements of construction of intelligent outlet projects for process bank such as face recognition, VIP customer identification at the hall, and intelligent robots at the hall. The Company continued to strengthen operational risk management. It carried out in-depth development of the woodpecker accounting incident prevention system and accounting risk monitoring system, built a data analysis laboratory, and strengthened the integration and interaction between off-site and on-site inspections, always maintaining high pressure on compliance and operational risks and incident prevention and control to ensure that the Company would not suffer any major operational risk loss.

For information technology, the Company drove business operations and management with data. Its process bank construction ended successfully, laying a solid foundation for digital transformation. It leveraged CIB FINTECH’s corporate platform and experience advantages to widely attract technological talents, thereby gradually increasing the proportion of technological personnel. The Company adopted diversified models for the integration of business and technology and strengthened the alignment between business needs and technology development to serve the strategic transformation of the Group. The R&D center of overseas institutions took steps to further strengthen the Group’s international technology service capabilities. The Company set up a digital transformation office to coordinate the planning and implementation of the Company’s digital transformation, the promotion of major projects, and the incubation of financial technology innovation. During the reporting period, the number of permanent IT employees of the Group was 1,910, the proportion of technological personnel was approximately 4.07%, and investment in information technology was RMB3.565 billion, a year-on-year increase of 24.66%. For the open bank, the scenario expansion went hand in hand with the ecological interconnection. At the F end, it explored and researched on the construction plan of the third-party open platform to actively connect the financial management TA system with leading traffic platforms. At the B end, it continued to upgrade the "Xing Che Rong" platform to vigorously support the integration of customer resources in the automotive industry ecosystem. It increased the support for the C end by launching a new version of mobile banking. The “Hao Xing Dong” App added 8.25 million cardholders during the year. It optimized and upgraded its corporate online banking to Version 6.0 to comprehensively improve customer experience and system performance. It upgraded its online payment and clearing system to achieve full coverage of third-party payment services, effectively meeting the regulatory requirements for "breaking direct connection". It fully supported the construction of the Company’s intelligent outlets by launching 30 functions such as "Digital Man Xiaoxing" to enhance the intelligence of the outlets. It deeply explored the value of data by building and optimizing data mining models such as enhancement of potential customer of private banking, enhancement of potential VIP retail customers, and customer loss alert. During the reporting period, approximately 200,000 VIP customers were added in aggregate, and retail comprehensive financial assets were increased by approximately RMB60 billion. It promoted the large-scale application of RPA process robots by comprehensively deploying process robots for intelligent identification and entry of financial reports and preparation of credit review reports. As of the end of the reporting period, more than 400 robots had been delivered within the Group, reducing operating costs by more than RMB10 million, and generating more than RMB700 million of revenue in aggregate.

(III) Analysis of loan quality

1. Five-category classification of loans

Unit: RMB million

Item	December 31, 2019		December 31, 2018		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	**3,327,066**	**96.68**	2,827,898	96.38	17.65
Special mention	**61,363**	**1.78**	60,044	2.05	2.20
Substandard	**19,741**	**0.57**	19,411	0.66	1.70
Doubtful	**21,209**	**0.62**	18,442	0.63	15.00
Loss	**12,072**	**0.35**	8,287	0.28	45.67
Total	**3,441,451**	**100**	2,934,082	100	17.29

As at the end of the reporting period, the balance of the Company's NPLs stood at RMB53.022 billion, up RMB6.882 billion from the figure at the end of the last year with NPL ratio of 1.54%, down 0.03 percentage point from the end of the last year. The balance of special mention loans was RMB61.363 billion, up RMB1.319 billion from the end of the last year. The proportion of the special mention loans in total loans was 1.78%, down 0.27 percentage point from the end of the last year. During the reporting period, credit risks in certain regions and industries continuously became exposed due to deleveraging in macro economy and ongoing adjustment in industrial structure. The Company's non-performing loan and special-mentioned loan balances increased. However, the Company strengthened control of asset quality. An asset quality control system for potential risky assets was established, and risks were disposed of in a forward-looking manner. As a result, overall non-performing loan ratio and special-mentioned loan ratio declined, and asset quality remained stable.

2. Provision for and write-off of loan impairment

Unit: RMB million

Item	Amount
Opening balance	**90,580**
Provision during the reporting period	**46,692**
Write-off and transfer-out during the reporting period	**(36,526)**
Write-back during the reporting period of write-off in previous years	**6,080**
Changes in exchange rates and others	**(1,245)**
Closing balance	**105,581**

The Group uses new financial instrument standards and has recorded adequate loan loss allowance on the basis of forward-looking adjustment in macro-economic outlook, expected credit loss model, customer default probability, loss given default and other quantitative risk metrics.

3. Changes in overdue loans

Unit: RMB million

Item	December 31, 2019		December 31, 2018	
	Balance	Percentage (%)	Balance	Percentage (%)
1-90 days (inclusive) overdue	**22,293**	**34.84**	22,923	38.64
91-360 days (inclusive) overdue	**24,235**	**37.87**	25,231	42.54
361 days - 3 years (inclusive) overdue	**15,472**	**24.18**	9,395	15.84
Over 3 years overdue	**1,993**	**3.11**	1,770	2.98
Total	**63,993**	**100**	59,319	100

As at the end of the reporting period, the balance of the Company's overdue loans was RMB63.993 billion, up RMB4.674 billion from the end of the last year, of which overdue corporate loans decreased by RMB2.12 billion and overdue personal loans increased RMB2.26 billion respectively, and credit cards overdue increased by RMB4.534 billion. The increase in overdue loans is a result of the Company's increased supply of consumer loan to customers of its inclusive finance business. The Company's products and services further penetrated into the lower level of the market. In the meanwhile, personal loan and credit card risks increased due to the slowing economic growth, shrinking income and wealth of residents, as well as impact of the multi-lender retail debts. The Company has introduced various fintech tools including big data and smart risk control, in order to further strengthen risk management. Overall asset quality of the retail loans remained good.

4. Changes in restructured impairment loans

Unit: RMB million

Item	December 31, 2019		December 31, 2018	
	Balance	Percentage in total loans (%)	Balance	Percentage in total loans (%)
Restructured impairment loans	**4,769**	**0.14**	5,851	0.20

As at the end of the reporting period, the Company's restructured impairment loan balance stood at RMB4.769 billion, decreasing by RMB1.082 billion from the end of the last year, and accounting for 0.14% of total loan balances (down by 0.06 percentage point from the end of the last year). This reflected that the Group has continuously boosted the restructuring quality in accordance with applicable rules issued by regulators.

(IV) Foreclosed assets and impairment provision

Unit: RMB million

Category	December 31, 2019		December 31, 2018	
	Amount	Provision for impairment	Amount	Provision for impairment
Foreclosed assets	**592**	**53**	1,029	48
Incl: Buildings	**552**	**52**	943	47
Land use rights	**39**	**0**	85	0
Others	**1**	**1**	1	1
Less: Impairment provision	**(53)**	**-**	(48)	-
Net value of foreclosed assets	**539**	**-**	981	-

During the reporting period, the Company hasn't obtained any new foreclosed assets, thereby decreasing the net book value of foreclosed assets by RMB437 million from the end of the last year. The Company conducted re-evaluation for certain foreclosed assets, resulting in an increase in the provision for impairment of RMB5 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 VII.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	**28,479**
Bank bonds	**19,839**
Bonds of non-banking financial institutions	**44,702**
Total	**93,020**

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
Bond1	**10,000**	**3.55**	**14/2/2020**
Bond2	**4,570**	**3.59**	**21/1/2020**
Bond3	**3,000**	**3.50**	**17/1/2020**
Bond4	**2,860**	**3.30**	**1/2/2024**
Bond5	**2,773**	**3.42**	**2/7/2024**
Bond6	**2,100**	**3.25**	**21/10/2022**
Bond7	**2,000**	**4.20**	**17/4/2020**
Bond8	**1,792**	**0.00**	**24/6/2020**
Bond9	**1,540**	**3.28**	**11/2/2024**
Bond10	**1,300**	**3.17**	**24/12/2022**

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

Unit: RMB million

Item	Nominal value	Fair value	
		Asset	Liability
Exchange rate derivatives	**2,903,845**	**19,856**	**19,588**
Interest rate derivatives	**4,453,866**	**11,063**	**11,291**
Precious metals derivatives	**80,864**	**1,424**	**495**
Credit derivatives	**14,389**	**381**	**70**
Total		**32,724**	**31,444**

(VIII) Situation of interest receivable

As at the end of the reporting period, for information of the interest receivable by the Company, refer to “Other assets” under the Notes VII.48 to the Notes to the Financial Statements.

(IX) Provision for impairment of other receivables

Unit: RMB million

Item	December 31, 2019	December 31, 2018	Provision for impairment	Provision method
Other receivables	**14,213**	16,507	2,535	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.

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

Unit: RMB million

Item	December 31, 2019	December 31, 2018
Letters of credit	**148,059**	112,002
Letters of guarantee	**120,318**	123,668
Bank acceptance	**761,032**	532,919
Unused credit cards commitments	**355,436**	284,430
Irrevocable loan commitments	**19,042**	38,545

(XI) 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 considers 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 country risk, bank account book interest rate risk, reputation risk, strategic risk, information technology risk and anti-money laundering risk 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.

Firstly, we have strengthened the dynamic whole-process monitoring and warning in our businesses. We have enhanced risk warning supervision and fully utilized the big data analysis methods provided by the risk warning management system, in order to strengthen the dynamic whole-process monitoring and warning in businesses. By doing this, we realized "early identifying, early warning and early disposal" of risky projects. We timely analyzed and carried out regulatory policies, and strengthened the inspection in key risk hotspots and priority areas. Identified problems were managed and rectified in a strengthened manner. Secondly, we have enhanced the unified credit granting management. A unified credit granting management system has come online to enable centralized management of customer management, credit granting work, quota control, risk mitigation and asset data, thereby covering all organization, customers, processes and assets across the Group, and effectively preventing multi-lender credit granting, excessive credit granting and abuse of policy. Our efforts increased the comprehensiveness and integrity of credit risk management. Thirdly, we improved the construction of branches' due diligence centers. The organizational structure, scope, methods, team building, information sharing and application of technological methods of intelligence were further standardized, in order to give play to the professionalism and facts verification capability of due diligence. The professionalism of due diligence staff was further enhanced, so that due diligence centers can effectively work as the "first line of defense" in risk management. Fourthly, we perfected our performance assessment. Asset quality indicators were set in a scientific manner, in order to combine results and process-based assessment in asset quality management, and enable further improvement in asset quality. We have replaced the original special-mentioned asset ratio indicator with the special-mentioned asset occurrence rate (including overdue loan occurrence), in order to guide branches to timely take forward-looking measures to address potential risks, and lower the asset deterioration ratio of normal projects. Fifthly, 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 healthy development of all businesses; and thirdly, realizing the unification of "security, liquidity and profitability".

During the reporting period, the Company proactively implemented the Party's and the state's policies. It continued to consolidate the foundation for development based on the basic keynote of "progressing steadily, innovating steadily, refining steadily", continued to promote business transformation, effectively optimized business structure, and improved liquidity risk management. The Company maintained overall sound liquidity situation, each regulatory indicators continued to meet the standards and keep improving and all asset liability businesses maintained balanced and coordinated development. Firstly, we stepped up efforts in expanding core liabilities, and effectively extended the duration of our liabilities. During the reporting period, we realized rapid growth in core liabilities by implementing the settlement bank-oriented development strategy and performance assessment system. We issued bonds in due course to extend the duration of our liabilities. Our liability structure was further optimized and our funding source stability was further increased in an orderly manner. Secondly, the proportion management of branches' assets and liabilities was optimized to place more emphasis on sound matching between deposit and loan businesses. During the reporting period, we optimized the asset/liability proportion management policy to increase the symmetry and quality in the Company's assets and liabilities structure. Thirdly, we strengthened the monitoring and analysis of liquidity risk-related indicators to ensure their compliance with management requirements. During the reporting period, the Company has set requirements concerning liquidity ratio, liquidity matching ratio, liquidity coverage ratio, net stable funding ratio and other liquidity risk indicators, in order to regularly monitor and analyze liquidity risks and manage the overall liquidity status of the Company. Based on the indicators and market changes, we timely adjusted our assets and liabilities policies to ensure all indicators meet risk limit requirements. Fourthly, the Company's liquidity risk management tools were further enriched. During the reporting period, the Company initiated a project to develop the assets and liabilities portfolio management tools, in order to incorporate liquidity risk into scope of assets and liabilities portfolio management. Such project will make the Company's liquidity risk management more forward-looking and scientific. Fifthly, the Company overweighed qualified high-quality liquid assets, 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 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 Investment Banking Department and the Financial Market Risk Management Department of the Company shall be the leading departments for the group-related market risk management of the Group. In terms of management methods, we enhanced the market risk limit system and improved risk management. On one hand, to address the impact of the new accounting standards of IFRS9 on volatility of transaction profit and loss, we adjusted the tolerance and the supporting authorization limit system in a top-down manner. Interest rate risk monitoring indicators are added for fixed income products with specialized management. Moreover, we effectively promoted the reduction of the Company's interest rate risk exposure. On the other hand, we optimized the setting of the market risk limit indicators to improve our credit spread risk exposure, option Greeks, net foreign exchange rate exposure and other aspects of our risk profile. In terms of system building, we advanced the building of our fair value measurement system to enhance the accuracy and soundness of our valuation system. The Company perfected the fair value measurement system (we studied, prepared and officially unveiled the Administrative Rules on Fair Value of Note and Securities Assets of Industrial Bank), advanced the building of valuation system, and set up a periodic valuation mechanism for assets that are passively incorporated into the fair value measurement scope due to the adoption of new accounting rules.

(1)Interest rate risks of transaction accounts

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.

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.

(2) Exchange rate risk

The Company's exchange rate risk of transaction accounts is subject to unified management by the Financial Markets of the Company. 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 Company 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 Planning and Financial Department of the Company is responsible for managing the exchange rate risks in bank accounts. The analysis methods primarily encompassed foreign currency exposure analysis, scenario simulation analysis and stress testing. Foreign currency exposure was measured using short margin method and correlation method. The Company periodically measured and analyzed the foreign currency risk exposure in bank accounts and outcome of the scenario simulation. At present, the Company's biggest exchange rate risk exposure stems from the exchange rate risk exposure in foreign currency capital base item. 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 Company closely monitored the exchange rate movement, and analyzed the impact of exchange rate movement in conjunction with the domestic and overseas macro-economic conditions. Based on results of such analysis, the Company put forth asset and liability optimization plan to provide scientific referential standards for decision-making of the management. In face of the complicated economic situation in the world, the Company strengthened the analysis of the macro-economic conditions in the US and China-US trade conflict. We kept the scale of exchange rate risk exposure within a reasonable range. As of the end of the reporting period, the Company's overall exchange rate risk remained stable. All its core risk limit indicators, ordinary scenario testing results and stress testing results satisfied applicable risk limit requirements.

5. Management of interest rate risk in the banking book

Interest rate risk in the banking book (IRRBB) refers to the current or prospective risk to the bank's overall earnings and economic value arising from adverse movements in interest rates, maturity structure and other factors. IRRBB primarily includes gap risk, basis risk and option risk. The Planning and Financial Department is responsible for overall management of IRRBB. The overall goal is to maximize shareholder value based on judgment in interest rate movement and on the premise of the Company's tolerable risks. Specifically, the near-term goal is maintaining stable growth in net interest income, and the long-term goal is maintaining stable growth in economic value. IRRBB was measured and analyzed on a monthly basis via methods including repricing gap analysis, duration analysis and scenario simulation. The repricing gap analysis was conducted mainly by monitoring the repricing maturity distribution and mismatching situation in asset and liability. The duration analysis was conducted mainly by monitoring changes in durations of main products and duration gap in the Company's asset and liability. Scenario simulation was a main method for the Company to analyze and measure interest rate risks, which encompassed various ordinary and stress scenarios including impact of interest rate standards, parallel shift and shape change in yield curve, extreme interest rate changes in the past ten years, and the most possible future interest rate change determined by experts. By simulating the interest rate changes, we calculate the change in net interest income and economic value of equity for the next one year. By using information systems such as the asset and liability management system, we have introduced customer simulation and dynamically monitored and controlled interest rate-sensitive asset and liability gap. Based on gap analysis, we calculated the interest rate sensitivity of earnings and economic value. The earnings analysis focuses on interest rate changes' impact on the Company's near-term earnings, while the economic value analysis focuses on interest rate changes' impact on the net present value of the Company's cash flow.

During the reporting period, domestic economy faces downward pressure, and the PBOC maintained an overall prudential stance in monetary policy. Market interest rates fluctuated at low level. The Company closely monitored the change in external interest rate environment. By conducting in-depth analysis and forecast of market interest rate trends, the Company flexibly adjusted positive interest rate risk management policies, and properly managed bond investment durations. We seized opportunities arising from the abundant liquidity and obtained long-term capitals by actively taking liabilities.

In terms of IRRBB, we flexibly adjusted performance assessment policies to guide branch institutions to adjust capital maturity structure in due course, and enhance the matching management with respect to funding source and capital use. By doing this, we effectively managed the interest rate risks amid the market interest rate declines. In the meanwhile, we kept a close watch on the PBOC's policy directions in terms of deepening the interest rate liberalization reform, and strengthened the study of the impact of and response to interest rate alignment. The Company has satisfied all IRRBB management requirements in accordance with the CBIRC's Guidelines for IRRBB Management in Commercial Banks (Revision). The results of stress testing showed that all the Company's indicators have been within the risk limits and prewarning values, and the overall IRRBB has been kept at a relatively low level.

6. Operational risk management

During the reporting period, centering on regulatory priorities and trends in operational risk change, the Company optimized the operational risk management methods and continued to enhance the operational risk management. We proceeded with the operational risk management in terms of enhancing management infrastructure, improving risk management technology, strengthening risk monitoring and reporting, and other aspects. By doing this, we strived to improve the Company's operational risk management capabilities and effectiveness.

Firstly, we strengthened the use of operational risk management tools. We have continuously assessed and monitored operational risks. By monitoring key indicators, we enhanced risk pre-judgement. We also optimized the process-based risk management identification and assessment, solidified the control methods and inspected the risk monitoring outcomes. We actively collected risk incidents and analyzed factors contributing to such incidents, in order to identify the weaknesses in related processes, optimize indicator setting and fix management shortcomings. By doing this, we increased the accuracy in operational risk management.

Secondly, we further enhanced the business continuity management system. We kept expanding the scope of important businesses under the business continuity management system, polished the business continuity contingency plans and timely carried out emergency drills. We organized the 2019 meeting of the Company's business continuity management committee to emphasize the main entity responsibility in business continuity management. We also strengthened building of related information technology infrastructure to promote the development of the group-wide integrated business continuity system.

Thirdly, we continuously measured the operational risk capital, and timely followed up on the implementation of the Basel III accord.

7. 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, we organized the “Industrial Journey” special event for compliance operation demonstration for 2019, in order to improve the long-term effective mechanism of compliance. Between 2016 and 2018, based on the “three steps” in compliance management, we solidified our adherence to the goal of “creating value via compliance, promoting business transformation and sustainable development of the Group, and fully guaranteeing and facilitating implementation of the Group’s ’1234’ strategic system”, stuck to the three major principles of “adhering to the bottom line, enhancing internal strength and promoting integration”, and actively proceeded with five major measures including “creating new impetus for service business, new modes for inspection and supervision, new forms for compliance promotion, new management mechanism for incompliant case prevention, and new tools for compliance management and control”. These actions finally translated into enhanced overall competitiveness, and will help the Group achieve long-lasting success in its businesses.

Secondly, we strengthened internal constraints and gave full play to the “baton” role of internal control and compliance management in performance assessment. We further optimized the multi-level performance assessment system in domestic branches, Hong Kong branch, subsidiaries, and each department of the Company. We mainly adopted “process-based performance assessment” while giving consideration to “outcome compliance”. We fully implemented the regulatory principle of “compliance-led” and “prudential operation”. We have devised performance assessment indicators in a scientific manner, and further strengthened performance assessment in key fields including external regulators’ assessment and punishment, basic management work in compliance and internal control, case prevention and control, pursuit of accountability, inspection, and supervision.

Thirdly, we consolidated and optimized the compliance management tools to strengthen management of employee conducts. We promoted the organic combination of compliance management tools in the multi-level accountability system. An annual compliance total points mechanism for employees was put in place to reflect each employee’s annual performance of compliance-related duties directly and thoroughly. Lists of ordinary-mention, priority-mention and special-mention employees were created, and specially-designed compliance monitoring and control measures with different intensify were taken against employees on such lists. Employee management responsibilities of management persons-in-charge at different levels of institutions were clearly defined, and staff-using units at different levels of institutions were urged to strengthen management of employee conducts and enhance main entities’ sense of duties regarding employee management.

Fourthly, we took various measures to effectively enhance the money laundering risk management. We optimized the anti-money laundering management mechanism, and streamlined and perfected the anti-money laundering management structure, policy, procedures, methods, information system, data governance, inspection, audit, assessment, and other aspects in a comprehensive manner. We continued to facilitate the imbedding of anti-money laundering control requirements into business procedures, and strengthen the effective combination of anti-money laundering management and business procedures. We also deepened the practices of the risk-based methods and tightened the control in high-risk customers and business areas. Based on money laundering risk assessment, we strengthened the money-laundering risk management in new businesses and new products. We set high thresholds for customers, products and businesses, and strengthened management of money laundering risks and terrorist financing risks in cross-border business, and periodically organized and carried out special inspection in sanction compliance, in order to prevent business risks and vulnerabilities in relation to sanction risks. We actively used big data and artificial intelligence technologies to carry out data mining and analysis. We perfected the anti-money laundering autonomous monitoring model to increase accuracy and effectiveness in monitoring of suspicious transactions, and boost the “technology-based” anti-money laundering capabilities. We also strengthened the building of the anti-money laundering compliance culture, and reformed the anti-money laundering promotion and training mode. More efforts have been made in terms of anti-money laundering performance assessment and inspection. We have effectively boosted the group-wide awareness and capabilities of performing anti-money laundering duties and continued to carry forward the construction of the valuation system and perform the function of new accounting standards.

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.

8. 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 pressed on with enhancing the group-wide overall management of technology risks. The Company reformed the manners of promoting the technology compliance culture, and continued to promote the building of long-term effective mechanism for managing technology risks. Firstly, we strengthened the systematic ability of controlling technology risks, and perfected the modules in information technology risk management system, thereby identifying, assessing and monitoring information technology risks in a systematic manner. Secondly, we optimized the technology risk monitoring system by expanding indicators and targets in monitoring. We have increased the frequency in risk indicator monitoring and perfected the indicator acquisition mechanism to improve the efficiency in monitoring system. Thirdly, we reformed the modes of publicizing the technology compliance culture. By holding knowledge competition, and collecting technology risk-related papers, we effectively enhanced group employees' understanding of and knowledge about the information technology risks.

9. 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 adopts the principles of "hierarchical management, division of labor with individual responsibility, real-time monitoring, prevention first, quick responding, classified treatment, duty in defending own territory, and coordinated response". We have formed a reputational risk management and organization mechanism where the Company's party committee plays a central leading role, the Board of Directors makes final decisions, senior executives are responsible for specific matters, reputational risk management units at different levels of institutions and group members adopt hierarchical management mode, related departments perform their assigned works in a cooperative manner and all employees take part. We continuously boosted the effectiveness of our reputational 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 risk troubleshooting and to identify, evaluate, monitor, 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 consolidation management of the Group and the comprehensive appraisal of branches, effectively facilitating and reinforcing the reputational risk management at the members of the Group and at basic operating units.

10. 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.

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 (2018-2020), which planned that from 2018 to 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%.

The Company fulfilled the above profit distribution policy and cash bonus on schedule. The Company implemented the 2018 annual profit distribution plan in June 2019, based on the total share capital of 20,774,190,751 shares, the Company distributed cash dividend of RMB6.90 for every 10 shares (tax included), issued RMB14.334 billion cash dividends in total, 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 2019

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 RMB4.833 billion to general reserve; the dividend of preferred shares was RMB2.549 billion. The Company also planned to distribute cash dividend of RMB7.62 for every 10 ordinary shares (tax included), amounting to RMB15.830 billion, based on the total share capital of 20,774,190,751 shares.

During the reporting period, commercial banks saw mounting challenges including slowing business growth, shrinking profitability and deteriorating asset quality, which stem from the weak growth in global economy, slowdown in domestic economic growth, accelerated advancing of interest rate liberalization. Basel III kept tightening the regulatory requirements on commercial banks' capitals. During the reporting period, PBOC and CBIRC openly sought advices on the Assessment Measures for Systematically Important Banks (Exposure Draft), and commercial banks faced increasingly stringent requirements on capital adequacy ratios. The Company's cash dividend payout ratio was determined on the premise that dividend payment is in line with the Company's medium to long-term capital plans, sufficient capital is preserved to ensure business development and enhance risk-resistance capability of the Company, and development strategy of the Company will be effectively supported. In the context of profit growth, all shareholders should be able to share the operation and development benefits of the Company. Based on the above considerations, the Board of Directors formulated the above profit distribution plan. The retained undistributed profits will be carried over to next year to boost the Company's capital position and support the long-term sustainable development of the Company, which will further increase returns of shareholders in the long run.

Independent directors of the Company issued the following opinions regarding the profit distribution proposals: the Company's 2019 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 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 2019 Profit Distribution Proposal considered and approved at the 22th 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 2019 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 (%)
2019	**-**	**7.62**	**-**	**15,830**	**65,868**	**24.03**
2018	-	6.90	-	14,334	60,620	23.65
2017	-	6.50	-	13,503	57,200	23.61

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

II. Commitment of the Company and its shareholders of over 5% stake within the reporting period or remaining in effect in the reporting period

(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 above-mentioned lock-up period. The above-mentioned shareholders performed their obligation, such shares can be listed and traded on the market from April 7, 2022. Shares subscribed by Yango Holdings Co., Ltd. and Fujian Investment and Development Group Co., Ltd. in such nonpublic 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 obligation, such shares can be listed and traded on the market from April 7, 2022, but still subject to comply with CBIRC's rules governing equity transfer.

(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 less 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. KPMG Huazhen LLP had issued "Specification for the Funds Occupied by Controlling Shareholders and Other Related Parties of Industrial Bank Co., Ltd".

IV. Appointment of the accounting firm

Upon approval of the 2018 annual general meeting, KPMG Huazhen LLP was appointed to audit the 2019 annual report, review the semi-annual report and provide internal control and audit services with the total audit fee amounting to RMB7.65 million, which included fees and expenses on transportation, accommodation, stationery, communication and printing as well as related taxes.

Currently, KPMG Huazhen LLP has provided audit service to the Company for 1 consecutive year.

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 136 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 RMB923 million.

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. During the reporting period, CSRC or its agency did not adopt any administrative regulatory measure to order the Company to take corrective action within required period.

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 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 valid term 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. (Note: in accordance with Article 11 under the Guidelines for Related Party Transactions in Listed Companies issued by Shanghai Stock Exchange, as of April 18, 2019, Mr. Peng Jinguang has not been a supervisor of the Company for over 12 months. Therefore, from April 18, 2019, Fujian Investment and Development Group Co., Ltd. and its affiliates including Xiamen International Bank Co., Ltd. will no longer be considered as the Company's affiliates.)

(II) 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 valid term of 3 years; the exposed credit line was guaranteed by Xiamen Airlines Hotel Management Co., Ltd. (Note: in accordance with Article 11 under the Guidelines for Related Party Transactions in Listed Companies issued by Shanghai Stock Exchange, as of April 18, 2019, Mr. Peng Jinguang has not been a supervisor of the Company for over 12 months. Therefore, from April 18, 2019, Xiamen Airlines Hotel Management Co., Ltd. will no longer be considered as the Company's affiliates.)

(III)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 party 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 party transaction amount of RMB1 billion, non-credit extension related party 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.

(IV) The 2018 annual general meeting of the Company considered and approved the "Proposal on Increasing Related Party Transaction Quota for Fujian Yango Group Co., Ltd.". According to the proposal, the Company agreed to grant another RMB4 billion quota of credit extension related party transactions to Fujian Yango Group Co., Ltd. and its affiliates, which includes RMB3 billion quota of main entity credit extension, and RMB1 billion quota of investment under non-principal protection items, with validity period extending to June 30, 2021. For details, please refer to announcements of the Company dated April 30, 2019 and May 28, 2019.

(V) The 21st meeting of the 9th session of the Board of Directors considered and approved the "Proposal on Increasing Related Party Transaction Quota for Longyan Huijin Development Group Co., Ltd.". According to the proposal, the Company agreed to grant another RMB3 billion quota of credit extension related party transactions to Longyan Huijin Development Group Co., Ltd. and its affiliates, which includes RMB2.5 billion quota of main entity credit extension, and RMB500 million quota of investment under non-principal protection items, with a validity period extending to December 21, 2021. For details, please refer to announcements of the Company dated April 14, 2020.

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 RMB11 million.

Please refer to "Related party" 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 2019. 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 RMB120.318 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 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

(I) 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 300 million domestic preferred shares in aggregate, amounting to 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.

(II) Revision of Articles of Association: with the approval of CBIRC, the Company completed the issue of 300 million preference shares on April 11, 2019, which increased the number of preference shares to 560 million from 260 million. Accordingly, the Company revised Article 23 and Article 301 of the Articles of Association. The revised Articles of Association is available on website of Shanghai Stock Exchange. For details, please refer to announcement of the Company dated April 26, 2019.

(III) Change in Accounting Policy: pursuant to Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments, Accounting Standard for Business Enterprises No. 23 - Transfer of Financial Assets, Accounting Standard for Business Enterprises No. 24 – Hedging and Accounting, Accounting Standard for Business Enterprises No. 37 - Presentation and Reporting of Financial Instrument promulgated by the Ministry of Finance of the People's Republic of China in 2017 (hereinafter referred to as "New Standards for Financial Instruments"), and with the approval of the 14th meeting of the 9th session of the Board of Directors of the Company, the Company changed its accounting policy since January 1, 2019. Starting from the first quarter of 2019, the Company made disclosure in its financial statements in accordance with the New Standards for Financial Instruments. For details, please refer to announcement of the Company dated April 30, 2019. For details, please refer to the Note IV to the Financial Statements "Significant Accounting Policies and Accounting Estimates".

(IV) Issue of capital bonds with indefinite terms: The 14th meeting of the 9th session of the Board of Directors and the 2018 annual general meeting of the Company considered and approved the Company's plan of issuing no more than RMB30 billion capital bonds with indefinite terms. Net proceeds from such issue will be used to replenish other Tier 1 capitals. The issue is subject to the approval of CBIRC and PBOC. For details, please refer to announcement of the Company dated May 28, 2019.

(V) Exercising the right to redeem subordinated bonds: on June 17, 2014, the Company issued RMB20 billion 10-year subordinated bond. According to related provisions in the prospectus of such subordinated bonds, the bond issuer has a redemption right. The issuer may redeem the subordinated bond at the end of the 5th year after the issue. The Company exercised such redemption right to fully redeem the tranche of bonds on June 18, 2019. For details, please refer to announcement of the Company dated June 20, 2019.

(VI) Issue of subordinated bonds: pursuant to the approvals of the CBIRC and the PBOC, the Company was permitted to issue no more than RMB50 billion subordinated bonds in national interbank bond market. In 2019, the Company has issued two tranches of subordinated bonds totaling RMB50 billion. For details, please refer to announcements of the Company dated May 14, 2019, July 4, 2019, August 29, 2019 and September 20, 2019.

(VII) Issue of 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. In 2018, the Company has issued two tranches of green finance bonds totaling RMB60 billion, and has issued one trance of green finance bonds totaling RMB 20 billion on July 18, 2019. For details, please refer to the Company's announcements dated October 20, 2018, November 2, 2018, November 28, 2018 and July 19 2019.

(VIII) Adjusting the dividend rate of preferred shares of "Industrial Bank P1": in accordance with the Prospectus for Non-public Issuance of Domestic Preferred Shares of Industrial Bank Co., Ltd., the Company non-publicly issued "Industrial Bank P1" preferred shares in December 2014, while since the date of the payment deadline (December 8, 2014), every five year is an interest-bearing cycle, and the par value dividend rate is adjusted once every five years. Dividend rate is the same within each interest-bearing cycle. During the reporting period, the par value dividend rate was adjusted in the second interest-bearing cycle. The part value dividend rate for the second interest bearing cycle of "Industrial Bank P1" was adjusted to 5.55% from December 8, 2019. Dividend is paid once every financial year. For details, please refer to announcement of the Company on December 10, 2019.

(IX) Establishing CIB Wealth Management Co., Ltd.: according to the approval of the CBIRC, CIB Wealth Management Co., Ltd., a wholly-owned subsidiary of the Company was opened. With a registered capital of RMB5 billion, CIB Wealth Management Co., Ltd. mainly engaged in issue of publicly-offered and privately-offered wealth management products, provision of wealth management advisory and consultancy and other asset management-related businesses. Pursuant to applicable provisions of Accounting Standard for Business Enterprises, CIB Wealth Management Co., Ltd. will be incorporated into the scope of the consolidated financial statements of the Company during the current period. For details, please refer to announcements of the Company dated August 29, 2018, June 14, 2019 and December 14, 2019.

(X)Listing and circulation of restricted shares: the 20th meeting of the 8th session of the Board of Directors and the 1st extraordinary general meeting of the Company in 2016 considered and approved the non-public issuance of 1,721,854,000 A shares to selected investors including Finance Bureau of Fujian Province, China National Tobacco Corporation, Fujian Company of China National Tobacco Corporation, Guangdong Company of China National Tobacco Corporation, Yango Holdings Co., Ltd., and Fujian Investment and Development Group Co., Ltd. on March 31, 2017. Such issuance was also approved by the original CBRC and the CSRC. 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 shares.

Yango Holdings Co., Ltd. and Fujian Investment and Development Group Co., Ltd. subscribed 496,688,700 and 66,225,100 shares in the non-public issuance. Moreover, they promised not to transfer such subscribed shares within 36 months after completion of the issuance. After expiration of the lock-up period, transfer of such shares shall be subject to relevant rules of the CSRC and the Shanghai Stock Exchange. The above shareholders have performed the lock-up obligations in accordance with the above commitments, and related shares were listed and circulated starting from April 7, 2020, subject to relevant rules of the CBIRC on equity transfer. For details, please refer to announcement of the Company dated April 1, 2020.

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 resolutely implementing the Decision on Winning the Critical Fight against Poverty, which was issued by the General Office of the Central Committee of the Communist Party of China and the State Council. Leveraging the Company's network, capital and professional advantages, and centering around the basic strategy of "targeted poverty alleviation and targeted poverty elimination", the Company strived to fully expedite the works in poverty alleviation and rural area revitalization.

General objectives: further perfecting the "five specialization" mechanism in the inclusive finance business, increasing the coverage of financial services in poverty-stricken regions, enhancing the credit support and favorable policies for poverty-stricken regions, fully utilizing the characteristic offerings of the Company to realize targeted poverty alleviation, and helping win the critical fight against poverty in 2020.

Main tasks: thoroughly studying and understanding the Guidelines of the Central Committee of the Communist Party of China and the State Council on Three-Year Action Plan for Winning the Critical Fight Against Poverty, focusing on extreme poverty regions and special poverty-stricken groups within our business territories, precisely serving financial needs, further proceeding with the poverty-alleviation work via industry-based poverty alleviation, channel-based poverty alleviation, product-based poverty alleviation, e-commerce poverty alleviation, targeted poverty alleviation, education poverty alleviation and other forms of poverty alleviation efforts.

Guarantee measures: formulating tasks and directions in targeted poverty alleviation work, setting growth goals for agriculture-related loans and inclusive finance agriculture-related loans, pressing on with establishment of related systems for performing and waiving duties, constantly enhancing performance assessment and incentive mechanism for targeted poverty alleviation, and strengthening positive-side guidance.

2. Summary of targeted poverty alleviation plan in 2019

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 RMB14,529 million, representing an increase of RMB2,430 million or 20.88% as compared with the end of the last year. The balance of the targeted poverty alleviation loans in terms of units totaled RMB7,464 million, representing an increase of RMB345 million or 4.85% as compared with the end of the last year, of which, the balance of targeted poverty alleviation loans in terms of industries totaled RMB5,160 million, representing an increase of RMB813 million or 18.70% as compared with the end of the last year; and the balance of targeted poverty alleviation loans in terms of individuals totaled RMB7,065 million, representing an increase of RMB 2,085 million or 41.87% as compared with the end of the last year, the number of loans is 131,575.

3. Effects of targeted poverty alleviation

Unit: RMB million

Indicator	Amount and its implementation
I. General information	
1. Fund	**14,529**
2. Number of people served or facilitated by the targeted poverty alleviation financial loans	**129,548**
II. Itemized input	
1. Poverty alleviation through industrial development	
Number of targeted poverty alleviation industrial loans	**109**
Balance of targeted poverty alleviation industrial loans	**5,160**
Number of people facilitated by targeted poverty alleviation industrial loans	**2,244**
2. Poverty alleviation project loans	
Number of targeted poverty alleviation project loans	**21**
Balance of targeted poverty alleviation project loans	**2,304**
Number of people facilitated by targeted poverty alleviation project loans	**117,771**
3. Other investment	**7,065**

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 2020 will be as follows:

Firstly, promoting the rapid development of the characteristic business "Bank-to-Bank Platform", and expanding the services of targeted poverty alleviation to rural areas by providing diversified financial services to small and medium-sized financial institutions, such as "Wealth Cloud", PBOC infrastructure agency, as well as agency receipt and payment product "Hui Shou Fu"; combining the online and offline channels; increasing the coverage, availability and convenience of settlement and wealth management businesses in poverty-stricken towns and rural areas, thereby increasing the property-based income of residents.

Secondly, actively cooperating with poverty alleviation competent authorities, human resource and social security authorities, insurers, various financing guarantee institutions at the locations of branches to formulate special loan products for targeted poverty alleviation, expand the customer service scope of poverty alleviation loans, and win in the battle of financial targeted poverty alleviation.

Thirdly, stepping up communication and information sharing with poverty alleviation authorities in various regions, strengthening re-loan management in extreme poverty regions, increasing the re-loan support for poverty alleviation, placing emphasis on supporting important poverty alleviation regions where poverty-stricken population accounts for a high proportion of total population, and increasing loan supply in poverty-stricken regions.

Fourthly, strengthening cooperation with high-quality agriculture related industries, food processing industries and infrastructure construction industries, exploring the upstream and downstream agricultural production and operation entities of core agriculture related enterprises, and relying on the resource advantages of poverty-stricken regions to carry out industry-based poverty alleviation in rural areas.

Fifthly, actively reforming credit products such as supply chain financing, meeting the diversified financial demand of the "three rural" field, accelerating the capital flow of enterprises, and helping enterprises in poverty-stricken regions reduce costs, enhance efficiency, increase volume and boost quality.

Sixthly, the Company will continue to 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 proceeded with the building of consumer rights and interests protection mechanism, strengthened risk management and duty performance of consumer rights and interests protection committee, accelerated the building of complaint handling system, enhanced internal supervision and performance assessment, and implemented consumer rights and interests protection in an all-round manner. We also enhanced the quality and efficiency in consumer rights protection promotion, extended care to special groups, improved consumer service experiences, and protected legal rights and interests of consumers. The Company's complaint ratio stayed low. The Company won the honor of excellent organization unit in "3.15" bank and insurance consumer rights protection education publicity week activity in 2019, excellent organization unit in joint financial education publicity activity in 2019, and the best effect unit in the "ten thousand miles of financial knowledge popularization activity" of China Banking Association

(III) The Company has disclosed the 2019 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 steadily advanced the credit support for green finance fields. Based on the basic principle of “green development” and “livelihood and inclusiveness”, we gave priority to supporting clean energy and environmental treatment sector such as sewage treatment and urban natural gas. Moreover, we paid more attention to information about environmental offences in sectors, projects and enterprises with high ecological harms. We also stepped up collection and assessment of environmental and social risk information of enterprises such as major safe production incidents, community dispute and labor dispute. The Company also gradually reduced exposure to and stepped out of the low-end enterprises with backward capacities, and strengthened credit risk management in high-energy consumption and high-emission sectors. While keeping the overall strategy unchanged, the Company adopted a risk strategy of “controlling new loans and optimizing existing loans”. We have fully complied with the reforming mindset for deepening the supply-side structural reform, strengthened structure adjustment, treated borrowers in different ways, maintained exposures to some enterprises while reducing exposure to some other enterprises, focused on enterprise differentiation in sectors, insisting on optimizing business structure via the “double-advantage strategy” (making loans to quality industry leaders in advantageous regions), and facilitating the national supply-side reform by raising business threshold, implementing sector quota management and list-based management, and other measures. No loans should be provided to projects that go against national policies, do not satisfy environmental standards, and have not completed approval procedures. No loans should be provided to construction projects that have not completed all legally required procedures. No bonds should be issued for such projects.

Through risk reminders, the Company kept strengthening environmental and social risk prevention awareness, and increased the breadth and width in risk prevention. Moreover, we strengthened the special inspection in environmental protection and safe production compliance for stock credit businesses. Moreover, the Company continued to strengthen the building of the social and environmental risk warning mechanism, and deepened its cooperation with environmental and charitable organizations to provide information support for full-cycle credit extension project management. The Company continued to exercise the equator principles, which is a golden benchmark for environmental and social risk management in international financing environment. We strengthened the monitoring and assessment of environmental and social impact and performance of existing projects that are operated in accordance with the equator principle. Moreover, the scientific attributes and applicability of whole-process management tools in equator-principles projects are further refined. We also continuously promoted the training and publicity activities concerning equator principles as well as environmental and social risk management.

In the meanwhile, the Company actively implemented the national low-carbon economic policies and insisted on the corporate governance concept of sustainable development. Low-carbon and sustainability are advocated in every aspect of the Company’s management and operation. We persisted with the principle of “low-carbon office and green operation”, saved energy and reduced consumption of water, electricity, paper, and fuel. During the reporting period, the office energy consumption was effectively reduced, and the carbon dioxide emissions of the Company’s headquarters were 39,853.60 tons.

The Company insisted on green procurement, and built a procurement and physical good asset management system to enhance vigorous examination and active guidance in safe production, environmental certification and labor protection for suppliers. Moreover, the Company utilized its first-mover advantage in green banking, actively promoted green supply chain concept, and boosted suppliers’ capabilities of developing in an eco-friendly manner.

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, 2018		Change in number	December 31, 2019	
	Number	Percentage(%)		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 during the year</th><th>Number of restricted shares increased during 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 lockup 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, 2022</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 200,349 shareholder accounts, and 250,889 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
Buttonwood Investment Platform LLC.	0	671,012,396	3.23	0	-	State-owned legal person
China Securities Finance Corporation Limited	0	622,235,652	3.00	0	-	State-owned legal person
Hong Kong Securities Clearing Company Limited	177,043,122	573,233,352	2.76	0	-	Overseas legal person
Huaxia Life Insurance Co., Ltd. -self-owned funds	199,584,095	569,179,245	2.74	0		Domestic nonstate-owned legal person
Yango Holdings Co, Ltd.	0	496,688,700	2.39	496,688,700	Pledge 243,377,463	Domestic nonstate-owned legal person
PICC Life Insurance Company Limited-universal-personal insurance (universal)	0	474,000,000	2.28	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.

(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
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
Hong Kong Securities Clearing Company Limited	573,233,352	2.76	RMB ordinary shares
Huaxia Life Insurance Co., Ltd. — self-owned funds	569,179,245	2.74	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

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 shareholders 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>Descriptions about the association between or concerted actions of the above shareholders</td><td colspan="4">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>

Note: the shares that are held by Yango Holdings Co., Ltd. and Fujian Investment and Development Group Co., Ltd. and subject to trade restrictions were listed and circulated on market starting from April 7, 2020. Trade of such shares is subject to relevant rules of the CBIRC on equity transfer.

(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, and its predecessor-the People's Insurance Company of China was established in Beijing with the approval of the Government Administration Council of China in October 1949. In June 2009, according to the restructuring plan approved by the State Council, the PICC (Group) Company carried 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 RMB44.224 billion, 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 regulatory institutes and relevant state authorities.

PICC Property and Casualty Company Limited held 5.91% of the Company's shares. Established in July 2003, its registered office is in Beijing and it has a registered capital of RMB22.243 billion, 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 national regulatory institutes.

PICC Life Insurance Company Limited held 6.14% of the Company's shares. Established in November 2005, its registered office is in Beijing and it has a registered capital of RMB25.761 billion, and its legal representative is Miao Jianmin. The business scope is operating the following businesses (excluding statutory insurance businesses) within the administrative area of Beijing Municipality and the provinces, autonomous regions and municipalities directly under the central government where branches have been established: (i) life insurance, health insurance, accident insurance and other insurance businesses; (ii) reinsurance businesses of the above businesses; (iii)acting as agents of PICC P&C and PICC Health Insurance Company Limited. in their insurance businesses within the scope approved by regulators and related national departments.

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 1983, China National Tobacco Corporation held 5.34% of the shares of the Company. It's a wholly state-owned enterprise with its registered office in Beijing. It has a registered capital of RMB57.0 billion, 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 2005, Fujian Tobacco Haisheng Investment Management Co., Ltd. held 2.13% of the shares of the Company. Its registered office is in Xiamen. It has a registered capital of RMB2.647 billion and its legal representative is Lu Xiaodong. Its businesses include investment management (except otherwise required by 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 in October 2011, China Tobacco Hunan Investment Management Co., Ltd. held 1.09% of the shares of the Company. Its registered office is in Changsha. It has a registered capital of RMB0.2 billion 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. Its controlling shareholder China Tobacco Hunan Industrial Co., Ltd. was established in July 1994 with a registered capital of RMB4.3 billion. The place of registration is Changsha, and the legal representative is Lu Ping.

Founded in January 1984, Fujian Company of China National Tobacco Corporation held 0.64% of the shares of the Company. Its registered office is in Fuzhou. It has a registered capital of RMB137 million and its legal representative is Li Mindeng. Its businesses include operation of tobacco monopoly products; asset management and comprehensive management.

Founded in August 1989, Guangdong Company of China National Tobacco Corporation held 0.48% of the shares of the Company. Its registered office was in Guangzhou. It has a registered capital of RMB140 million 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. Huaxia life Insurance Company Limited holds 4.90% stake of the Company. Huaxia life was founded in December 2006, with registered office in Tianjin and a registered capital of RMB15.3 billion. Its legal representative is Li Fei. Its business scope includes life insurance, health insurance, accident insurance and other personal insurance businesses; reinsurance business of the above businesses; insurance fund operation business permitted by national laws and regulations; and other businesses approved by the original CIRC. Huaxia life has no controlling shareholder or actual controller.

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 in July 2006 with a registered office in Fuzhou and a registered capital of RMB9.699 billion. Its legal representative was He Mei 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. Its controlling shareholder Yango Longjing Co., Ltd. was established in December 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 1.04% of the shares of the Company, of which 35 million shares are pledged. It nominated supervisors to the Company. The controlling shareholder is the State-owned Assets Supervision and Administration Commission of Longyan City, Fujian Province. The company was established in November 2010, with a registered office in Longyan and a registered capital of RMB2 billion and its legal representative is Fu Jiwen. 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.

7. Zhejiang Energy Group Co., Ltd., Zhejiang Zheneng Electric Power Co., Ltd. and Zhejiang Energy Group Finance Co., Ltd. collectively held 0.61% of the shares of the Company. They nominated supervisors 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 the 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 in March 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; 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.

Zhejiang Zheneng Electric Power Co., Ltd. held 0.57% of the shares of the Company. The company was established in March 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.

Zhejiang Energy Group Finance Co., Ltd. held 0.02% of the shares of the Company. The company was established in August 2006 with a registered office in Hangzhou and a registered capital of RMB971 million. Its legal representative is Shi Yunfeng and its businesses include the operation of business approved by the CBIRC 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	Note 1	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. Upon the approval of the 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. Since December 8, 2019, the coupon rate in the second interest cycle of Industrial P1 was adjusted to 5.55%.

2. The Company issued the second tranche of 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 the 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 of this batch of preferred shares, 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	59
No. of preferred shares shareholder accounts as at the end of the month prior to the disclosure of the annual report	58

(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)	44,620,000	88,734,000	15.85	Domestic preferred shares	-	Others
Ping An Property and Casualty Company Limited-traditional-common insurance product	44,620,000	65,874,000	11.76	Domestic preferred shares	-	Others
Ping An Life Insurance Company of China — self-owned funds	44,643,400	44,643,400	7.97	Domestic preferred shares	-	Others
Bosera Funds — Phase 1 of Quantificated Asset Management Plan of Minsheng Bank	28,003,000	28,003,000	5.00	Domestic preferred shares	-	Others
Ping An Life Insurance Company of China-universal-individual insurance (universal)	0	21,254,000	3.80	Domestic preferred	-	Others
Jiangsu Company of China National Tobacco Corporation	15,000,000	15,000,000	2.68	Domestic preferred shares	-	Others
Sichuan Company of China National Tobacco Corporation	15,000,000	15,000,000	2.68	Domestic preferred shares	-	Others
Zhongwei Capital Holding Co., Ltd.	15,000,000	15,000,000	2.68	Domestic preferred shares	-	Others
The Finance Bureau of Fujian Province	0	14,000,000	2.50	Domestic preferred shares	-	State authority
Bank of Communications Schroders	0	13,474,000	2.41	Domestic preferred shares	-	Others

Notes: 1. All preferred shares issued by the Company are preferred shares without selling restrictions. The shareholders hold Industrial P1, Industrial P2 and Industrial P3 at the same time, all of which were presented in consolidation.

2. The connected relationship exists among Ping An Life Insurance Company of China-participating-personal insurance (participating), Ping An Property and Casualty Company Limited- traditional common insurance product, Ping An Life Insurance Company of China-self-owned funds and Ping An Life Insurance Company of China-universal-personal insurance (universal). The connected relationship exists among Jiangsu Company of China National Tobacco Corporation, Sichuan Company of China National Tobacco Corporation, and Zhongwei Capital Holding Co., Ltd.. Apart from that, the Company was not aware of any connected relationship or concerted actions 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. Jiangsu Company of China National Tobacco Corporation, Sichuan Company of China National Tobacco Corporation, and Zhongwei Capital Holding Co., Ltd. are subsidiaries of China National Tobacco Corporation, which is a holder of ordinary shares of the Company. China National Tobacco Corporation and its subsidiaries jointly held 2,010,318,203 ordinary shares of the Company. Apart from that, the Company was not aware of any connected relationship or concerted actions 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 2019 was from January 1, 2019 to December 31, 2019. The coupon rate in the first interest cycle of “Industrial P1” was 6%, and the coupon rate in the second interest cycle was adjusted to 5.55% since December 8, 2019. The proposed dividends for 2019 are RMB776 million in total.

The aggregate par value of the preferred shares “Industrial P2” is RMB13 billion and the interest period of preferred shares for 2019 was from January 1, 2019 to December 31, 2019, and the proposed dividends are RMB702 million with an annual dividend yield of 5.40%.

The aggregate par value of the preferred shares “Industrial P3” is RMB30 billion and the interest period of preferred shares for 2019 was from April 10, 2019 to December 31, 2019, and the proposed dividends are RMB1,071 million with an annual dividend yield of 4.90%.

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
2019	**2,549**	**100%**
2018	1,482	100%
2017	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	Term	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Total remuneration from the Company during the reporting period (before tax) (RMB'0,000)	Whether received remuneration from related party
Tao Yiping	Director	Male	April 1963	June 20, 2016——upon re-election of Directors	0	0	116.792	No
	President			April 28, 2016——upon re-election of Directors				
Chen Yichao	Director	Male	November 1950	July 1, 2015——upon re-election of Directors	0	0		Yes
Fu Anping	Director	Male	Feburary 1963	June 20, 2016——upon re-election of Directors	0	0		Yes
Han Jingwen	Director	Male	June 1959	February 7, 2017——upon re-election of Directors	0	0		Yes
Xi Xinghua	Director	Male	October 1969	February 7, 2017——upon re-election of Directors	0	0		Yes
Lin Tengjiao	Director	Male	April 1968	July 17, 2017——upon re-election of Directors	0	0		Yes
Chen Jinguang	Director	Male	November 1961	June 20, 2016——upon re-election of Directors	0	0	105.113	No
	Vice president			February4, 2013——upon re-election of Directors				

Name	Title	Gender	Date of birth	Term	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Total remuneration from the Company during the reporting period (before tax) (RMB'0,000)	Whether received remuneration from related party
Chen Xinjian	Director	Male	October 1967	June 20, 2016——upon re-election of Directors	116,800	116,800	105.113	No
	Vice president			July 10, 2014——upon re-election of Directors				
	Secretary of the Board of Directors			November 26, 2015—upon re-election of Directors				
Paul M. Theil	Independent director	Male	May 1953	December 24, 2013——upon re-election of Directors	0	0	30	Yes
Zhu Qing	Independent director	Male	May 1957	August 26, 2014——upon re-election of Directors	0	0	30	No
Liu Shiping	Independent director	Male	April 1962	August 26, 2014——upon re-election of Directors	0	0	30	Yes
Su Xijia	Independent director	Male	September 1954	February 7, 2017——upon re-election of Directors	0	0	30	No
Lin Hua	Independent director	Male	September 1975	July 1, 2015——upon re-election of Directors	0	0	28	Yes
Yuan Jun	Supervisor	Male	April 1984	May 25, 2018——upon re-election of Supervisors	0	0		Yes
He Xudong	Supervisor	Male	November 1977	December 19, 2016——upon re-election of Supervisors	0	0		Yes
Zhang Guoming	Supervisor	Male	February 1966	August 24, 2018——upon re-election of Supervisors	0	0	105.113	No
Lai Furong	Supervisor	Male	October 1968	October 19, 2007——upon re-election of Supervisors	0	0	424.42	No
Li Ruoshan	External supervisor	Male	February 1949	December 19, 2016——upon re-election of Supervisors	0	0	23.33	No

Name	Title	Gender	Date of birth	Term	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Total remuneration from the Company during the reporting period (before tax) (RMB'0,000)	Whether received remuneration from related party
Ben Shenglin	External supervisor	Male	January 1966	December 19, 2016——upon re-election of Supervisors	0	0	22	No
Xia Dawei	External supervisor	Male	February 1953	May 23, 2016——upon re-election of Supervisors	0	0	24	No
Sun Xiongpeng	Vice president	Male	April 1967	August 25, 2016——upon re-election of Directors	0	0	105.113	No
Gao Jianping	Chairman	Male	July 1959	September 11, 2000——September 2, 2019	0	0	116.792	No
Li Weimin	Director	Male	November 1967	July 26, 2019——April 8, 2020	50,000	50,000	105.113	No
	Vice president			December 27, 2012——April 8, 2020				

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 RMB15,176,910.

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 Supervisors' 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 fulltime 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 2018 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 2018 is hereby further disclosed as follows:

Name	Title	The remainder of 2018 pre-tax remuneration (RMB'0,000)
Tao Yiping	Director and president	11.44
Chen Jinguang	Director and vice president	10.297
Chen Xinjian	Director, vice president, and secretary of the Board of Directors	10.297
Sun Xiongpeng	Vice president	10.297
Zhang Guoming	Supervisor	4.29
Gao Jianping	Former chairman	11.44
Xue Hefeng	Former director and vice president	10.297
Li Weimin	Former director and vice president	10.297

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
Lin Tengjiao	Yango Holdings Co., Ltd.	Chairman of the Board
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

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 temporary head of the Board and a director and the president of Industrial Bank.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: none

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.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: none

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 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.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: none

Han Jingwen：On-the-job postgraduate. 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, deputy chief and inspector of the Division of Financial Management and Supervision (Audit Division). Currently, he has retired.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: 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., the deputy general manager and standing deputy general manager of Huaxia Everwin Asset Management Co., Ltd. and the general manager of the Assets Management Department of Tianan Property Insurance Co., Ltd.. He currently serves as and the temporary head of Huaxia Everwin Asset Management Co., Ltd.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: the temporary head of Huaxia Everwin Asset Management Co., Ltd. and the director of Standard (Shanghai) Real Estate Company Ltd.

Lin Tengjiao：Master of Business Administration. He currently serves as the Chairman of the Board of Directors of Yango Holdings Co., Ltd.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: Deputy to National People’s Congress, Vice President of China Federation of Overseas Chinese Entrepreneurs, Vice President of Fujian Chamber of Commerce, Honorary President of Fujian Alumni Association of Peking University, and Vice Chairman of Fujian Star-net Communication Co., Ltd.

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.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: 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 the secretary of the Board of Directors.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: 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.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: Chairman of Shenzhen Zhong An Credit Venture Capital 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 , independent director of Heng’an International Group Company Limited, independent member of investment committee of Ping An Insurance (Group) Company of China, 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 the School of Finance at Renmin University of China.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: Professor and PhD tutor at the School of Finance at Renmin University of China, an independent director of 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.

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 Bank, Shanghai Stock Exchange and China Development Bank. He currently serves as president of the Global Business Intelligence Consulting (Beijing) Co., Ltd.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: 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.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: professor at the Accounting Department of China Europe International Business School, independent director of China Jinmao Group, Opple Lighting Co., Ltd. and Fujian Sanmu Group Co., Ltd.

Lin Hua: Master's degree. He used to be General Manager of Xiamen Venture Capital Co., Ltd. (government master fund) and Chairman of Shanghai Heyi Information Technology Company. He is now General Manager of Beijing Huacheng Function Technology Company.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: General Manager of Beijing Huacheng Function Technology Company; Executive Deputy Director of Asset Securitization Committee of Insurance Asset Management Association of China, expert consultant of Asset Securitization Committee of the Securities Association of China; Chairman of REITs Audit Committee of China Merchants Group; independent directors of Zhenro Properties, Generali China Asset Management Co., Ltd. and Xiamen Rural Commercial Bank; PPP expert of National Development and Reform Commission and Ministry of Finance, Chairman of Asset Securitization and REITs Committee of International Federation of Finance and Real Estate, and General Manager of Ruijin (Beijing) Investment Management Co., Ltd.

Yuan Jun: Master's degree. He used to be a clerk in Longyan Branch of China Construction Bank, Assistant Director of Longyan Business Department of Huafu Securities, Deputy General Manager of Longyan City Huijin Development Group Co., Ltd., Executive Director of Longyan Industrial Equity Investment Fund Co., Ltd., Chairman of Yanhai Financial Leasing Co., Ltd., as well as Director and Executive Deputy General Manager of Longyan Huijin Development Group Co., Ltd. He is now Director and General Manager of Fujian Minxi Financial Holding Group.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: Director and General Manager of Fujian Minxi Financial Holding Group, Director of Longyan Kaolin Clay Co., Ltd., Deputy Chairman of the 3rd 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.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: 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., Zhejiang Zheneng Changxing Power Generation Co., Ltd., Zhejiang Zheneng Qianqing Power Generation Co., Ltd., Zhejiang Zheneng Xingyuan Energy Saving Technology Co., Ltd., Zhejiang Zheneng Lanxi Power Generation Co., Ltd., Zhejiang Zheneng Beilun Power Generation Co., Ltd., China Guodian Corporation Zhejiang Beilun No.3 Power Generation Co., Ltd., Zhejiang Zheneng Zhongmei Zhoushan Coal and Electricity Co., Ltd. and Zhejiang Zheneng Taizhou No.2 Power Generation Co., Ltd..

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, fulltime 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, head and supervisor of Fujian Provincial Commission for Discipline Inspection and Supervision in Industrial Bank.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: none

Lai Furong：Bachelor degree, senior accountant. He previously served as vice president and president 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.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: 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.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: MPACC academic dean, professor and PhD tutor of the School of Management at Fudan University; Independent Director of Shanghai Auto, Zhang Jiang High-Tech Park and Shanghai No.1 Pharmarcy; and Director of Shagnhai Shineton Investment Co., Ltd..

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 of Zhejiang University.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: Professor, dean of Academy of Internet Finance, and dean of the International Business School of Zhejiang University, joint director of International Monetary Institute of Renmin University of China, 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, cochairman 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 Wuchan Zhongda Group Co., Ltd., and Tsingtao Brewery Co., Ltd., and an independent non-executive director of China International Capital Corporation Limited.

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.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: 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; directors of Guotai Jun'an Securities Co., Ltd., Lianhua Supermarkets Holdings Co., Ltd. , Juneyao Airlines Co., Ltd. independent director of HuaAn Fund Management Co., Ltd., director of Zhejiang Zheshang International Financial Asset Exchange Co., Ltd. and director of Shanghai Shinovation Capital Corporation Co., Ltd.

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.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: none

(IV) Changes in directors, supervisors and senior managers

1. On May 27, 2019, Mr. Li Weimin was elected as a director of the 9th Board of Directors at the 2018 Annual General Meeting of the Company. Mr. Li Weimin was approved as a director by the CBIRC on July 26, 2019.

2. On September 2, 2019, Mr. Gao Jianping submitted a resignation letter to the Board of Directors of the Company. He resigned as chairman, director and president and member of the Strategy Committee of the Board of Directors of the Company due to his age.

3. On September 3, 2019, Mr. Tao Yiping, director and president of the Company, was elected by the Board of Directors as the temporary principal of the Board. He is temporarily responsible for the overall work of the Company during the vacancy period of chairman, and acts as an agent to exercise the functions and powers of chairman and legal representative as stipulated by the Company Law and the Articles of Association.

4. On April 8, 2020, Mr. Li Weimin submitted a resignation letter to the Board of Directors of the Company and resigned as a director and vice president of the Company due to work reallocation.

II. Employees

(I) General information of employees

Number of the incumbent staff of the parent company	**57,142**
Number of the incumbent staff of main subsidiaries	**3,313**
Total number of the incumbent staff	**60,455**
Number of retirees whose expenses are undertook by the parent company and its main subsidiaries	**803**
Education level	
Types of education	Number
Master and above	**10,429**
Bachelor	**45,113**
College	**4,483**
Secondary technical school and below	**430**
Total	**60,455**
Professional occupation	
Types of professional occupation	Number
Management	**3,802**
Business	**48,122**
Support	**8,531**
Total	**60,455**

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 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 will continue to strengthen the construction of a talent training system in line with the Company’s strategic transformation and business development, and provide strong talent support; strengthen strategic decoding, upgrade and optimize brand training programs closely linked to business and personal growth of employees, and promote organizational performance and professional ability of employees; enhance the influence of training and innovate actively. 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 was awarded as "China Talent Development Innovation Enterprise Award", "China Internal Trainer Competition Golden Cradle Award", "China Talent Development Elite Award", "Best Learning Community Award" and "Best Practice Award for Performance Improvement".

Corporate governance overview

The Company continued to strengthen the construction of corporate governance 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 general meeting of the Company operated in a standard way according to the law. 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 15 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 amendments to the rules of procedure and the issuing non-fixed-term capital bonds, and four reports such as work reports of independent directors, performance assessment of directors, supervisors and senior managers and information on related party transactions were heard. 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. During deliberation, where there are significant matters involving the interests of small and medium investors, the votes of small and medium investors shall be computed separately and disclosed.

(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 and consumer protection committee, the audit and related party transaction control committee, the nomination committee, and the remuneration and evaluation committee. With the exception of the strategy committee, the other four committees are chaired by the independent directors. 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.

The Company continued to strengthen the construction of the Board of Directors, explored and formed an effective decision-making and transmission mechanism of the Board of Directors, shaped a scientific decision-making and powerful governance mechanism, and played the strategic decision-making role of the Board of Directors. During the reporting period, the Company has held 7 meetings of the Board of Directors and 21 meetings of all committees of the Board of Directors, and deliberated or listened to 206 items accumulatively on various topics, giving play to the Board of Directors' decision-making role in formulating corporate strategies practically, studying business plans, strengthening capital management, intensifying risk management and control and promoting group operation.

(III) Supervisors and the Board of Supervisors

As at the end of 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 and evaluation committee. Both of the committees are headed by external supervisors. The Board of Supervisors, which placed the interests of shareholders and the Company as the top priority, fulfilled its supervision duties and was actively engaged in the project-based research and studies and the auditing investigation, overseeing the Company's development strategies, 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 three meetings of the special committees of the Board of Supervisors to consider or hear 37 issues.

(IV) Senior management

As at the end of 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 and 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, the green finance business committee, the credit card business management committee and the special asset management committee.

(V) Related party transactions

During the reporting period, the Company continues to strengthen the management of related party transactions, complies with the regulatory provisions of the CBIRC, the CSRC and the Shanghai Stock Exchange and the Articles of Association of the Company strictly, and ensure the effective operation of the relevance management mechanism through strengthening the consultation and declaration of related party, intensifying daily monitoring of the management of related party transactions, strictly implementing the organization, declaration and quota management procedures for major related party transactions, seriously fulfilling the obligations of approval and disclosure of related party transaction, and promoting the information construction of related party transactions and other measures. 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 strictly implemented administrative regulation, carried out information disclosure in accordance with the law, prepared regular disclosure reports on schedule, disclosed major issues fairly and in a timely manner and issued more than 40 temporary announcements and governance documents during the reporting period, including meeting resolutions, listing of preferred shares, profit distribution, cash dividend explanation meetings, subsidiary preparation, issuance of Tier 2 capital bonds, issuance of green financial bonds, etc. Moreover, the Company strengthened the internal management of information disclosure affairs, organized the confidentiality of insider information and the registration and filing of insiders, and conducted special rectification and self-examination of equity and related party transactions. Besides, the Company strengthened the internal management of information disclosure, organized the confidential work of inside information and the registration and filing of insiders, as well as the special rectification, self-examination of stock rights and related party transactions, continued to carry out various forms of investor relations activities, adopted regular performance promotion, special promotion, brokerage meetings, investor visits and other methods comprehensively, and further understood the market through online channels such as the "e-interaction" platform of the Shanghai Stock Exchange, the Online Open Day for investors, the investor hotline, e-mail and so on, and improved the pertinence and effectiveness of various investor exchanges.

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
2018 Annual General Meeting	May 27, 2019	The website of Shanghai Stock Exchange (www.sse.com.cn) and the website of the Company(www.cib.com.cn)	May 28, 2019

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 seven meetings of the Board of Directors, four of which were on-site meetings, and three 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 during the year	Attendance	Attendance through teleconference	Attendance by proxy	Absence	Failure to attend in person for two consecutive times	Number of general meetings attended
Tao Yiping	No	7	7	3	0	0	No	1
Chen Yichao	No	7	7	3	0	0	No	1
Fu Anping	No	7	5	5	2	0	No	0
Han Jingwen	No	7	7	3	0	0	No	0
Xi Xinghua	No	7	6	3	1	0	No	0
Lin Tengjiao	No	7	7	4	0	0	No	0
Chen Jinguang	No	7	7	3	0	0	No	0
Chen Xinjian	No	7	7	3	0	0	No	1
Paul M. Theil	Yes	7	7	3	0	0	No	0
Zhu Qing	Yes	7	7	3	0	0	No	0
Liu Shiping	Yes	7	7	3	0	0	No	0
Su Xijia	Yes	7	7	3	0	0	No	0
Lin Hua	Yes	7	7	3	0	0	No	0
Gao Jianping	No	4	4	1	0	0	No	1
Li Weimin	No	4	4	3	0	0	No	0

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

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

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

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

(I) The Strategy Committee of the Board of Directors

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. Grasp the changes in the market situation, guide the basic keynote of the work of "progressing steadily, innovating steadily, refining steadily" in the operation and management, deepen the implementation of the "1234" development strategy, adjust the structure of assets and liabilities and the structure of business operations, speed up the pace of transformation and upgrading, and resolutely promote high-quality development on the basis of steady growth, steady performance and steady quality. Assess the progress made in the implementation of the development plan for the period 2016-2020 carefully, pay continuous attention to the fulfillment of various planning targets, maintain steady progress in the growth of assets, and optimize the non-interest income structure continuously, strive to achieve the development goal of "light capital, light asset and high efficiency". Further strengthen the management and operation of capital intensification, adhere to the combination of internal accumulation and external resource replenishment, promote external capital replenishment through multiple channels, successfully issue 30 billion preferred shares, initiate the issuance of RMB30 billion of capital bonds without fixed terms, and continue to consolidate Tier 2 capital. Strengthen key risk management, carry out special research on the impact of the new guidelines for financial instruments and on large-scale risk projects, intensify the unified quality control of group assets, promote debt-to-equity swap business steadily and guide and improve accountability work. Continue to optimize the management mechanism for the group's consolidated statements, and instruct group members to deepen the main business and specialize in the professional work with the goal of building first-class integrated financial service groups based on the "overall bank" construction, so as to constantly enhance the overall output capacity of financial services. Promote institutional construction steadily, coordinate and optimize institutional development strategies and outlet layout planning, strengthen the management of stock institutions and effectively improve the operating efficiency of branches.

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

During the reporting period, the Risk Management and Consumer Protection Committee of the Board of Directors seized the changes in the external environment, evaluated all kinds of risks encountered in the Company's operation carefully, understood the Company's risk management and consumer rights protection comprehensively, summarized and evaluated the risk control measures in each stage periodically, guided the Company's risk management work, and promoted the Company's stable and compliant operation. In addition, the Committee implemented comprehensive risk management, guided and balanced the relationship between business performance growth and risk management, and strengthened risk control in key areas. At the same time, the Committee stressed that the Company should continue to attach great importance to liquidity risk management, strengthen customer development, enhance comprehensive service capabilities and other basic work, expand long-term and stable sources of debt, optimize the asset-liability structure continuously, prompt the Company to fully implement supervision requirement, conduct business more prudently, and strengthen the application of stress test results. The Committee recommended that the Company should continue to track the changes in the real estate industry closely, formulate its own business strategy, control business risks effectively, enhance the disposal of risky assets under the premise of financial index reasonably, strengthen the unified control of the Group's asset quality, consolidate the asset quality comprehensively, and lay a good foundation for subsequent operations. In addition, the Committee promoted the sorting out of the internal disposal process of debt-to-equity swap for special assets, strengthened prior assessment and pre-judgment, recommended that the Company should attach importance to information technology risk management, continue to push forward the reform of science and technology system and mechanism, strengthen IT to empower business development, continue to push the Company to further carry out consumer rights protection work, promote the integration of consumer rights protection work into the whole process of operation and management, and improve the level of consumer rights protection.

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

During the reporting period, the Audit and Related Party Transactions Control Committee of the Board of Directors shall perform its duties seriously, assist the Board of Directors in continuous improvement of financial reporting, internal audit, internal control and related party transactions management, guide the predecessor accounting firm and the successor accounting firm to make a good transition, maintain communication for switching from old standards to new standards, promote smooth handover of various audit tasks, continue to maintain close communication with external auditors, supervise and guide the audit and review of financial reports, and guide the Company to put forward more valuable management suggestions from a professional and independent third-party perspective combined with the practical experience of excellent financial institutions. The Committee shall review the financial reports and annual budget and final accounts for all stages periodically, conduct a comprehensive analysis of the Company's business performance, and recommend that management continue to adhere to steady business strategies, strengthen internal audit and internal control assessments, follow up key audit projects and conduct on-site investigation and communication, guide internal audit department to strengthen team building, improve internal audit function positioning, adhere to "create value" , and guide to make full use of the findings of external supervision and inspection, constantly improve the level of compliance and internal control, follow the principles of openness, fairness and transparency strictly, strengthen the management of related party transactions, and examine the matter of granting related party transaction quotas to related legal persons such as Fujian Yango Group carefully, ensure that significant related party transactions do not harm the interests of the Company and its shareholders, especially the interests of medium and small shareholders.

(IV) The Nomination Committee of the Board of Directors

During the reporting period, the Nomination Committee of the Board of Directors shall diligently perform its nomination duties in accordance with the Articles of Association, make additional nominations for senior managers and directors and take the structure of board members and operation management needs of the Bank into overall consideration. The Nomination Committee shall conduct a careful review of the qualifications of the candidates for senior managers and directors and submit the same to the Board for deliberation.

(V) The Remuneration and Evaluation Committee

During the reporting period, the Remuneration and Evaluation Committee of the Board of Directors shall, pursuant to the Company's development strategies and annual business goals, carry out appraisal of business performance of senior managers of 2018 in accordance with the performance evaluation standards and evaluation procedures, study and propose the remuneration plan for senior managers of 2018 and submit to the Board of Directors for deliberation, and propose several recommendations for improvements to the remuneration system simultaneously. In addition, 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 KPMG Huazhen 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, 2019.

Financial Statements

The Company's financial statements for Year 2019 have been audited by KPMG Huazhen LLP and signed by certified public accountants Shi Jian and Chen Sijie, 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 person in charge of the accounting body. .

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.

Legal Representative: Tao Yiping (Performing the Duties of the Legal Representative)

Board of Directors of Industrial Bank Co., Ltd.

April 28, 2020

Appendix: Auditors' Report and Financial Statements

CONTENTS

AUDITOR'S REPORT

KPMG Huazhen Shen Zi No.2002163

TO THE SHAREHOLDERS OF INDUSTRIAL BANK CO., LTD.

OPINION

We have audited the accompanying financial statements of Industrial Bank Co., Ltd. (the "Bank"), which comprise the consolidated and Bank's balance sheets as at 31 December 2019, the consolidated and Bank's income statements, the consolidated and Bank's cash flow statements, the consolidated and Bank's statements of changes in shareholders' equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and Bank's financial position of the Bank as at 31 December 2019, and the consolidated and Bank's financial performance and cash flows of the Bank for the year then ended in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China.

BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing for Certified Public Accountants ("CSAs"). Our responsibilities under those standards are further described in the Auditor's 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 ("the Code"), 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 opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our 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.

KEY AUDIT MATTERS (continued)

Allowance for impairment losses on loans and debt investments

Refer to the accounting policies set out in the notes to the financial statements "IV. Significant accounting policies and accounting estimates" 7.5 and "VII. Notes to the consolidated financial statements" 6 and 7.2.

The Key Audit Matter	How the matter was addressed in our audit
The Bank has adopted the revised *CAS 22 - Recognition and Measurement of Financial Instruments* since 1 January 2019 and developed the expected credit loss model. The determination of allowance for impairment losses using the expected credit loss model is subject to a number of key parameters and assumptions, including the identification of loss stages, estimates of probability of default, loss given default, exposures at default and discount rate, adjustments for forward-looking information and other adjustment factors. Management judgment is involved in the selection of those parameters and the application of the assumptions. In particular, the determination of expected credit loss model is heavily dependent on the external macro environment and the Bank's internal credit risk management strategy. The expected credit losses for corporate loans and debt investments are derived from estimates including the historical losses, internal and external credit grading and other adjustment factors. The expected credit losses for personal loans are derived from estimates whereby management takes into consideration historical overdue data, the historical loss experience for personal loans and other adjustment factors. Management also exercises judgement in determining the quantum of loss given default based on a range of factors. These include available remedies for recovery, the financial situation of the borrower, the recoverable amount of collateral, the seniority of the claim and the existence and cooperativeness of other creditors. Management refers to valuation reports issued by qualified third party valuers and considers the influence of various factors including the market price, location and use when assessing the value of property held as collateral. The enforceability, timing and means of realisation of collateral can also have an impact on the recoverable amount of collateral and, therefore, the amount of allowance for impairment losses as at the end of reporting period. We identified the impairment of loans and advances to customers and debt investments as a key audit matter because of the inherent uncertainty and management judgment involved and because of its significance to the financial results and capital of the Bank.	Our audit procedures to assess allowance for impairment losses on loans and advances to customers and debt investments included the following: • understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the approval, recording and monitoring of loans and advances to customers or debt investments, the credit grading process and the measurement of allowances for impairment; • involving our IT specialists to assess the design and operating effectiveness of information system controls, including general information technology controls, completeness of automatically extracted key internal historical data, data transmission between systems, mapping of parameters of expected credit loss model, and logic settings for system calculation of allowance for impairment losses for expected credit loss; • with the assistance of our internal specialists in financial risk management, assessing the reliability of the expected credit loss model used by management in determining allowance for impairment losses, including assessing the appropriateness of the key parameters and assumptions in the expected credit loss model, including the identification of loss stages, probability of default, loss given default, exposure at default, discount rate, adjustments for forward-looking information and other management adjustments; • assessing the completeness and accuracy of data used for the key parameters in the expected credit loss model. For key parameters derived from internal data relating to original loan agreements, we compared the total balance of the loan and financial assets list used by management to assess the allowances for impairment with the general ledger, selecting samples and comparing individual loan and financial assets information with the underlying agreements and other related documentation to assess the accuracy of compilation of the loan and financial assets list. For key parameters derived from external data, we selected samples to inspect the accuracy of such data by comparing them with public resources;

KEY AUDIT MATTERS (continued)

Allowance for impairment losses on loans and debt investments (continued)	
Refer to the accounting policies set out in the notes to the financial statements "IV. Significant accounting policies and accounting estimates" 7.5 and "VII. Notes to the consolidated financial statements" 6 and 7.2.	
The Key Audit Matter	How the matter was addressed in our audit
	• for key parameters involving judgement, critically assessing input parameters by seeking evidence from external sources and comparing to the Bank's internal records including historical loss experience and type of collateral. As part of these procedures, we challenged management's revisions to estimates and input parameters compared with prior period and on transition to the new accounting standard and considered the consistency of judgement. We compared the economic factors used in the models with market information to assess whether they were aligned with market and economic development; • for key internal data generated by the system, we selected samples and checked the system input data against source documents to assess the accuracy of the system input data, and tested the logic for preparing information about overdue loans and advances based on the samples and with the help of our IT specialists; • evaluating the reasonableness of the management's judgment as to whether the credit risk of loans and advances to customers or debt investments has increased significantly since the initial recognition and whether the credit impairment has occurred by selecting a risk-based sample for credit review. We analysed the loan portfolio by industry sector to select samples for credit review in industries more vulnerable to the current economic situation. We also selected samples based on other risk criteria, including but not limited to borrowers with adverse press coverage and from the Bank's overdue report; Based on the selected samples, we checked information about overdue loans, learned about the borrowers' credit risk profile, made enquiries to the credit managers about the borrowers' business operations, checked the borrowers' financial information, and researched market information related to the borrowers' businesses.

KEY AUDIT MATTERS (continued)

Allowance for impairment losses on loans and debt investments (continued)

Refer to the accounting policies set out in the notes to the financial statements "IV. Significant accounting policies and accounting estimates" 7.5 and "VII. Notes to the consolidated financial statements" 6 and 7.2.

The Key Audit Matter	How the matter was addressed in our audit
	• performing credit review procedures on the samples of corporate loans and advances and debt investments selected in accordance with the aforesaid criteria, to assess the appropriateness of the loss given default (LGD) of the credit-impaired corporate loans and advances and debt investments; assessing the estimated recoverable cash flow through inquiries, professional judgements, independent queries, etc.; evaluating the management's assessment of the value of any collateral held, comparing the managemen's valuation of the collaterals to their market prices, evaluating the timing and means of realisation of the collaterals, and considering other sources of repayment asserted by the management; assessing the consistency in the application of key assumptions by the management and comparing them with our data sources. • selecting samples to check the expected credit loss calculation, so as to comment on the Bank's application of the expected credit loss model; and • evaluating whether the disclosure related to allowance for impairment losses on loans and advances to customers and debt investments meets the disclosure requirements of the revised *CAS 37 - Presentation of Financial Instruments.*

KEY AUDIT MATTERS (continued)

Consolidation of structured entities	
Refer to the accounting policies set out in the notes to the financial statements "IV. Significant accounting policies and accounting estimates" 4, "VI. Consolidation scope" 2 and "VII. Notes to the consolidated financial statements" 48.	
The Key Audit Matter	**How the matter was addressed in our audit**
Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. The Bank may acquire or retain an ownership interest in, or act as a sponsor to, a structured entity through issuing a wealth management product, an investment fund, an asset management plan, a trust plan or an asset-backed security. In determining whether a structured entity is required to be consolidated by the Bank, the management is required to consider the power the Bank is able to exercise over the activities of the entity, the variable returns to which the Bank has rights from its involvement with the structured entity, and its ability to influence its own variable returns from the entity. These factors are not purely quantitative and the substance of the transaction needs to be considered collectively. We identified the consolidation of structured entities as a key audit matter because some of these structured entities were complex in nature and judgement was required when the Bank performed qualitative assessment of terms and transaction substance for each structured entity.	Our audit procedures to assess the consolidation of structured entities included the following: • making enquiries of management and inspecting documents relating to the judgement process over whether a structured entity is consolidated or not to assess whether the Bank has a robust process in this regard; • performing the following procedures for structured entities on a sample basis: - inspecting selected contracts, internal establishment documents and information disclosed to the investors to understand the purpose of the establishment of the structured entities and the involvement the Bank has with the structured entities and to assess management's judgement over whether the Bank has the ability to exercise power over the structured entities; - inspecting the risk and reward structure of the structured entities, including any capital or return guarantee, provision of liquidity support, commission paid and distribution of the returns, to assess management's judgement as to exposure, or rights, to variable returns from the Bank's involvement in such entities; - evaluating management's analyses of the structured entities including qualitative analyses and calculations of the magnitude and variability associated with the Bank's economic interests in the structured entities to assess management's judgement over the Bank's ability to influence its own returns from the structured entities; - assessing management's judgement over whether the structured entities should be consolidated or not; and • assessing the disclosures in the consolidated financial statements in relation to structured entities with reference to the requirements of the prevailing accounting standards.

KEY AUDIT MATTERS (continued)

Fair value of financial instruments

Refer to "XI. Financial risk management" 7 set out in the notes to the financial statements.

The Key Audit Matter	How the matter was addressed in our audit
Financial instruments carried at fair value account for a significant part of the Bank's assets and liabilities. The effect of fair value adjustments of financial instruments may impact either the profit or loss or other comprehensive income. The valuation of the Bank's financial instruments, held at fair value, is based on a combination of market data and valuation models which often require a considerable number of inputs. Many of these inputs are obtained from readily available data, in particular for level 1 and level 2 financial instruments in the fair value hierarchy, the valuation techniques for which use quoted market prices and observable inputs, respectively. Where such observable data is not readily available for valuation techniques, as in the case of level 3 financial instruments, estimates need to be developed which can involve significant management judgement. The Bank has developed its own models to value certain level 2 and level 3 financial instruments, which also involves significant management judgement. We identified assessing the fair value of financial instruments as a key audit matter because of the degree of complexity involved in valuing certain financial instruments and the degree of judgement exercised by management in determining the inputs used in the valuation models.	Our audit procedures to assess the fair value of financial instruments included the following: • assessing the design, implementation and operating effectiveness of key internal controls over the valuation, independent price verification, front office and back office reconciliations and model approval for financial instruments; • assessing the level 1 fair values, on a sample basis, by comparing the fair values applied by the Bank with publicly available market data; • engaging our internal valuation specialists to assist us in performing independent valuations, on a sample basis, of level 2 and level 3 financial instruments and comparing our valuations with the Bank's valuations. Our procedures included developing parallel models, obtaining inputs independently and verifying the inputs; • assessing the appropriate application of fair value adjustments that form an integral part of fair values, inquiring of management about any changes in the fair value adjustments methodology and assessing the appropriateness of the inputs applied; and • assessing whether the financial statement disclosures appropriately reflected the Bank's exposure to financial instrument valuation risk with reference to the requirements of the related financial reporting standards.

KEY AUDIT MATTERS (continued)

Adjustments and disclosures in relation to transition to the new financial instruments standards	
Refer to the accounting policies set out in the notes to the financial statements "IV. Significant accounting policies and accounting estimates" 30.	
The Key Audit Matter	How the matter was addressed in our audit
The Bank has applied the revised *CAS 22 - Recognition and Measurement of Financial Instruments, CAS 23 - Transfer of Financial Assets and CAS 37 - Presentation of Financial Instruments* (hereinafter referred to as "New Financial Instrument Standards") since 1 January 2019. The new financial instruments standards have modified the previously applied financial instrument classification and measurement framework and introduced a more complex ECL model for assessing impairment. In addition, the Bank needed to follow the classification and measurement requirements (including impairment) of new financial instruments standards, and recognise any difference between the previous carrying amount under the previous financial instruments standards and the carrying amount at the initial application date (1 January 2019) of the new standards in the opening retained earnings or other comprehensive income from equity. We identified the adjustments and disclosures in relation to the transition to the new financial instruments standards as a key audit matter, because of the complexity of the transition process which involved changes in internal controls of the financial reporting process, accounting treatments, and application of new system data; also, management judgment was applied.	Our audit procedures relating to the transition to the new financial instruments standards included the following: • understanding and assessing the key internal controls of the financial reporting process related to the transition to the new financial instruments standards, including internal control processes related to the selection and approval of accounting policy and expected credit loss model methodology, information system related controls, etc.; • obtaining a list of financial instruments classified by the management as at the transition date, selecting samples to perform contractual cash flow tests, and consulting relevant business model documents, so as to assess the accuracy of the classification judgement and result; • engaging our internal specialists in financial risk management to assist us in evaluating the valuation method of financial assets and the key parameters used for financial assets that are measured at fair value due to changes in classification and measurement, and selecting samples to independently verify their fair value; • with the assistance of our internal specialists in financial risk management, assessing the reliability of the expected credit loss model used by management in determining allowance for impairment losses, including assessing the appropriateness of the key parameters and assumptions in the expected credit loss model, including the identification of loss stages, probability of default, loss given default, exposure at default, discount rate, adjustments for forward-looking information and other management adjustments, and evaluating the reasonableness of key management judgments involved; • obtaining journal entries relating to adjustments made on transition to the new financial instruments standards on 1 January 2019 and comparing them with the list of classification, valuation, expected credit loss of financial instruments, to assess the completeness and accuracy of adjustment journals, and assessing whether the journal entries in relation to transition to the new financial instruments standards were in compliance with the prevailing accounting standards; and • assessing whether the relevant disclosures in relation to transition to the new financial instruments standards at 1 January 2019 were in compliance with the prevailing accounting standards.

OTHER INFORMATION

The Bank's management is responsible for the other information. The other information comprises all the information included in 2019 annual report of the Bank, other than the financial statements and our auditor's 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.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Accounting Standards for Business Enterprises, and for the design, implementation and maintenance of such internal control necessary to enable that the financial statements 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 reporting process.

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 auditor's 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 CSAs 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 CSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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 modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- 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.
- 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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.

KPMG Huazhen LLP
Beijing, China

Certified Public Accountants
Registered in the People's
Republic of China

Shi Jian (Engagement Partner)

Chen Sijie

28 April 2020

THE CONSOLIDATED AND BANK'S BALANCE SHEETS

AS AT 31 DECEMBER 2019 (Expressed in millions of Renminbi, unless otherwise stated)

		The Group		The Bank	
	Note VII	2019	2018	2019	2018
Assets					
Cash and balances with Central Bank	1	**486,444**	475,781	**486,430**	475,775
Deposits with banks and other financial institutions	2	**87,260**	53,303	**81,829**	47,869
Precious metals		**401**	3,350	**401**	3,350
Placements with banks and other financial institutions	3	**231,475**	98,349	**243,929**	111,238
Derivative financial assets	4	**32,724**	42,092	**32,722**	42,092
Financial assets purchased under resale agreements	5	**41,861**	77,083	**37,988**	73,795
Loans and advances to customers	6	**3,345,180**	2,838,445	**3,316,610**	2,822,075
Financial investments:	7				
Trading assets	7.1	**652,034**	N/A	**628,253**	N/A
Debt investments	7.2	**1,444,176**	N/A	**1,431,325**	N/A
Other debt investments	7.3	**599,382**	N/A	**597,801**	N/A
Other equity investments	7.4	**1,929**	N/A	**1,929**	N/A
Financial assets at fair value through profit or loss	8	**N/A**	459,598	**N/A**	413,015
Available-for-sale financial assets	9	**N/A**	647,102	**N/A**	665,685
Held-to-maturity investments	10	**N/A**	395,142	**N/A**	393,557
Investments classified as receivables	11	**N/A**	1,387,150	**N/A**	1,375,840
Finance lease receivables	12	**106,273**	104,253	**-**	-
Long-term equity investments	13	**3,413**	3,224	**23,601**	17,979
Fixed assets	14	**24,641**	17,658	**18,892**	12,624
Construction in progress	15	**3,463**	7,872	**3,441**	7,852
Intangible assets		**647**	602	**603**	556
Goodwill	16	**532**	532	**-**	-
Deferred tax assets	17	**40,799**	32,317	**37,984**	30,102
Other assets	18	**43,047**	67,804	**34,518**	56,028
Total assets		**7,145,681**	6,711,657	**6,978,256**	6,549,432

(Continued)

The accompanying notes form an integral part of these financial statements.

		The Group		The Bank	
	Note VII	2019	2018	2019	2018
Liabilities					
Borrowing from Central Bank		**168,259**	268,500	**168,259**	268,500
Deposits from banks and other financial institutions	19	**1,233,937**	1,344,883	**1,245,608**	1,351,407
Placements from banks and other financial institutions	20	**192,310**	220,831	**97,194**	126,941
Trading liabilities	21	**4,214**	2,594	**4,106**	2,387
Derivative financial liabilities	4	**31,444**	38,823	**31,442**	38,823
Financial assets sold under repurchase agreements	22	**193,412**	230,569	**184,072**	219,274
Deposits from customers	23	**3,794,832**	3,303,512	**3,797,501**	3,304,063
Employee benefits payable	24	**17,738**	15,341	**15,909**	13,569
Tax payable	25	**14,476**	11,297	**13,226**	10,045
Provisions	26	**6,253**	-	**6,253**	-
Debt securities issued	27	**899,116**	717,854	**871,106**	698,436
Other liabilities	28	**40,038**	84,869	**21,124**	66,423
Total liabilities		**6,596,029**	6,239,073	**6,455,800**	6,099,868
Shareholders' equity					
Share capital	29	**20,774**	20,774	**20,774**	20,774
Other equity instruments	30	**55,842**	25,905	**55,842**	25,905
Including: preference shares		**55,842**	25,905	**55,842**	25,905
Capital reserve	31	**74,914**	75,011	**75,260**	75,260
Other comprehensive income	44	**3,232**	2,356	**3,192**	2,802
Surplus reserve	32	**10,684**	10,684	**10,684**	10,684
General reserve	33	**78,525**	73,422	**74,829**	69,996
Retained earnings	34	**297,389**	257,801	**281,875**	244,143
Equity attributable to shareholders of the Bank		**541,360**	465,953	**522,456**	449,564
Non-controlling interests		**8,292**	6,631	**-**	-
Total shareholders' equity		**549,652**	472,584	**522,456**	449,564
Total liabilities and shareholders' equity		**7,145,681**	6,711,657	**6,978,256**	6,549,432

The financial statements were signed by the following persons in charge:

Tao Yiping	Lai Furong
(On Behalf of the Legal Representative)	Person in Charge of the Accounting Body
Director, President, Financial Director	

The accompanying notes form an integral part of these financial statements.

THE CONSOLIDATED AND BANK'S INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (Expressed in millions of Renminbi, unless otherwise stated)

		The Group		The Bank	
	Note VII	2019	2018	2019	2018
I. Operating income		**181,308**	158,287	**168,429**	147,994
Net interest income	35	**102,988**	95,657	**94,244**	90,636
Interest income	35	**269,677**	270,578	**255,951**	259,667
Interest expense	35	**(166,689)**	(174,921)	**(161,707)**	(169,031)
Net fee and commission income	36	**49,679**	42,978	**45,361**	38,754
Fee and commission income	36	**53,634**	47,062	**49,128**	42,375
Fee and commission expense	36	**(3,955)**	(4,084)	**(3,767)**	(3,621)
Investment income	37	**24,992**	26,482	**26,266**	26,981
Including: income from joint ventures and associates		**205**	265	**184**	264
income from derecognition of financial assets at amortised cost		**393**	N/A	**250**	N/A
Gains from changes in fair values	38	**1,622**	2,919	**1,434**	2,711
Foreign exchange gains (losses)		**851**	(11,298)	**840**	(11,418)
Income from disposal of assets		**38**	19	**38**	19
Other income		**363**	637	**71**	103
Other operating income		**775**	893	**175**	208
II. Operating expenses		**(107,042)**	(90,373)	**(100,000)**	(85,270)
Taxes and surcharges	39	**(1,756)**	(1,408)	**(1,635)**	(1,316)
General and administrative expenses	40	**(46,557)**	(42,064)	**(43,002)**	(39,086)
Credit impairment losses	41	**(58,088)**	N/A	**(54,992)**	N/A
Impairment losses on assets	42	**N/A**	(46,404)	**N/A**	(44,609)
Impairment losses on other assets		**(8)**	N/A	**(8)**	N/A
Other operating expenses		**(633)**	(497)	**(363)**	(259)
III. Operating profit		**74,266**	67,914	**68,429**	62,724
Add: Non-operating income		**368**	335	**258**	285
Less: Non-operating expenses		**(131)**	(172)	**(123)**	(163)
IV. Total profit		**74,503**	68,077	**68,564**	62,846
Less: Income tax expenses	43	**(7,801)**	(6,832)	**(6,265)**	(5,615)
V. Net profit		**66,702**	61,245	**62,299**	57,231

(Continued)

The accompanying notes form an integral part of these financial statements.

		The Group		The Bank	
	Note VII	2019	2018	2019	2018
V. Net profit (continued)		**66,702**	61,245	**62,299**	57,231
1. Categorized by continuity of operation:					
(1) Net profit from continuing operations		**66,702**	61,245	**62,299**	57,231
(2) Net profit from discontinued operations		**-**	-	**-**	-
2. Categorized by ownership:					
(1) Attributable to shareholders of the Bank		**65,868**	60,620	**62,299**	57,231
(2) Non-controlling interests		**834**	625	**-**	-
VI. Other comprehensive income- net of tax	44	**270**	3,352	**244**	3,819
Other comprehensive income attributable to shareholders of the Bank		**265**	3,423	**244**	3,819
1.Items that may be reclassified subsequently to profit or loss					
(1) Changes in fair value of other debt investments		**(776)**	N/A	**(772)**	N/A
(2) Credit losses on other debt investments		**666**	N/A	**648**	N/A
(3) Changes in fair value of available-for-sale financial assets		**N/A**	3,587	**N/A**	4,007
(4) Translation differences of financial statements denominated in foreign currencies		**7**	24	**-**	-
(5) Other comprehensive income recognised under equity method		**4**	-	**4**	-
2.Items that will not be reclassified subsequently to profit or loss:					
(1) Actuarial (losses) profits on defined benefit plans		**363**	(188)	**363**	(188)
(2) Changes in fair value of other equity investments		**1**	N/A	**1**	N/A
Other comprehensive income attributable to non-controlling interests		**5**	(71)	**-**	-
VII.Total comprehensive income		**66,972**	64,597	**62,543**	61,050
Total comprehensive income attributable to:					
Shareholders of the Bank		**66,133**	64,043	**62,543**	61,050
Non-controlling interests		**839**	554	**-**	-
VIII.Earnings per share (expressed in RMB)					
Basic earnings per share	45	**3.10**	2.85		
Diluted earnings per share	45	**3.10**	2.85		

The financial statements were signed by the following persons in charge:

Tao Yiping
(On Behalf of the Legal Representative)
Director, President, Financial Director

Lai Furong
Person in Charge of the Accounting Body

The accompanying notes form an integral part of these financial statements.

THE CONSOLIDATED AND BANK'S CASH FLOW STATEMENTS

For the year ended 31 December 2019 (Expressed in millions of Renminbi, unless otherwise stated)

		The Group		The Bank	
	Note VII	2019	2018	2019	2018
I. Cash flows from operating activities:					
Net increase in deposits from customers and deposits from banks and other financial institutions		**336,384**	113,004	**343,649**	116,059
Net decrease in balances with Central Bank and deposits with banks and other financial institutions		**13,192**	48,698	**12,225**	47,193
Net increase in placements from banks and other financial institutions and financial assets sold under repurchase agreements		**-**	33,677	**-**	37,181
Net increase in borrowing from Central Bank		**-**	23,500	**-**	23,500
Cash receipts from interest, fee and commission		**224,627**	195,667	**211,773**	182,868
Other cash receipts relating to operating activities		**15,277**	51,888	**7,581**	11,325
Subtotal of cash inflows from operating activities		**589,480**	466,434	**575,228**	418,126
Net increase in loans and advances to customers		**544,910**	532,140	**531,869**	522,562
Net increase in finance leases		**5,241**	1,886	**-**	-
Net decrease in placements from banks and other financial institutions and financial assets sold under repurchase agreements		**67,358**	-	**66,208**	-
Net increase in placements with banks and other financial institutions and financial assets purchased under resale agreements		**100,499**	30,736	**100,870**	37,295
Net decrease in borrowing from Central Bank		**102,800**	-	**102,800**	-
Net increase in financial assets held for trading		**134,656**	-	**127,722**	-
Cash payments to interest, fee and commission		**143,797**	145,164	**137,378**	138,207
Cash payments to and on behalf of employees		**25,691**	24,925	**23,503**	23,096
Cash payments of various types of taxes		**23,143**	18,435	**21,131**	15,881
Other cash payments relating to operating activities		**29,394**	69,247	**26,744**	38,092
Subtotal of cash outflows from operating activities		**1,177,489**	822,533	**1,138,225**	775,133
Net cash flow from operating activities	46	**(588,009)**	(356,099)	**(562,997)**	(357,007)
II.Cash flows from investing activities					
Cash receipts from recovery of investments		**5,219,878**	5,489,179	**5,190,076**	5,397,632
Cash receipts from investment income		**128,078**	120,784	**122,447**	118,100

(Continued)

		The Group		The Bank	
	Note VII	2019	2018	2019	2018
Cash receipts from disposals of fixed assets, intangible assets and other long-term assets		**161**	228	**161**	93
Other cash receipts relating to investing activities		**14,342**	20	**11,302**	20
Subtotal of cash inflows from investing activities		**5,362,459**	5,610,211	**5,323,986**	5,515,845
Cash payments to acquire investments		**4,743,993**	5,180,506	**4,677,289**	5,098,552
Cash payments to acquire fixed assets, intangible assets and other long-term assets		**5,517**	6,395	**4,255**	5,163
Other cash payments relating to investing activities		**10,612**	920	**7,477**	920
Subtotal of cash outflows from investing activities		**4,760,122**	5,187,821	**4,689,021**	5,104,635
Net cash flow from investing activities		**602,337**	422,390	**634,965**	411,210
III.Cash flows from financing activities:					
Cash receipts from capital contributions		**32,145**	220	**30,000**	-
Including: Cash receipts from capital contributions from non-controlling shareholders of subsidiaries		**238**	220	**-**	-
Proceeds from issuance of bonds		**990,074**	1,425,549	**981,174**	1,414,572
Other cash receipts relating to financing activities		**-**	3,641	**-**	-
Subtotal of cash inflows from financing activities		**1,022,219**	1,429,410	**1,011,174**	1,414,572
Cash repayments of borrowings		**810,130**	1,370,689	**809,507**	1,364,168
Cash payments for distribution of dividends or profits or settlement of interest expenses		**44,076**	43,728	**43,060**	43,728
Including: Dividends paid to non-controlling shareholders of subsidiaries		**106**	-	**-**	-
Other cash payments relating to financing activities		**1,346**	4,557	**63**	-
Subtotal of cash outflows from financing activities		**855,552**	1,418,974	**852,630**	1,407,896
Net cash flow from financing activities		**166,667**	10,436	**158,544**	6,676
IV.Effect of foreign exchange rate changes on cash and cash equivalents		**1,558**	2,129	**1,545**	2,116
V.Net increase in cash and cash equivalents	46	**182,553**	78,856	**232,057**	62,995
Add: Opening balance of cash and cash equivalents		**549,177**	470,321	**543,622**	480,627
VI.Closing balance of cash and cash equivalents	46	**731,730**	549,177	**775,679**	543,622

The financial statements were signed by the following persons in charge:

Tao Yiping
(On Behalf of the Legal Representative)
Director, President, Financial Director

Lai Furong
Person in Charge of the Accounting Body

The accompanying notes form an integral part of these financial statements.

THE CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

(Expressed in millions of Renminbi, unless otherwise stated)

		2019								
		Attributable to shareholders of the Bank								
	Note VII	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Non-controlling interests	Total
I. At 31 December 2018		20,774	25,905	75,011	2,356	10,684	73,422	257,801	6,631	472,584
Changes in accounting policies		-	-	-	611	-	-	(5,361)	(22)	(4,772)
II. At 1 January 2019		20,774	25,905	75,011	2,967	10,684	73,422	252,440	6,609	467,812
III. Changes for the year										
(I) Net profit		-	-	-	-	-	-	65,868	834	66,702
(II) Other comprehensive income	44	-	-	-	265	-	-	-	5	270
Subtotal of (I) and (II)		-	-	-	265	-	-	65,868	839	66,972
(III) Capital contribution from shareholders		-	29,937	(97)	-	-	-	-	950	30,790
1.Contribution from shareholders		-	-	-	-	-	-	-	238	238
2.Changes in shareholdings in subsidiaries		-	-	(97)	-	-	-	-	(1,282)	(1,379)
3.Capital injection by other equity instruments shareholders		-	29,937	-	-	-	-	-	1,994	31,931
(IV) Profit distribution		-	-	-	-	-	5,103	(20,919)	(106)	(15,922)
1.Appropriation to general reserve	33	-	-	-	-	-	5,103	(5,103)	-	-
2.Dividends paid to ordinary shareholders	34	-	-	-	-	-	-	(14,334)	(106)	(14,440)
3.Dividends paid to preference shareholders	34	-	-	-	-	-	-	(1,482)	-	(1,482)
IV. At 31 December 2019		20,774	55,842	74,914	3,232	10,684	78,525	297,389	8,292	549,652

The accompanying notes form an integral part of these financial statements.

FOR THE YEAR ENDED 31 DECEMBER 2018

(Expressed in millions of Renminbi, unless otherwise stated)

	2018									
		Attributable to shareholders of the Bank								
	Note VII	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Non-controlling interests	Total
I. 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	44	-	-	-	3,423	-	-	-	(71)	3,352
Subtotal of (I) and (II)		-	-	-	3,423	-	-	60,620	554	64,597
(III) Capital contribution from shareholders		-	-	-	-	-	-	-	220	220
Contribution from shareholders		-	-	-	-	-	-	-	220	220
(IV) Profit distribution		-	-	-	-	-	2,811	(17,796)	-	(14,985)
1. Appropriation to general reserve	33	-	-	-	-	-	2,811	(2,811)	-	-
2. Dividends paid to ordinary shareholders	34	-	-	-	-	-	-	(13,503)	-	(13,503)
3. Dividends paid to preference shareholders	34	-	-	-	-	-	-	(1,482)	-	(1,482)
III. At 31 December 2018		20,774	25,905	75,011	2,356	10,684	73,422	257,801	6,631	472,584

The financial statements were signed by the following persons in charge:

Tao Yiping	Lai Furong
(On Behalf of the Legal Representative)	Person in Charge of the Accounting Body
Director, President, Financial Director	

The accompanying notes form an integral part of these financial statements.

THE BANK'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

(Expressed in millions of Renminbi, unless otherwise stated)

		2019							
	Note VII	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total
I. At 31 December 2018		20,774	25,905	75,260	2,802	10,684	69,996	244,143	449,564
Changes in accounting policies		-	-	-	146	-	-	(3,918)	(3,772)
II. At 1 January 2019		20,774	25,905	75,260	2,948	10,684	69,996	240,225	445,792
III. Changes for the year									
(I) Net profit		-	-	-	-	-	-	62,299	62,299
(II) Other comprehensive income	44	-	-	-	244	-	-	-	244
Subtotal of (I) and (II)		-	-	-	244	-	-	62,299	62,543
(III) Capital contribution from shareholders		-	29,937	-	-	-	-	-	29,937
Capital injection by other equity instruments shareholders		-	29,937	-	-	-	-	-	29,937
(IV) Profit distribution		-	-	-	-	-	4,833	(20,649)	(15,816)
1. Appropriation to general reserve	33	-	-	-	-	-	4,833	(4,833)	-
2. Dividends paid to ordinary shareholders	34	-	-	-	-	-	-	(14,334)	(14,334)
3. Dividends paid to preference shareholders	34	-	-	-	-	-	-	(1,482)	(1,482)
IV. At 31 December 2019		20,774	55,842	75,260	3,192	10,684	74,829	281,875	522,456

The accompanying notes form an integral part of these financial statements.

FOR THE YEAR ENDED 31 DECEMBER 2018 (Expressed in millions of Renminbi, unless otherwise stated)

	2018								
	Note VII	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total
I. 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	44	-	-	-	3,819	-	-	-	3,819
Subtotal of (I) and (II)		-	-	-	3,819	-	-	57,231	61,050
(III) Profit distribution		-	-	-	-	-	2,108	(17,093)	(14,985)
1. Appropriation to general reserve	33	-	-	-	-	-	2,108	(2,108)	-
2. Dividends paid to ordinary shareholders	34	-	-	-	-	-	-	(13,503)	(13,503)
3. Dividends paid to preference shareholders	34	-	-	-	-	-	-	(1,482)	(1,482)
III. At 31 December 2018		20,774	25,905	75,260	2,802	10,684	69,996	244,143	449,564

The financial statements were signed by the following persons in charge:

Tao Yiping
(On Behalf of the Legal Representative)
Director, President, Financial Director

Lai Furong
Person in Charge of the Accounting Body

The accompanying notes form an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated)

I. GENERAL INFORMATION

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

The Bank holds the license for carrying out financial activities issued by China Banking and Insurance Regulatory Commission (formerly known as China Banking Regulatory Commission, hereinafter referred to as the "CBIRC") with the license number of No. B0013H135010001; and the Business License of Enterprise Legal Person issued by Fujian Provincial Administration for Industry and Commerce with uniform social credit code of 91350000158142711F. The Bank's registered address is No.154 Hudong Road, Fuzhou, Fujian Province, the PRC. Tao Yiping was delegated with the duties of legal representative.

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 issuance and encashment, underwriting of government bonds and debentures; 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; agency trading, trading, settlement and sale of foreign exchanges; 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 CBIRC.

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 advisory; investment 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 asset management; acquisition, transfer and disposal of bad debts in batches of financial institutions in the province; acquisition, transfer and disposal of bad debts of non-financial institutions; issuance of wealth management products to non-specific public customers and investment and management of the investors' assets as entrusted; issuance of wealth management products to qualified investors and investment and management of the investors' assets as entrusted; wealth management consulting and advisory services; and other banking activities approved by the CBIRC as well as other businesses permitted by China Securities Regulatory Commission (the "CSRC").

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The report is prepared on a going concern basis.

The Bank and its subsidiaries (hereinafter referred to as “the Group”) has adopted the revised *CAS 22 - Recognition and Measurement of Financial Instruments* and other new financial instrument standards issued by the Ministry of Finance (the “MOF”) in 2017, since 1 January 2019. (see Note IV. 30).

The Group has not implemented the revised *CAS 14 - Revenue and CAS 21 – Leases* issued by the Ministry of Finance in 2017 and 2018 respectively.

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 consolidated and Bank’s financial position as at 31 December 2019, and the consolidated and Bank’s results of operations and cash flows for the year then ended.

In addition, the Bank’s financial statements also comply with relevant disclosure requirements on financial statements and notes of the revised Rules on the Preparation and Submission of Information Disclosed by Companies Offering Securities to the Public (No.15) – General Rules on Financial Reports issed by China Securities Regulatory Commission (CSRC) in 2014.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Accounting period

The Bank’s accounting year starts on 1 January and ends on 31 December.

2. 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 and was translated into RMB according to the principles stated in Note IV. 6.

3. 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.

3.1 Business combinations involving enterprises under common control

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

The assets acquired and liabilities assumed are measured based on their carrying amounts (or the total par value of the issued shares) in the consolidated financial statements of the ultimate controlling party at the combination date. 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. Combination date is the date on which the absorbing party effectively obtains control of the party being absorbed.

3.2 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.

For a business combination involving entities not under common control and achieved in stages, the Group remeasured its previously-held equity interest in the acquiree to its acquisition-date fair value and recognised any resulting difference between the fair value and the carrying amount as investment income or other comprehensive income for the current period. In addition, any amount recognised in other comprehensive income and other changes in the owners' equity under equity accounting in prior reporting periods relating to the previously-held equity interest that may be reclassified to profit or loss were transferred to investment income at the date of acquisition (see Note IV. 9.3.2); Any previously-held equity interest that was designated as equity investment at fair value through other comprehensive income, the other comprehensive income recognised in prior reporting periods was transferred to retained earnings and surplus reserve at the date of acquisition.

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. Acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

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. On disposal of an asset group or a set of asset groups, any attributable goodwill is written off and included in the calculation of the profit or loss on disposal.

4. 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. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered. 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. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, unless they represent impairment losses that are recognised in the financial statements.

Non-controlling interests are presented separately in the consolidated balance sheet within shareholders' equity. Net profit or loss attributable to non-controlling shareholders is presented separately in the consolidated income statement below the net profit line item. Total comprehensive income attributable to non-controlling shareholders is presented separately in the consolidated income statement below the total comprehensive income 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 will be dealt as transactions of a business combination involving entities not under common control and achieved in stages (see Note IV. 3.2).

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.

5. 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.

6. Transactions denominated in foreign currencies and translation of foreign currency financial statement

Transactions in foreign currencies are translated into the respective functional currencies of the operations at the spot exchange rates at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated into the functional currency at the spot exchange rates at that date. The resulting exchange differences are recognised in profit or loss. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated into functional currency using the spot exchange rates at the dates of the transactions. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the spot exchange rates at the dates the fair values are determined; Translation differences on equity investments at fair value through other comprehensive income are recognised in other comprehensive income. Other Translation differences recognised in the profit or loss.

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 and other comprehensive income 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 year 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.

7. Financial instruments

The Group's financial instruments mainly include Cash and balances with Central Bank, Deposits with banks and other financial institutions, Placements with banks and other financial institutions, Derivative financial assets, Financial assets purchased under resale agreements, Loans and advances to customers, Trading assets, Debt investments, Other debt investments, Other equity investments, Other receivables, Borrowing from Central Bank, Deposits from banks and other financial institutions, Placements from banks and other financial institutions, Trading liabilities, Derivative financial liabilities, Financial assets sold under repurchase agreements, Deposits from customers, Debt securities issued, Other payables and Share capital, etc.

7.1 Recognition and initial measurement of financial instrument

A financial asset or financial liability is recognised in the balance sheet when the Group becomes a party to the contractual provisions of a financial instrument.

A financial assets and financial liabilities is measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs.

7.2 Classification and subsequent measurement of financial assets

7.2.1 Classification of financial assets

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. On initial recognition, a financial asset is classified as measured at amortised cost, at fair value through other comprehensive income ("FVOCI"), or at fair value through profit or loss ("FVTPL").

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows;
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The financial assets measured at amortised cost held by the Group mainly 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, Loans and advances to customers measured at amortised cost, Debt investments, Other receivables, etc.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The financial assets measured at FVOCI held by the Group mainly include Loans and advances to customers measured at FVOCI and Other debt investments.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. The equity investments elected to fair value in other comprehensive income held by the Group mainly include Other equity investments.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. The financial assets measured at FVTPL held by the Group mainly include Loans and advances to customers measured at FVTPL and Trading assets.

The business model refers to how the Group manages its financial assets in order to generate cash flows. That is, the Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The Group determines the business model for managing the financial assets according to the facts and based on the specific business objective for managing the financial assets determined by the Group's key management personnel.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. For the purposes of this assessment, 'Principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The Group also assesses whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

7.2.2 Subsequent measurement of financial assets

(i) Financial assets at FVTPL

These financial assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss unless the financial assets are part of a hedging relationship.

(ii) Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. A gain or loss on a financial asset that is measured at amortised cost and is not part of a hedging relationship shall be recognised in profit or loss when the financial asset is derecognised, through the amortisation process or in order to recognise impairment gains or losses.

(iii) Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, impairment and foreign exchange gains and losses are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

(iv) Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to retained earnings.

7.3 Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as measured at FVTPL, financial guarantee liabilities or financial liabilities measured at amortised cost.

(1) Financial liabilities at FVTPL

A financial liability is classified as at FVTPL if it is classified as held-for-trading (including derivative financial liability) or it is designated as such on initial recognition.

Financial liabilities at FVTPL are subsequently measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss, unless the financial liabilities are part of a hedging relationship.

(2) Financial guarantee liabilities

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

After initial recognition, a financial guarantee liability is measured at the higher of:

- the amount of the allowance for impairment losses determined in accordance with impairment policies of financial instruments (see Note IV. 7.5); and
- the amount initially recognised less the cumulative amount of income.

(3) Financial liabilities measured at amortised cost

Financial liabilities measured at amortised cost are subsequently measured at amortised cost using the effective interest method.

7.4 Derecognition of financial assets and financial liabilities

The Group derecognises a financial asset if the part being considered for derecognition meets one of the following conditions:

(i) the contractual rights to receive the cash flows from the financial asset expire; or

(ii) the financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset; or

(iii) the financial asset has been transferred, although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss:

- The carrying amount of the financial asset transferred measured at the date of derecognition;
- The sum of the consideration received from the transfer and, when the transferred financial asset is a debt investment at FVOCI, any cumulative gain or loss that has been recognised directly in other comprehensive income for the part derecognised.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but retains control, the Group continues to recognise the financial asset to the extent of its continuing involvement in the financial asset. If the Group has not retained control, it derecognises the financial asset and recognises separately as assets or liabilities any rights and obligations created or retained in the transfer.

The Group derecognises a financial liability (or part of it) only when its contractual obligation (or part of it) is extinguished.

7.5 Impairment of financial assets

The Group recognises allowance for impairment losses for expected credit loss (ECL) on:

- Financial assets measured at amortised cost;
- Debt investments measured at FVOCI;
- Lease receivables
- Loan commitments and financial guarantee contracts issued, which are not measured at FVTPL.

Financial assets measured at fair value, including debt investments or equity securities at FVTPL, equity securities designated at FVOCI and derivative financial assets, are not subject to the ECL assessment.

(1) Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

The maximum period considered when estimating ECLs is the maximum contractual period (including extension options) over which the Group is exposed to credit risk.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the balance sheet date (or a shorter period if the expected life of the instrument is less than 12 months).

The Group applies a “three-stage model” for measuring ECL. For the measurement and segmentation of ECL of financial instruments of the Group, see Note XI.3 Credit risk.

(2) Presentation of allowance for ECL

ECLs are remeasured at each balance sheet date to reflect changes in the financial instrument’s credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for debt investments that are measured at FVOCI, for which the allowance for impairment loss is recognised in other comprehensive income. For the loan commitments and financial guarantee contracts issued, which are not measured at FVTPL, the Group recognises the allowance for impairment losses in provisions (credit loss of off-balance sheet assets).

(3) Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. A write-off constitutes a derecognition event. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group’s procedures for recovery of amounts due.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

7.6 Offsetting

Financial assets and financial liabilities are generally presented separately in the balance sheet, and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the balance sheet when both of the following conditions are satisfied:

- The Group currently has a legally enforceable right to set off the recognised amounts;

- The Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

7.7 Derivative financial instruments and embedded derivative financial instruments

The Group uses derivative financial instruments such as interest rate swap, foreign exchange far swap, foreign exchange option, credit swap, total income swap, precious metal far swap and precious metal option, etc. A derivative financial instrument has all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable;

- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors;

- It is settled at a future date.

Derivatives are recognised at fair value upon initial recognition. The positive fair value is recognised as an asset while the negative fair value is recognised as a liability. The gain or loss on re-measurement to fair value is recognised in profit or loss.

An embedded derivative financial instrument is a component of a hybrid contract that includes a non-derivative principal contract (the “host contract”), and embedded derivative financial instruments and the principal contract comprise a hybrid contract. The derivative financial instrument causes adjustment to some or all of the cash flows of the principal contract according to changes in specified interest rate, financial instrument price, foreign exchange rate, price or interest rate index, credit rating, credit index, or other similar variables.

If the host contract in a hybrid contract is classified as an asset according to the financial instruments standard, the Group will apply relevant financial asset classification provisions to the hybrid contract as a whole;

The hybrid contract will be separated from the host contract and treated as a separate derivative financial instrument if the host contract in a hybrid contract is not classified as an asset according to the financial instruments standard, and meets the following conditions: (i) the economic characteristics and risks of the embedded derivative financial instrument are not closely related to the principal contract; (ii) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and (iii) the hybrid instruments are not measured at fair value through profit or loss;

Where a hybrid contract includes one or more embedded derivative financial instruments and the host contract in the hybrid contract is not classified as an asset according to the financial instruments standard, the Group classifies the hybrid contract as a financial instrument measured at FVTPL except for the following cases: (i) the embedded derivative financial instruments do not significantly modify the cash flow of the hybrid contract; (ii) when determining for the first time whether such hybrid contracts require separation, it is clear without analysis that the embedded derivative financial instruments should not be separated from the contracts.

7.8 Hedge accounting

Hedge accounting is a method which recognises in profit or loss (or other comprehensive income) the gain or loss on the hedging instrument and the hedged item in the same accounting period(s) to represent the effect of risk management.

Hedged items are items that expose the Group to risks of changes in fair value or cash flows and that are designated as being hedged and can be reliably measured. A hedging instrument is a designated financial instrument whose changes in fair value or cash flows are expected to offset changes in the fair value or cash flows of the hedged item.

At the inception of a hedge relationship, the Group formally designates the hedge instruments and the hedged items, and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument’s effectiveness in offsetting the exposure to changes in the hedged item’s fair value or cash flows attributable to the hedged risk. Such hedges are expected to meet the hedge effectiveness in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to analyse the sources of hedge ineffectiveness which are expected to affect the hedge relationship in remaining hedging period. If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio, but the risk management objective for that designated hedging relationship remains the same, the Group would rebalance the hedging relationship.

Certain derivative transactions, while providing effective economic hedges under the Group's risk management positions, do not qualify for hedge accounting and are therefore treated as derivatives held for trading with fair value gains or losses recognised in profit or loss. Hedges which meet the strict criteria for hedge accounting are accounted for in accordance with the Group's accounting policy as set out below.

7.8.1 Fair value hedges

Fair value hedges are hedges of the Group's exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or unrecognised firm commitment, that is attributable to a particular risk and could affect the profit or loss or other comprehensive income. Among them, the circumstances affecting other comprehensive income are limited to the hedging for the risk exposure from fair value change of non-trading equity investment designated as at FVOCI. For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is remeasured at fair value and the gains and losses from both are taken to profit or loss or other comprehensive income.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss. The changes in the fair value of the hedging instrument are also recognised in profit or loss.

The Group discontinues fair value hedge accounting when the hedging relationship ceases to meet the qualifying criteria after taking into account any rebalancing of the hedging relationship, including the hedging instrument has expired or has been sold, terminated or exercised. If the hedged items are derecognised, the unamortised fair value is recorded in profit or loss.

7.9 Asset-backed securities

As part of its business activities, the Bank securitised some of its assets, generally by selling the assets to structured entities, which then issue securities to investors. For the conditions for financial assets derecognition, see Note IV. 7.4. When applying the financial assets derecognition conditions, the Group considers the risk and reward transfer degree of the assets transferred to structured entities, as well as the extent to which the Group exercises control over the entities. The financial assets related to the asset-backed securities failing to meet the derecognition conditions are not derecognised, and funds from third-party investors are treated as financial liabilities. Where the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial assets, the Group will consider whether it retains control over the transferred assets. If the Group does not retain control, it shall derecognise the financial assets and recognise the rights and obligations arising from or reserved during the transfer as assets or liabilities. If the Group retains control, the financial assets are recognised based on the extent of the its involvement in the financial assets.

7.10 Equity instrument

An equity instrument is a contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. A financial instrument issued by the Group shall be classified as an equity instrument when both of the following conditions are satisfied: (1) the instrument includes no contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuer; (2) if the instrument will or may be settled in the Group's own equity instrument, it is: a non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments; or a derivative that will be settled only by the Group exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments. The Group's issuance (including refinancing), repurchase, sales or cancellation of an equity instrument shall be accounted for as a change to equity. The Group does not recognise changes in the fair value of an equity instrument. Transaction costs of an equity transaction are accounted for as a deduction from equity.

The Group's distribution to the holders of equity instruments is treated as profit distribution, and the issued stock dividends do not affect the total amount of shareholders' equity.

7.11 Preference share

Such preference shares or their components are initially recognised as financial assets, financial liabilities or equity instruments according to the terms and the economic substance combined with the definition of financial assets, financial liabilities and equity instruments.

For the issued preference shares that should be classified as equity instruments, will be recognised as equity in actual amount received. Dividends payables are recognised as distribution of profits. Redemption before maturity will write down equity as redemption price.

8. Precious metal

Precious metals comprise gold, silver and other precious metals. Precious metals that are not related to the Group's precious metals trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realisable value. Precious metals acquired by the Group for trading purposes are initially measured at fair value and subsequent changes in fair value are recorded in the statement of profit or loss.

The Group records the precious metals received as an asset. A liability to return the amount of precious metals deposited is also recognised. The precious metals deposited in the Group are measured at fair value both on initial recognition and in subsequent measurement.

9. Long-term equity investments

9.1 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.

9.2 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.

A long-term equity investment acquired other than through a business combination is initially recognised at the amount of cash paid if the Group acquires the investment by cash, or at the fair value of the equity securities issued if an investment is acquired by issuing equity securities.

9.3 Subsequent measurement and recognition of profit or loss

9.3.1 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.

The investments in subsidiaries are stated in the balance sheet at cost less accumulated impairment losses.

9.3.2 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.

9.4 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.

10. Fixed assets

10.1 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.

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

10.2 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.

10.3 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.

10.4 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.

11. 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.

12. 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.

Intangible assets are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses.

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.

13. Impairment of non-financial 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. However, such allocation would not reduce the carrying amount of an asset below the highest of its fair value less costs to sell (if measurable), its present value of expected future cash flows (if determinable) and zero.

The impairment losses cannot be reversed once they are recognized.

14. Long-term deferred expenses

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

15. Employee benefits

15.1 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.

15.2 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.

15.3 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 Group entity can no longer withdraw the offer of the termination benefit and when the entity recognizes any related restructuring costs.

16. Assets transferred under repurchase agreements

16.1 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.

16.2 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.

17. 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.

The Group reviews the carrying amount of a provision at the balance sheet date and adjusts the carrying amount to the current best estimate.

18. Interest income and expense

For all financial instruments measured at amortised cost and interest-generating financial instruments classified as financial assets measured at FVOCI, interest income is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, where appropriate, to the book value of the financial asset, or the amortised cost of financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not expected credit losses.

Interest income is calculated by applying the effective interest rate to the book value of financial assets and is included in interest income, except for:

- For purchased or originated credit-impaired financial assets, whose interest income is calculated, since initial recognition, by applying the credit adjusted effective interest rate to their amortised cost;

- Financial assets that are not purchased or originated credit-impaired but have subsequently become credit-impaired, whose interest income is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision). If, in a subsequent period, the financial assets improve their qualities so that they are no longer credit-impaired and the improvement in credit quality is related objectively to a certain event occurring after the application of the above-mentioned rules, then the interest income is calculated by applying the effective interest rate to their book value.

19. Fee and commission income

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

20. Government grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration. 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.

21. Deferred tax assets/deferred tax liabilities

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

21.1 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.

21.2 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.

22. 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.

23. 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.

23.1 Accounting treatment of operation leases

23.1.1 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.

23.1.2 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.

23.2 Accounting treatment of finance leases

23.2.1 The Group as lessee under finance leases

The accounting treatments are set out in Note IV “10.3 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.

23.2.2 The Group as lessor under finance leases

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

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

24. 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.

25. Profit distribution

Proposed dividends which are declared and approved after the end of each balance sheet date are not recognised as a liability in the statement of financial position and are instead disclosed as a subsequent event after the end of each balance sheet date in the notes to the financial statements. Dividends payable are recognised as liabilities in the period in which they are approved.

26. Contingent liabilities

A potential obligation arising from a past transaction or event whose existence can only be confirmed by the occurrence or non-occurrence of future uncertain events; or a present obligation that arises from past transactions or events where it is not probable that an outflow of economic benefits is required to settle the obligation or the amount of the obligation cannot be measured reliably, is disclosed as a contingent liability unless the probability of outflow of economic benefit is remote.

Contingent liabilities which are not recognised as a liability are expected to be disclosed in the notes only. If the situation changes, the contingent liabilities are recognised as liability when it is probable that an outflow of economic resources will be required and the amount of obligation can be measured reliably.

27. Related parties

If the Group has the power to control, jointly control or exercise significant influence over another party, or vice versa, or the two parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Group is under common control only from the State and that have no other related party relationships are not regarded as related parties.

In addition to the related parties stated above, the Bank determines related parties based on the disclosure requirements of Administrative Procedures on the Information Disclosures of Listed Companies issued by the CSRC.

28. Operating segment

The Group determines its operating segments on the basis of its internal organisational structure, management requirements and internal reporting practices.

An operating segment is a component of the Group that meets all the following requirements: (i) it engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with other components of the Group; (ii) its operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and (iii) separate financial information is available. The operating segments that meet the specified criteria have been aggregated, and the operating segment that meets quantitative thresholds have been reported separately.

29. Significant accounting estimates and judgements

The preparation of the financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates as well as underlying assumptions and uncertainties involved are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. For the significant accounting judgements and estimates regarding the previous *CAS 22 - Recognition and Measurement of Financial Instruments, CAS 23 - Transfer of Financial Assets, CAS 24 - Hedge Accounting and CAS 37 - Presentation of Financial Instruments* (referred to as "Old Financial Instrument Standards"), see Note "Significant accounting policies and accounting estimates" to 2018 financial statements.

29.1 Significant accounting estimates

In addition to the accounting estimates related to the depreciation and amortization of fixed assets and intangible assets (see Note IV. 10 and 12) and the impairment of various assets (see Note VII. 2, 3, 5, 6, 7, 12, 13, 14, 15, 16 and 18), other major accounting estimates are as follows:

(i) Note VII. 17. Recognized deferred tax assets;

(ii) Note VII. 47. Post-employment benefits - defined benefit plans; and

(iii) Note XI. 7. Fair value of financial instruments.

29.2 Significant accounting judgements

The significant accounting judgements made by the Group in the application of accounting policies are as follows:

(i) Note IV. 7. Classification of financial investment;

(ii) Note IV. 9. Significant judgments and assumptions on control, joint control or significant impact on other entities;

(iii) Note VII. 27 and 30 - Other financial instruments such as preference shares and perpetual bonds are classified as financial liabilities or equity instruments; and

(iv) Note VII. 48. Consolidated structured entities.

30. Changes in significant accounting policies

The Ministry of Finance released the following amendments to China Accounting Standards (CAS) in recent years and the Group has adopted these standards from the accounting year beginning on 1 January 2019.

- The revised *CAS 22 - Recognition and Measurement of Financial Instruments, CAS 23 - Transfer of Financial Assets, CAS 24 - Hedge Accounting and CAS 37 - Presentation of Financial Instruments* (hereinafter referred to as "New Financial Instrument Standards")
- *Notice on Revision of 2018 Illustrative Financial Statements for Financial Entities (Cai Kuai [2018] No. 36) and the Format of Consolidated Financial Statements (2019 Version) (Cai Kuai [2019] No. 16)* (hereinafter collectively referred to as the "New Format of Enterprise Financial Statements")
- *CAS 7 - Exchange of Non-Monetary Assets (Revised)* (The "CAS – 7 (2019)")
- *CAS 12 – Debt Restructurings (Revised)* (The "CAS – 12 (2019)")

The principal effects of adopting these amended accounting policies are as follows:

(1) New Financial Instrument Standards

New Financial Instrument Standards introduces new requirements for classification and measurement of financial assets, including the measurement of impairment for financial assets, hedge accounting and disclosure. The Group retrospectively adjusts the classification and measurement (including impairment) of financial instrument that are not derecognized on the date of implementation of New Financial Instrument Standards (i.e. 1 January 2019) in accordance with the New Financial Instrument Standards. The Group does not adjust the comparative financial statements, and the difference between the original carrying amount of the financial instrument and the new carrying amount on the date of implementation of New Financial Instrument Standards is included in the retained earnings or other comprehensive income at the beginning of 2019.

Classification and measurement

New Financial Instrument Standards contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVOCI):

- The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. On initial recognition the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL. If a debt instrument is classified as FVOCI then interest revenue, impairment, foreign exchange gains/losses and gains/losses on disposal will be recognized in profit or loss.
- For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVOCI. If an equity security is designated as FVOCI then only dividend income on that security will be recognized in profit or loss. Gains and losses on that security will be recognized in other comprehensive income without recycling.

Impairment

The new impairment model in New Financial Instrument Standards replaces the "incurred loss" model in old financial instrument standards with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognized. Instead, an entity is required to recognize and measure either a 12-month expected credit loss or lifetime expected credit loss, depending on the asset and the facts and circumstances, which will result in an early recognition of credit losses.

Hedge accounting

New Financial Instrument Standards does not fundamentally change the requirements relating to measuring and recognising ineffectiveness under old financial instrument standards. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting.

Disclosure

New Financial Instrument Standards will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit loss.

(2) New Format of Enterprise Financial Statements

In accordance with the New Format of Enterprise Financial Statements, the Group adjusted the related financial statement items based on the principle of materiality and the actual situation of the Group.

Set out below is the impact of adopting New Financial Instrument Standards and New Format of Enterprise Financial Statements on the Group's balance sheet items at 1 January 2019:

	Carrying amount under the old financial instrument standards			Carrying amount under the new financial instrument standards
	31 December 2018	Reclassification	Remeasurement	1 January 2019
Assets				
Cash and balances with Central Bank	475,781	204	-	**475,985**
Deposits with banks and other financial institutions	53,303	239	(187)	**53,355**
Precious metals	3,350	-	-	**3,350**
Placements with banks and other financial institutions	98,349	406	(342)	**98,413**
Derivative financial assets	42,092	-	-	**42,092**
Financial assets purchased under resale agreements	77,083	51	(440)	**76,694**
Loans and advances to customers	2,838,445	7,491	5,693	**2,851,629**
Financial investments:				
Trading assets	N/A	690,491	427	**690,918**
Debt investments	N/A	1,702,008	(5,471)	**1,696,537**
Other debt investments	N/A	520,163	672	**520,835**
Other equity investments	N/A	1,428	-	**1,428**
Financial assets at fair value through profit or loss	459,598	(459,598)	-	**-**
Available-for-sale financial assets	647,102	(647,102)	-	**-**
Held-to-maturity investments	395,142	(395,142)	-	**-**
Investments classified as receivables	1,387,150	(1,387,150)	-	**-**
Finance lease receivables	104,253	-	(1,162)	**103,091**
Long-term equity investments	3,224	-	-	**3,224**
Fixed assets	17,658	-	-	**17,658**
Construction in progress	7,872	-	-	**7,872**
Intangible assets	602	-	-	**602**
Goodwill	532	-	-	**532**
Deferred tax assets	32,317	-	1,326	**33,643**
Other assets	67,804	(33,489)	(316)	**33,999**
Including: Interest receivable	34,463	(33,485)	-	**978**
Total assets	6,711,657	-	200	**6,711,857**

	Carrying amount under the old financial instrument standards			Carrying amount under the new financial instrument standards
	31 December 2018	Reclassification	Remeasurement	1 January 2019
Liabilities				
Borrowing from Central Bank	268,500	4,312	-	**272,812**
Deposits from banks and other financial institutions	1,344,883	6,511	-	**1,351,394**
Placements from banks and other financial institutions	220,831	1,657	-	**222,488**
Trading liabilities	2,594	-	-	**2,594**
Derivative financial liabilities	38,823	-	-	**38,823**
Financial assets sold under repurchase agreements	230,569	443	-	**231,012**
Deposits from customers	3,303,512	30,324	-	**3,333,836**
Employee benefits payable	15,341	-	-	**15,341**
Tax payable	11,297	-	-	**11,297**
Provisions	-	-	4,972	**4,972**
Debt securities issued	717,854	3,510	-	**721,364**
Other liabilities	84,869	(46,757)	-	**38,112**
Total liabilities	6,239,073	-	4,972	**6,244,045**
Total shareholders' equity	472,584	-	(4,772)	**467,812**

The Group has adopted New Financial Instrument Standards from 1 January 2019. There were a net increase of RMB 705 million in other comprehensive income (after tax) and a net decrease of RMB 5,477 million in retained earnings (after tax) arising from the new requirements on classification and measurement of financial assets listed above as compared with that when recognized under old financial instrument standards.

The following table reconciles the carrying amounts of financial assets determined in accordance with the old financial instrument standards to those determined in accordance with New Financial Instrument Standards on 1 January 2019.

		Carrying amount under the old financial instrument standards			Carrying amount under the new financial instrument standards
Financial instruments	Note	31 December 2018	Reclassification	Remeasurement	1 January 2019
Financial assets measured at amortised cost					
Cash and balances with Central Bank					
Balance under the old financial instrument standards		475,781			
Reclassification: from other assets -interest receivable	A		204		
Remeasurement: provision for expected credit losses				-	
Balance under the New Financial Instrument Standards					**475,985**
Deposits with banks and other financial institutions					
Balance under the old financial instrument standards		53,303			
Reclassification: from other assets -interest receivable	A		239		
Remeasurement: provision for expected credit losses				(187)	
Balance under the New Financial Instrument Standards					**53,355**
Placements with banks and other financial institutions					
Balance under the old financial instrument standards		98,349			
Reclassification: from other assets -interest receivable	A		406		
Remeasurement: provision for expected credit losses				(342)	
Balance under the New Financial Instrument Standards					**98,413**

		Carrying amount under the old financial instrument standards			Carrying amount under the new financial instrument standards
Financial instruments	Note	31 December 2018	Reclassification	Remeasurement	1 January 2019
Financial assets measured at amortised cost (continued)					
Financial assets purchased under resale agreements					
Balance under the old financial instrument standards		77,083			
Reclassification: from other assets -interest receivable	A		51		
Remeasurement: provision for expected credit losses				(440)	
Balance under the New Financial Instrument Standards					**76,694**
Loans and advances to customers					
Balance under the old financial instrument standards		2,838,445			
Add: from other assets -interest receivable	A		7,491		
Less: to loans and advances to customers at fair value through other comprehensive income	B		(157,818)		
Less: to loans and advances to customers at fair value through profit or loss	C		(547)		
Remeasurement: provision for expected credit losses				4,055	
Balance under the New Financial Instrument Standards					**2,691,626**

		Carrying amount under the old financial instrument standards			Carrying amount under the new financial instrument standards
Financial instruments	Note	31 December 2018	Reclassification	Remeasurement	1 January 2019
Financial assets measured at amortised cost (continued)					
Debt investments—amortised cost ("AC")					
Balance under the old financial instrument standards		-			
Add: from other assets -interest receivable	A		15,949		
Add: from available-for-sale financial assets	D		896		
Add: from held-to-maturity investments			389,486		
Remeasurement: provision for expected credit losses				(32)	
Add: from investments classified as receivables			1,295,668		
Remeasurement: provision for expected credit losses				(5,435)	
Add: from financial assets at fair value through profit or loss			9		
Remeasurement: provision for expected credit losses				(4)	
Balance under the New Financial Instrument Standards					**1,696,537**

		Carrying amount under the old financial instrument standards			Carrying amount under the new financial instrument standards
Financial instruments	Note	31 December 2018	Reclassification	Remeasurement	1 January 2019
Financial assets measured at amortised cost (continued)					
Held-to-maturity investments					
Balance under the old financial instrument standards		395,142			
Less: to trading assets—fair value through profit or loss (“FVTPL”)	C		(205)		
Less: to debt investments—AC			(389,486)		
Less: to other debt investments—fair value through other comprehensive income (“FVOCI”)	B		(5,451)		
Balance under the New Financial Instrument Standards					-

		Carrying amount under the old financial instrument standards			Carrying amount under the new financial instrument standards
Financial instruments	Note	31 December 2018	Reclassification	Remeasurement	1 January 2019
Financial assets measured at amortised cost (continued)					
Investments classified as receivables					
Balance under the old financial instrument standards		1,387,150			
Less: to trading assets—FVTPL	C		(24,046)		
Less: to debt investments—AC			(1,295,668)		
Less: to other debt investments—FVOCI	B		(67,436)		
Balance under the New Financial Instrument Standards					-
Finance lease receivables					
Balance under the old financial instrument standards		104,253			
Remeasurement: provision for expected credit losses				(1,162)	
Balance under the New Financial Instrument Standards					**103,091**

		Carrying amount under the old financial instrument standards			Carrying amount under the new financial instrument standards
Financial instruments	Note	31 December 2018	Reclassification	Remeasurement	1 January 2019
Financial assets measured at amortised cost (continued)					
Other assets—interest receivable					
Balance under the old financial instrument standards		34,463			
Less: to cash and balances with Central Bank	A		(204)		
Less: to deposits with banks and other financial institutions	A		(239)		
Less: to placements with banks and other financial institutions	A		(406)		
Less: to financial assets purchased under resale agreements	A		(51)		
Less: to loans and advances to customers	A		(7,491)		
Less: to trading assets—FVTPL	A		(3,462)		
Less: to debt investments—AC	A		(15,949)		
Less: to other debt investments—FVOCI	A		(5,683)		
Balance under the New Financial Instrument Standards					**978**
Other assets—except interest receivable					
Balance under the old financial instrument standards		33,341			
Less: to trading assets—FVTPL	C		(4)		
Remeasurement: provision for expected credit losses				(316)	
Balance under the New Financial Instrument Standards					**33,021**
Total other assets		67,804	(33,489)	(316)	**33,999**
Subtotal of financial assets measured at amortised cost		5,497,310	(263,747)	(3,863)	**5,229,700**

		Carrying amount under the old financial instrument standards			Carrying amount under the new financial instrument standards
Financial instruments	Note	31 December 2018	Reclassification	Remeasurement	1 January 2019
Financial assets at fair value through profit or loss					
Derivative financial assets					
Balance under the old financial instrument standards and the New Financial Instrument Standards		42,092			**42,092**
Loans and advances to customers					
Balance under the old financial instrument standards		-			
Add: from loans and advances to customers - amortised cost	C		547		
Remeasurement: from amortised cost to fair value				5	
Balance under the New Financial Instrument Standards					**552**

		Carrying amount under the old financial instrument standards			Carrying amount under the new financial instrument standards
Financial instruments	Note	31 December 2018	Reclassification	Remeasurement	1 January 2019
Financial assets at fair value through profit or loss (continued)					
Trading assets—FVTPL					
Balance under the old financial instrument standards		-			
Add: from other assets -interest receivable	A		3,462		
Less: to debt investments—AC			(9)		
Add: from financial assets at fair value through profit or loss			459,598		
Add: from available-for-sale financial assets	C		203,185		
Remeasurement: reverse of impairment allowance under the old financial instrument standards				810	
Remeasurement: fair value changes				(496)	
Add: from held-to-maturity investments	C		205		
Remeasurement: reverse of impairment allowance under the old financial instrument standards				137	
Remeasurement: from amortised cost to fair value				(136)	
Add: from investments classified as receivables	C		24,046		
Remeasurement: reverse of impairment allowance under the old financial instrument standards				457	
Remeasurement: from amortised cost to fair value				(345)	
Add: from other assets	C		4		
Balance under the New Financial Instrument Standards					**690,918**

		Carrying amount under the old financial instrument standards			Carrying amount under the new financial instrument standards
Financial instruments	Note	31 December 2018	Reclassification	Remeasurement	1 January 2019
Financial assets at fair value through profit or loss (continued)					
Financial assets at fair value through profit or loss					
Balance under the old financial instrument standards		459,598			
Less: to trading assets – FVTPL			(459,598)		
Balance under the New Financial Instrument Standards					-
Subtotal of financial assets at fair value through profit or loss		501,690	231,440	432	**733,562**

		Carrying amount under the old financial instrument standards			Carrying amount under the new financial instrument standards
Financial instruments	Note	31 December 2018	Reclassification	Remeasurement	1 January 2019
Financial assets at fair value through other comprehensive income					
Loans and advances to customers					
Balance under the old financial instrument standards		-			
Add: from loans and advances to customers - amortised cost	B		157,818		
Remeasurement: reverse of impairment allowance under the old financial instrument standards				1,653	
Remeasurement: from amortised cost to fair value				(20)	
Balance under the New Financial Instrument Standards					**159,451**
Other debt investments—FVOCI					
Balance under the old financial instrument standards		-			
Add: from other assets -interest receivable	A		5,683		
Add: from available-for-sale financial assets	B		441,593		
Remeasurement: reverse of impairment allowance under the old financial instrument standards				537	
Remeasurement: fair value changes				(537)	
Add: from held-to-maturity investments	B		5,451		
Remeasurement: from amortised cost to fair value				142	
Add: from investments classified as receivables	B		67,436		
Remeasurement: from amortised cost to fair value				530	
Balance under the New Financial Instrument Standards					**520,835**

		Carrying amount under the old financial instrument standards			Carrying amount under the new financial instrument standards
Financial instruments	Note	31 December 2018	Reclassification	Remeasurement	1 January 2019
Financial assets at fair value through other comprehensive income (continued)					
Other equity investments—FVOCI					
Balance under the old financial instrument standards		-			
Add: from available-for-sale financial assets	E		1,428		
Balance under the New Financial Instrument Standards					**1,428**
Available-for-sale financial assets					
Balance under the old financial instrument standards		647,102			
Less: to trading assets—FVTPL	C		(203,185)		
Less: to debt investments—AC	D		(896)		
Less: to other debt investments—FVOCI	B		(441,593)		
Less: to other equity investments—FVOCI	E		(1,428)		
Balance under the New Financial Instrument Standards					-
Subtotal of financial assets at fair value through other comprehensive income		647,102	32,307	2,305	**681,714**

A. In accordance with the New Format of Enterprise Financial Statements, the interest receivables from financial instruments accrued based on the effective interest rate method as at 1 January 2019 is reflected under the carrying amounts of corresponding financial instruments. Interest receivable due but not received from related financial instruments as at 1 January 2019 is presented under other assets.

B. Certain loans and advances to customers held by the Group, and certain debt instruments originally classified as receivables were held within a business model whose objective on the transition date was to collect contractual cash flows and sell financial assets. In addition, their contractual cash flows were identified as solely payments of principal and interest on the principal amount outstanding. Therefore, these assets were classified as financial assets at FVOCI under the New Financial Instrument Standards.

C. Certain debt instruments originally classified as loans and receivables, held-to-maturity investments or available-for-sale financial assets, their contractual cash flows were not identified as solely payments of principal and interest on the principal outstanding. Therefore, these assets were classified as financial assets at FVTPL under the New Financial Instrument Standards. The reclassified and remeasured financial assets include certain non-trading equity investments (RMB 11,620 million) which the Group did not choose to designate as at FVOCI on the standards transition date.

D. Certain debt instruments originally classified as available-for-sale securities were held within a business model whose objective on the standards transition date was to collect contractual cash flows. In addition, their contractual cash flows were identified as solely payments of principal and interest on the principal outstanding. Therefore, these assets were classified as financial assets measured at amortised cost under the New Financial Instrument Standards.

E. The reclassified and remeasured financial assets include certain non-trading equity investments which the Group chose irrevocably to designate as at FVOCI on the standards transition date.

The following table reconciles the closing impairment allowance under old financial instrument standards to ECL allowance determined in accordance with New Financial Instrument Standards on the initial application date:

	Impairment allowance under the old financial instrument standards /contingent liabilities			Impairment allowance under the new financial instrument standards
Measured at amortised cost	31 December 2018	Reclassification	Remeasurement	1 January 2019
Deposits with banks and other financial institutions	16	-	187	**203**
Placements with banks and other financial institutions	60	-	342	**402**
Financial assets purchased under resale agreements	333	-	440	**773**
Loans and advances to customers	95,637	(1,658)	(4,055)	**89,924**
Held-to-maturity investments	137	(137)	-	**-**
Investments classified as receivables	17,803	(17,803)	-	**-**
Debt investments—AC	-	17,791	5,471	**23,262**
Other assets	1,787	-	316	**2,103**
Finance lease receivables	4,550	-	1,162	**5,712**
Fair value through other comprehensive income				
Loans and advances to customers	-	1,653	(997)	**656**
Available-for-sale financial assets	1,792	(1,792)	-	**-**
Other debt investments—FVOCI	-	537	619	**1,156**
Fair value through profit or loss				
Loans and advances to customers	-	5	(5)	**-**
Financial guarantees and credit commitments				
Credit commitments	-	-	4,972	**4,972**
Total	122,115	(1,404)	8,452	**129,163**

(3) CAS – 7 (2019)

The CAS 7 (2019) elaborates the applicability of standards on the exchange of non-monetary assets and clarifies the recognition timing of the assets received or the derecognition timing of the assets surrendered and the accounting treatment for the situation in which the recognition timing is inconsistent with the derecognition timing. The standard also revises the measurement principle for several assets to be received or surrendered at the same time during exchange of non-monetary assets at fair value. Additionally, the standard includes disclosure requirements on whether the exchange of non-monetary assets has commercial substance and the reasons behind this determination.

The CAS 7 (2019) took effect on 10 June 2019. Exchange of non-monetary assets between 1 January 2019 and the implementation date should be adjusted based on the revised standard. Retrospective adjustment is not required for the exchange of non-monetary assets prior to 1 January 2019. The adoption of the Standard did not have any material impact on the financial position and financial performance of the Group.

(4) CAS – 12 (2019)

The CAS 12 (2019) revises the definition of debt restructuring and clarifies the applicability of the standard. It also stipulates that the recognition, measurement and presentation of financial instruments involved in debt restructuring are subject to the requirements of relevant financial instruments standards. For debt restructuring by means of transfer of assets in settlement, the CAS 12 (2019) revises the initial recognition measurement for creditor's non-financial assets received. The gains and losses from asset transfer and gains and losses from debt restructuring will no longer be differentiated in the presentation of debtor's gains and losses arising from debt restructuring. For debt restructuring by means of conversion of debt into equity instruments, the CAS 12 (2019) revises the measurement principle for creditor's shares at initial recognition and includes new guidances on the measurement principle for debtor's initial recognition of equity instruments.

The CAS 12 (2019) took effect on 17 June 2019. Debt restructuring between 1 January 2019 and the implementation date should be adjusted based on the revised standard. Retrospective adjustment is not required for debt restructurings prior to 1 January 2019. The adoption of the Standard did not have any material impact on the financial position and financial performance of the Group.

V. 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% (2018: 15% or 25%). Therein, the income tax rate for the Group's subsidiary Fujian Clearing Corp. is 15% (2018:15%).

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. According to the Announcement of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs on Policies for Deepening the VAT Reform (MOF/STA/GACC Announcement [2019] No. 39), the Group's applicable VAT rate range was changed from 3%-16% to 3%-13% from 1 April 2019.

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.

VI. 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 December 2019		31 December 2018	
				Direct (%)	Indirect (%)	Direct (%)	Indirect (%)
Industrial Bank Financial Leasing Co., Ltd.	Tianjin	Financial leasing	9,000	**100**	-	100	-
China Industrial International Trust Limited (1)	Fuzhou	Trust	10,000	**73**	-	73	-
CIB Fund Management Co., Ltd.	Fuzhou	Fund management	1,200	**90**	-	90	-
Industrial Consumer Finance Co., Ltd. (2)	Quanzhou	Consumer finance	1,900	**66**	-	66	-
CIB Wealth Management Co., Ltd. (3)	Fuzhou	Assets management	5,000	**100**	-	-	-
CIIT Asset Management Co., Ltd. (4)	Shanghai	Assets management, equity investment, industrial investment, investment management and consulting	3,400	-	**100**	-	100
Industrial Wealth Asset Management Co., Ltd. (4)	Shanghai	Assets management	780	-	**100**	-	100
Industrial Future Co., Ltd. (4)	Ningbo	Assets management Merchandise futures brokerage, financial futures brokerage, futures investment consulting, asset management	500	-	**100**	-	100

(1) China Industrial International Trust Co., Ltd., the Bank's holding subsidiary, increased its share capital by RMB 5 billion in August 2019 using retained earnings, raising its registered capital to RMB 10 billion.

(2) In April 2019, the Bank increased the registered capital of its holding subsidiary Industrial Consumer Finance Co., Ltd. by RMB 462 million in proportion to its shareholding. After the capital increase, the registered capital of Industrial Consumer Finance Co., Ltd. became RMB 1,900 million.

(3) According to CBIRC's Reply to the Inauguration of CIB Wealth Management Co., Ltd. (CBIRC Reply [2019] No. 1127), the Bank was permitted to establish CIB Wealth Management Co., Ltd. in Fuzhou, Fujian Province. CIB Wealth Management Co., Ltd. is wholly owned by the Bank, with a registered capital of RMB 5 billion, and has completed industrial and commercial registration by 13 December 2019.

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

2. Refer to No. VII, 48 for the information of consolidated structure entities included in the consolidation scope.

3. Exchange rates on principal financial statement line items of overseas operating entities

The exchange rate of USD, JPY, EUR, HKD, and GBP to RMB should be determined by the middle rate published by 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 currencies offered by the SAFE.

VII. NOTES TO ITEMS IN THE FINANCIAL STATEMENTS

1. Cash and balances with Central Bank

		The Group		The Bank	
	Note	2019	2018	2019	2018
Cash on hand		**4,848**	5,191	**4,843**	5,191
Mandatory reserves with Central Bank	(1)	**389,293**	391,137	**389,289**	391,131
Excess reserves with Central Bank	(2)	**89,863**	77,820	**89,859**	77,820
Other deposits with Central Bank	(3)	**2,236**	1,633	**2,235**	1,633
Interest accrued		**204**	N/A	**204**	N/A
Total		**486,444**	475,781	**486,430**	475,775

(1) The domestic institution of the Bank places general deposit reserves mainly with the PBOC as required, including RMB deposit reserves and foreign deposit reserves. These deposit reserves are not available for the Group's daily operations and can't be transferred or used without the PBOC's approval. General deposit generates from organizations deposit, non-financial-budget deposit, individual deposit, enterprise deposit, net trust funds and other deposits. On 31 December 2019, the ratio of the Bank's RMB deposit reserves is 10.5% (31 December 2018: 12%), the ratio of foreign deposit reserves is 5% (31 December 2018: 5%). According to related regulations from the PBOC, foreign deposit reserves are non-interest bearing. The Group's subsidies' RMB reserve deposit ratio is in accordance with regulations of PBOC. Deposit ratio of statutory reserve in Hong Kong branch is in accordance with regulations from local regulators.

(2) Excess reserves with Central Bank are maintained with the PBOC mainly for the purpose of clearing, transferring, etc.

(3) The majority of other deposits with Central Bank are the fiscal deposits placed at 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

	The Group		The Bank	
	2019	2018	2019	2018
Banks operating in Mainland China	**47,986**	29,316	**42,565**	24,108
Other financial institutions operating in Mainland China	**6,080**	5,236	**6,076**	5,010
Banks operating outside Mainland China	**33,370**	18,694	**33,370**	18,694
Other financial institutions operating outside Mainland China	**23**	73	**23**	73
Interest accrued	**129**	N/A	**116**	N/A
Subtotal	**87,588**	53,319	**82,150**	47,885
Less: allowance for impairment losses	**(328)**	(16)	**(321)**	(16)
Net value	**87,260**	53,303	**81,829**	47,869

3. Placements with banks and other financial institutions

	The Group		The Bank	
	2019	2018	2019	2018
Banks operating in Mainland China	**34,074**	8,339	**46,529**	8,339
Other financial institutions operating in Mainland China	**151,002**	51,485	**151,002**	64,374
Banks operating outside Mainland China	**46,775**	38,585	**46,775**	38,585
Interest accrued	**697**	N/A	**696**	N/A
Subtotal	**232,548**	98,409	**245,002**	111,298
Less: allowance for impairment losses	**(1,073)**	(60)	**(1,073)**	(60)
Net value	**231,475**	98,349	**243,929**	111,238

4. Derivative financial instruments

The Group enters into derivative financial instruments related to foreign currency exchange rate, interest rate and precious metals 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 financial liabilities can fluctuate significantly from time to time.

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

The Group

	2019		
	Notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivatives	**2,903,845**	**19,856**	**(19,588)**
Interest rate derivatives	**4,453,866**	**11,063**	**(11,291)**
Precious metal derivatives	**80,864**	**1,424**	**(495)**
Credit derivatives	**14,389**	**381**	**(70)**
Total		**32,724**	**(31,444)**

	2018		
	Notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivatives	3,737,959	27,272	(24,773)
Interest rate derivatives	2,872,190	14,090	(13,440)
Precious metal derivatives	15,417	234	(413)
Credit derivatives	13,467	496	(197)
Total		42,092	(38,823)

The Bank

	2019		
	Notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivatives	**2,903,532**	**19,854**	**(19,586)**
Interest rate derivatives	**4,453,866**	**11,063**	**(11,291)**
Precious metal derivatives	**80,864**	**1,424**	**(495)**
Credit derivatives	**14,389**	**381**	**(70)**
Total		**32,722**	**(31,442)**

	2018		
	Notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivatives	3,737,959	27,272	(24,773)
Interest rate derivatives	2,872,190	14,090	(13,440)
Precious metal derivatives	15,417	234	(413)
Credit derivatives	13,467	496	(197)
Total		42,092	(38,823)

Fair value hedge

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. Included in the aforesaid derivative financial instruments, the hedging instruments designated by the Group and the Bank are as follows:

The Group and the Bank

	2019		
	Notional amount	Fair value	
		Assets	Liabilities
Derivatives designated as fair value hedging instruments:			
Interest rate swaps	**15,173**	**5**	**(233)**

	2018		
	Notional amount	Fair value	
		Assets	Liabilities
Derivatives designated as fair value hedging instruments:			
Interest rate swaps	22,527	125	(127)

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:

The Group and the Bank

	2019	2018
Net gain (loss) from fair value hedge:		
Hedging instruments	**(226)**	(51)
Hedged item attributable to the hedged risk	**272**	58

Details of hedged exposure in fair value hedging strategy of the Group as below:

	2019				
	Carrying amount of hedged items		Total amount of fair value adjustment of hedged items		Balance sheet items
	Assets	Liabilities	Assets	Liabilities	
Bonds	**15,400**	-	**240**	-	**Other debt investments**

5. Financial assets purchased under resale agreements

	The Group		The Bank	
	2019	2018	2019	2018
Bonds	**42,501**	76,098	**38,628**	72,810
Bills	-	1,318	-	1,318
Interest accrued	**69**	N/A	**69**	N/A
Subtotal	**42,570**	77,416	**38,697**	74,128
Less: allowance for impairment losses	**(709)**	(333)	**(709)**	(333)
Total	**41,861**	77,083	**37,988**	73,795

6. Loans and advances to customers

(1)Analysis of loans and advances to customers by person and corporate:

	The Group		The Bank	
	2019	2018	2019	2018
Measured at amortised cost:				
Personal loans and advances				
Residential and business mortgage loans	**910,879**	749,360	**910,879**	749,360
Credit cards	**349,312**	271,960	**349,312**	271,960
Others	**189,356**	145,084	**155,097**	124,390
Subtotal	**1,449,547**	1,166,404	**1,415,288**	1,145,710
Corporate loans and advances				
Loans and advances	**1,793,741**	1,608,207	**1,797,971**	1,611,711
Discounted bills	**-**	159,471	**-**	159,471
Subtotal	**1,793,741**	1,767,678	**1,797,971**	1,771,182
Less: allowance for impairment losses on loans and advances to customers measured at amortised cost	**(104,853)**	(95,637)	**(103,029)**	(94,817)
- Individually assessed	**N/A**	(20,798)	**N/A**	(20,798)
- Collectively assessed	**N/A**	(74,839)	**N/A**	(74,019)
Carrying amount of loans and advances to customers measured at amortised cost	**3,138,435**	2,838,445	**3,110,230**	2,822,075
Fair value through other comprehensive income:				
Corporate loans and advances				
Discounted bills	**195,824**	N/A	**195,824**	N/A
Subtotal	**195,824**	N/A	**195,824**	N/A
Fair value through profit or loss:				
Corporate loans and advances				
Loans and advances	**2,339**	N/A	**2,339**	N/A
Subtotal	**2,339**	N/A	**2,339**	N/A
Interest accrued	**8,582**	N/A	**8,217**	N/A
Net balance	**3,345,180**	2,838,445	**3,316,610**	2,822,075

As at 31 December 2019, the Group and Bank's allowance for impairment losses on loans and advances to customers measured at fair value through other comprehensive income was RMB 728 million (As at 31 December 2018: N/A).

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

	The Group				The Bank			
	2019		2018		2019		2018	
	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)
Manufacturing	**354,788**	**10.31**	359,593	12.26	**354,588**	**10.40**	359,593	12.33
Leasing and commercial services	**286,222**	**8.32**	263,411	8.98	**290,627**	**8.52**	267,399	9.17
Retail and wholesale	**238,168**	**6.92**	224,723	7.66	**238,168**	**6.98**	224,723	7.70
Real estate	**251,859**	**7.32**	195,490	6.66	**251,859**	**7.38**	195,006	6.69
Water, environment and public facilities administration	**202,979**	**5.90**	173,268	5.91	**202,979**	**5.95**	173,268	5.93
Construction	**123,785**	**3.60**	95,487	3.25	**123,785**	**3.63**	95,487	3.27
Transport, logistics and postal service	**101,484**	**2.95**	79,355	2.70	**101,484**	**2.97**	79,355	2.72
Production and supply of power, gas and water	**80,332**	**2.33**	77,948	2.66	**80,332**	**2.35**	77,948	2.67
Extractive industry	**60,172**	**1.75**	59,421	2.03	**60,172**	**1.76**	59,421	2.04
Financial industry	**26,020**	**0.76**	21,537	0.73	**26,020**	**0.76**	21,537	0.74
Other corporate industries	**70,271**	**2.03**	57,974	1.97	**70,296**	**2.07**	57,974	1.99
Subtotal	**1,796,080**	**52.19**	1,608,207	54.81	**1,800,310**	**52.77**	1,611,711	55.25
Discounted bills	**195,824**	**5.69**	159,471	5.44	**195,824**	**5.74**	159,471	5.47
Personal loans	**1,449,547**	**42.12**	1,166,404	39.75	**1,415,288**	**41.49**	1,145,710	39.28
Gross loans and advances	**3,441,451**	**100.00**	2,934,082	100.00	**3,411,422**	**100.00**	2,916,892	100.00
Less: allowance for impairment losses	**(104,853)**		(95,637)		**(103,029)**		(94,817)	
- Individually assessed	**N/A**		(20,798)		**N/A**		(20,798)	
- Collectively assessed	**N/A**		(74,839)		**N/A**		(74,019)	
Loans and advances to customers (interest accrued excluded)	**3,336,598**		2,838,445		**3,308,393**		2,822,075	

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

	The Group				The Bank			
	2019		2018		2019		2018	
	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)
Head office (Note 1)	**359,167**	**10.44**	307,847	10.49	**359,167**	**10.53**	307,847	10.55
Fujian	**359,748**	**10.45**	313,459	10.68	**359,795**	**10.55**	315,031	10.80
Beijing	**179,249**	**5.21**	181,167	6.17	**177,948**	**5.22**	180,303	6.18
Shanghai	**151,732**	**4.41**	115,511	3.94	**141,987**	**4.16**	109,524	3.75
Guangdong	**395,599**	**11.49**	328,717	11.20	**393,175**	**11.52**	327,145	11.22
Zhejiang	**276,693**	**8.04**	208,879	7.12	**275,371**	**8.07**	207,796	7.12
Jiangsu	**336,525**	**9.78**	265,858	9.06	**333,484**	**9.78**	263,993	9.05
Others (Note 2)	**1,382,738**	**40.18**	1,212,644	41.34	**1,370,495**	**40.17**	1,205,253	41.33
Gross loans and advances	**3,441,451**	**100.00**	2,934,082	100.00	**3,411,422**	**100.00**	2,916,892	100.00
Less: allowance for impairment losses	**(104,853)**		(95,637)		**(103,029)**		(94,817)	
- Individually assessed	**N/A**		(20,798)		**N/A**		(20,798)	
- Collectively assessed	**N/A**		(74,839)		**N/A**		(74,019)	
Loans and advances to customers (interest accrued excluded)	**3,336,598**		2,838,445		**3,308,393**		2,822,075	

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

Note 2: As at 31 December 2019, the Bank has 45 tier-1 branches, apart from the tier-1 branches mentioned above, the rest is categorized into "Others". Loans and advances originated by the Bank and the subsidiaries are presented by geographical distribution.

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

	The Group		The Bank	
	2019	2018	2019	2018
Unsecured loans	**880,060**	728,050	**850,031**	711,344
Guaranteed loans	**709,810**	625,002	**709,810**	625,002
Collateralised loans	**1,655,757**	1,421,559	**1,655,757**	1,421,075
- Secured by mortgage	**1,352,975**	1,150,190	**1,352,975**	1,149,706
- Secured by collaterals	**302,782**	271,369	**302,782**	271,369
Discounted bills	**195,824**	159,471	**195,824**	159,471
Gross loans and advances	**3,441,451**	2,934,082	**3,411,422**	2,916,892
Less: allowance for impairment losses	**(104,853)**	(95,637)	**(103,029)**	(94,817)
- Individually assessed	**N/A**	(20,798)	**N/A**	(20,798)
- Collectively assessed	**N/A**	(74,839)	**N/A**	(74,019)
Loans and advances to customers (interest accrued excluded)	**3,336,598**	2,838,445	**3,308,393**	2,822,075

(5) Overdue loans (interest accrued excluded):

	The Group									
	2019					2018				
	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	**7,768**	**7,519**	**559**	**90**	**15,936**	5,498	4,242	619	60	10,419
Guaranteed loans	**5,228**	**6,771**	**6,744**	**787**	**19,530**	8,219	10,779	2,444	875	22,317
Collateralised loans	**9,297**	**9,945**	**8,169**	**1,116**	**28,527**	9,206	10,210	6,332	835	26,583
-Secured by mortgage	**8,265**	**7,451**	**7,992**	**1,084**	**24,792**	7,556	10,162	6,213	792	24,723
-Secured by collaterals	**1,032**	**2,494**	**177**	**32**	**3,735**	1,650	48	119	43	1,860
Total	**22,293**	**24,235**	**15,472**	**1,993**	**63,993**	22,923	25,231	9,395	1,770	59,319

	The Bank									
	2019					2018				
	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	**7,115**	**6,737**	**513**	**90**	**14,455**	5,207	3,904	492	59	9,662
Guaranteed loans	**5,228**	**6,771**	**6,744**	**787**	**19,530**	8,219	10,779	2,444	875	22,317
Collateralised loans	**9,297**	**9,945**	**8,169**	**1,116**	**28,527**	9,206	10,210	6,332	835	26,583
-Secured by mortgage	**8,265**	**7,451**	**7,992**	**1,084**	**24,792**	7,556	10,162	6,213	792	24,723
-Secured by collaterals	**1,032**	**2,494**	**177**	**32**	**3,735**	1,650	48	119	43	1,860
Total	**21,640**	**23,453**	**15,426**	**1,993**	**62,512**	22,632	24,893	9,268	1,769	58,562

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

(6) Allowance for loan impairment

As at 31 December 2019, changes in allowance for impairment losses on loans and advances to customers are as follows:

(a) Loans and advances to customers measured at amortised cost

The Group	
	Allowance for impairment losses
As at 31 December 2018	(95,637)
Changes in accounting policies	5,713
As at 1 January 2019	**(89,924)**

	The Group			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2019	**(48,271)**	**(12,128)**	**(29,525)**	**(89,924)**
Transfer:				
— to stage 1	**(4,686)**	**2,157**	**2,529**	**-**
— to stage 2	**292**	**(321)**	**29**	**-**
— to stage 3	**331**	**2,008**	**(2,339)**	**-**
Charge	**(4,710)**	**(2,866)**	**(39,044)**	**(46,620)**
Write-offs	**-**	**-**	**36,526**	**36,526**
Recoveries of amounts previously written off	**-**	**-**	**(6,080)**	**(6,080)**
Exchange difference and other movements	**-**	**-**	**1,245**	**1,245**
31 December 2019	**(57,044)**	**(11,150)**	**(36,659)**	**(104,853)**

The Bank	
	Allowance for impairment losses
As at 31 December 2018	(94,817)
Changes in accounting policies	5,771
As at 1 January 2019	**(89,046)**

	The Bank			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
1 January 2019	**(47,875)**	**(12,040)**	**(29,131)**	**(89,046)**
Transfer:				
— to stage 1	**(4,670)**	**2,152**	**2,518**	**-**
— to stage 2	**289**	**(318)**	**29**	**-**
— to stage 3	**269**	**2,004**	**(2,273)**	**-**
Charge	**(4,083)**	**(2,849)**	**(37,945)**	**(44,877)**
Write-offs	**-**	**-**	**35,711**	**35,711**
Recoveries of amounts previously written off	**-**	**-**	**(6,062)**	**(6,062)**
Exchange difference and other movements	**-**	**-**	**1,245**	**1,245**
31 December 2019	**(56,070)**	**(11,051)**	**(35,908)**	**(103,029)**

Loans and advances to customers measured at fair value through other comprehensive income

	The Group			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
1 January 2019	**(656)**	**-**	**-**	**(656)**
Transfer:				
— to stage 1	**-**	**-**	**-**	**-**
— to stage 2	**-**	**-**	**-**	**-**
— to stage 3	**-**	**-**	**-**	**-**
Charge	**(44)**	**(16)**	**(12)**	**(72)**
Write-offs	**-**	**-**	**-**	**-**
Recoveries of amounts previously written off	**-**	**-**	**-**	**-**
Exchange difference and other movements	**-**	**-**	**-**	**-**
31 December 2019	**(700)**	**(16)**	**(12)**	**(728)**

	The Bank			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2019	**(656)**	-	-	**(656)**
Transfer:				
— to stage 1	-	-	-	-
— to stage 2	-	-	-	-
— to stage 3	-	-	-	-
Charge	**(44)**	**(16)**	**(12)**	**(72)**
Write-offs	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-
Exchange difference and other movements	-	-	-	-
31 December 2019	**(700)**	**(16)**	**(12)**	**(728)**

As at 31 December 2018, changes in allowance for impairment losses on loans and advances to customers are as follows:

	The Group			The Bank		
	Individually	Collectively	Total	Individually	Collectively	Total
Opening balance	(16,378)	(65,486)	(81,864)	(16,378)	(65,120)	(81,498)
Charge for the year	(22,689)	(15,378)	(38,067)	(22,689)	(14,737)	(37,426)
Write-offs and transfer out	21,099	6,999	28,098	21,099	6,811	27,910
Recoveries of loans and advances written off in previous years	(3,876)	(1,133)	(5,009)	(3,876)	(1,132)	(5,008)
Unwinding of discount on allowance	1,046	241	1,287	1,046	241	1,287
Fluctuation in exchange rate	-	(82)	(82)	-	(82)	(82)
Closing balance	(20,798)	(74,839)	(95,637)	(20,798)	(74,019)	(94,817)

7. Financial investments

		The Group		The Bank	
	Note	2019	2018	2019	2018
Trading assets	7.1	**652,034**	N/A	**628,253**	N/A
Debt investments	7.2	**1,444,176**	N/A	**1,431,325**	N/A
Other debt investments	7.3	**599,382**	N/A	**597,801**	N/A
Other equity investments	7.4	**1,929**	N/A	**1,929**	N/A
Total		**2,697,521**	N/A	**2,659,308**	N/A

7.1 Trading assets

	2019	
	The Group	The Bank
Held for trading purpose:		
Debt instrument investments:		
Government bonds	**16,419**	**15,111**
The Central Bank bills and policy financial bonds	**10,880**	**3,080**
Bonds issued by banks and other financial institutions	**15,624**	**11,571**
Interbank certificates of deposit	**16,489**	**14,738**
Corporate bonds and asset-backed securities	**91,108**	**55,281**
Equity instrument investments:		
Funds	**425,981**	**468,084**
Subtotal	**576,501**	**567,865**
Financial assets measured at fair value through profit or loss (mandatory):		
Debt securities:		
Bonds issued by banks and other financial institutions	**3,421**	**3,421**
Corporate bonds and asset-backed securities	**6,147**	**6,055**
Trust beneficiary rights and asset management plans	**50,942**	**46,534**
Wealth management products	**2,810**	**2,127**
Other investments	**5,933**	**-**
Equity instrument investments:		
Equity investments	**5,433**	**2,251**
Funds	**847**	**-**
Subtotal	**75,533**	**60,388**
Total	**652,034**	**628,253**

7.2 Debt investments

		2019	
	Note	The Group	The Bank
Government bonds		**643,791**	**642,291**
The Central Bank bills and policy financial bonds		**2,191**	**2,191**
Bonds issued by banks and other financial institutions		**25,431**	**25,431**
Interbank certificates of deposit		**21,939**	**21,939**
Corporate bonds and asset-backed securities		**94,022**	**93,761**
Trust beneficiary rights and asset management plans		**665,698**	**653,644**
Interest accrued		**15,213**	**15,073**
Subtotal		**1,468,285**	**1,454,330**
Less: allowance for impairment losses	**(1)**	**(24,109)**	**(23,005)**
Net value		**1,444,176**	**1,431,325**

(1) Changes in allowance for impairment losses on debt investments are as follows:

	The Group			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2019	**(11,206)**	**(2,926)**	**(9,130)**	**(23,262)**
Transfer:				
— to stage 1	**(827)**	**827**	**-**	**-**
— to stage 2	**462**	**(462)**	**-**	**-**
— to stage 3	**46**	**386**	**(432)**	**-**
Reversal (Charge)	**2,633**	**(761)**	**(6,505)**	**(4,633)**
Write-offs and transfer out	**-**	**-**	**4,219**	**4,219**
Exchange difference and other movements	**-**	**-**	**(433)**	**(433)**
31 December 2019	**(8,892)**	**(2,936)**	**(12,281)**	**(24,109)**

	The Bank			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2019	**(11,109)**	**(2,925)**	**(8,777)**	**(22,811)**
Transfer:				
— to stage 1	**(827)**	**827**	**-**	**-**
— to stage 2	**449**	**(449)**	**-**	**-**
— to stage 3	**46**	**386**	**(432)**	**-**
Reversal (Charge)	**2,581**	**(644)**	**(5,917)**	**(3,980)**
Write-offs and transfer out	**-**	**-**	**4,219**	**4,219**
Exchange difference and other movements	**-**	**-**	**(433)**	**(433)**
31 December 2019	**(8,860)**	**(2,805)**	**(11,340)**	**(23,005)**

7.3 Other debt investments

	2019	
	The Group	The Bank
Debt investments:		
Government bonds	**237,149**	**237,149**
The Central Bank bills and policy financial bonds	**15,642**	**15,642**
Bonds issued by banks and other financial institutions	**28,613**	**28,673**
Interbank certificates of deposit	**95,088**	**95,088**
Corporate bonds and asset-backed securities	**211,071**	**211,687**
Trust beneficiary rights and asset management plans	**5,794**	**3,565**
Interest accrued	**6,025**	**5,997**
Total	**599,382**	**597,801**

(1) Changes in fair value

		2019	
	Note	The Group	The Bank
Initial recognition cost		**598,659**	**596,971**
Fair value		**599,382**	**597,801**
Accumulate amount recognised in other comprehensive income		**483**	**590**
Accumulate amount recognised in profit or loss	(i)	**240**	**240**

(i) The Bank's Hong Kong branch uses interest rate swaps to hedge the changes in fair value caused by changes in bond interest rates of other debt investments held. Fair value changes of the part of hedged bonds are included in profit or loss.

(2) Changes in allowance for impairment losses on other debt investments are as follows:

	The Group			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2019	**(618)**	**(276)**	**(262)**	**(1,156)**
Transfer:				
— to stage 1	**(162)**	**162**	-	-
— to stage 2	**2**	**(2)**	-	-
— to stage 3	**1**	**18**	**(19)**	-
Reversal (Charge)	**83**	**24**	**(924)**	**(817)**
Exchange difference and other movements	**(9)**	-	-	**(9)**
31 December 2019	**(703)**	**(74)**	**(1,205)**	**(1,982)**

	The Bank			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2019	**(608)**	**(276)**	**(181)**	**(1,065)**
Transfer:				
— to stage 1	**(162)**	**162**	-	-
— to stage 2	**2**	**(2)**	-	-
— to stage 3	**1**	**18**	**(19)**	-
Reversal (Charge)	**107**	**34**	**(924)**	**(783)**
Exchange difference and other movements	**(9)**	-	-	**(9)**
31 December 2019	**(669)**	**(64)**	**(1,124)**	**(1,857)**

Other debt investments is a financial investment measured at fair value through other comprehensive income. Its allowance for impairment losses is recognized in other comprehensive income, and the impairment loss or gain is included in the current profit and loss, and the carrying amount of financial investment shown in the balance sheet is not reduced.

7.4 Other equity investments

	2019	
	The Group	The Bank
Designated at fair value through other comprehensive income	**1,929**	**1,929**

The Group designates non-trading equity investments as financial assets at fair value through other comprehensive income. As at 31 December 2019, the fair value of the equity investments is RMB 1,929 million. During the reporting period, dividend income of RMB 9 million recognized for such equity investments was included in the profit or loss.

Related analysis of other equity investments are as follows:

	2019	
	The Group	The Bank
Initial recognition cost	**2,092**	**2,092**
Fair value	**1,929**	**1,929**
Accumulate amount recognised in other comprehensive income	**(163)**	**(163)**

8. Financial assets at fair value through profit or loss

	2018	
	The Group	The Bank
Held-for-trading financial assets:		
Debt instrument investment:		
Government bonds	25,696	15,083
The Central Bank bills and policy financial bonds	8,788	3,969
Bonds of banks and other financial institutions	4,980	2,957
Interbank certificates of deposit	58,969	57,477
Corporate bonds and asset-backed securities	79,148	47,517
Subtotal of debt instruments investment	177,581	127,003
Equity instrument investment:		
Funds	271,755	283,803
Wealth management products	1,876	-
Others	9	-
Subtotal of equity instrument investment	273,640	283,803
Total of held-for-trading financial assets	451,221	410,806
Designated as financial assets at fair value through profit or loss:		
Debt instrument investment	8,089	2,209
Equity instrument investment	288	-
Total finanacial assets designated at fair value through profit or loss	8,377	2,209
Total	459,598	413,015

9. Available-for-sale financial assets

(1) Listed by types:

	2018	
	The Group	The Bank
Available-for-sale debt instrument:		
Government bonds	183,610	183,610
The Central Bank bills and policy financial bonds	21,560	21,560
Bonds issued by banks and other financial institutions	58,413	58,993
Interbank certificates of deposit	48,771	48,771
Corporate bonds and asset-backed securities	161,807	161,581
Wealth management products	2,972	1,999
Trust fund plans and other equity instrument	18,320	17,518
Subtotal	495,453	494,032
Available-for-sale equity instrument:		
Measured by fair value	149,433	170,849
Measured by cost	2,216	804
Subtotal	151,649	171,653
Total	647,102	665,685

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

	2018	
	The Group	The Bank
Available-for-sale debt instrument:		
Initial recognition cost	495,337	494,054
Fair value	495,453	494,032
Accumulate amount recognised in other comprehensive income	1,906	1,526
Accumulate provision of impairment	(1,790)	(1,548)
Available-for-sale equity instrument:		
Initial recognition cost	149,184	169,478
Fair value	149,433	170,849
Accumulate amount recognised in other comprehensive income	251	1,371
Accumulate provision of impairment	(2)	-
Total:		
Initial recognition cost	644,521	663,532
Fair value	644,886	664,881
Accumulate amount recognised in other comprehensive income	2,157	2,897
Accumulate provision of impairment	(1,792)	(1,548)

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

Investee	The Group					
	Book balance			Provision for assets impairment	Proportion of share in Investee	Cash dividends for the year
	1 January 2018	Increase	31 December 2018			
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

Investee	The Bank					
	Book balance			Provision for assets impairment	Proportion of share in Investee	Cash dividends for the year
	1 January 2018	Increase	31 December 2018			
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 about allowance for impairment losses on available-for-sale financial assets:

	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
at 1 January 2018	(2,166)	(2)	(2,168)	(2,148)	-	(2,148)
Charge	(648)	-	(648)	(401)	-	(401)
Transfer	(1)	-	(1)	(1)	-	(1)
Write off	1,028	-	1,028	1,005	-	1,005
Effect of exchange rate	(3)	-	(3)	(3)	-	(3)
at 31 December 2018	(1,790)	(2)	(1,792)	(1,548)	-	(1,548)

10.Held-to-maturity investments

	2018	
	The Group	The Bank
Government bonds	345,594	344,093
The Central Bank bills and policy financial bonds	2,663	2,663
Bonds issued by banks and other financial institutions	12,278	12,278
Interbank certificates of deposit	9,118	9,118
Corporate bonds and asset-backed securities	25,626	25,542
Subtotal	395,279	393,694
Less: allowance for impairment losses	(137)	(137)
Net value	395,142	393,557

11. Investments classified as receivables

	2018	
	The Group	The Bank
Government bonds	365,355	365,355
Bonds issued by banks and other financial institutions	6,735	6,735
Corporate bonds and asset-backed securities	54,384	54,642
Wealth management products	1,688	858
Trust beneficiary rights and asset management plans	976,791	965,758
Subtotal	1,404,953	1,393,348
Less: allowance for impairment losses	(17,803)	(17,508)
Net value	1,387,150	1,375,840

12. Finance lease receivables

Presented by nature:

		The Group	
	Note	2019	2018
Finance lease receivables		**123,215**	122,155
Less: unrealized financing income		**(11,919)**	(13,352)
Present value of minimum finance lease receivables		**111,296**	108,803
Less: allowance for impairment losses	(1)	**(5,023)**	(4,550)
Net value		**106,273**	104,253

Listed as follows:

	Note	2019	2018
Within 1 year		**49,586**	36,402
1 to 2 years		**29,188**	31,239
2 to 3 years		**18,474**	21,209
3 to 5 years		**14,431**	18,014
Over 5 years		**8,826**	10,959
Undated*		**2,710**	4,332
Minimum lease receipts		**123,215**	122,155
Unrealized financing income		**(11,919)**	(13,352)
Present value of minimum finance lease receivables		**111,296**	108,803
Less: allowance for impairment losses	(1)	**(5,023)**	(4,550)
Net value		**106,273**	104,253
- Finance lease receivables due within 1 year		**43,888**	33,698
- Finance lease receivables due more than 1 year		**62,385**	70,555

*Undated amount refers to the part that was impaired or overdue for more than one month.

(1) Changes in allowance for impairment losses on finance lease receivables :

	The Group
	Allowance for impairment losses
31 December 2018	(4,550)
Changes in accounting policies	(1,162)
1 January 2019	**(5,712)**

	The Group			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2019	**(858)**	**(1,894)**	**(2,960)**	**(5,712)**
Transfer:				
— to stage 1	**(152)**	**152**	-	-
— to stage 2	**4**	**(4)**	-	-
— to stage 3	**6**	**425**	**(431)**	-
(Charge) reversal	**(357)**	**339**	**(608)**	**(626)**
Write-offs and transfer out	-	-	**1,316**	**1,316**
Exchange difference and other movements	**(1)**	-	-	**(1)**
31 December 2019	**(1,358)**	**(982)**	**(2,683)**	**(5,023)**

13. Long-term equity investments

The Group									
Investee	Accounting method	1 January 2019	Changes	31 December 2019	Proportion of equity interest (%)	Proportion of voting power in the investee (%)	Explanation of 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	**2,892**	**160**	**3,052**	**12.23**	**12.23**	**not applicable**	-	**24**
Others	Equity method	**332**	**29**	**361**			**not applicable**	-	**2**
Total		**3,224**	**189**	**3,413**				-	**26**

UNIT: RMB Million

The Bank									
Investee	Accounting method	1 January 2019	Changes	31 December 2019	Proportion of equity interest (%)	Proportion of voting power in the investee (%)	Explanation of 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	**2,892**	**160**	**3,052**	**12.23**	**12.23**	**not applicable**	-	**24**
Industrial Bank Financial Leasing Co., Ltd. (Note. VI)	Cost method	**7,000**	-	**7,000**	**100.00**	**100.00**	**not applicable**	-	-
China Industrial International Trust Limited (Note. VI)	Cost method	**6,395**	-	**6,395**	**73.00**	**73.00**	**not applicable**	-	**219**
CIB Fund Management Co., Ltd. (Note. VI)	Cost method	**900**	-	**900**	**90.00**	**90.00**	**not applicable**	-	-
Industrial Consumer Finance Co., Ltd (Note. VI)	Cost method	**792**	**462**	**1,254**	**66.00**	**66.00**	**not applicable**	-	**48**
CIB Wealth Management Co., Ltd. (Note. VI)	Cost method	-	**5,000**	**5,000**	**100.00**	**100.00**	**not applicable**	-	-
Total		**17,979**	**5,622**	**23,601**				-	**291**

(1) As the Bank held 12.23% shareholding ratio of Bank of Jiujiang and sent a director to the Bank of Jiujiang, the Bank has significant influence over the Bank of Jiujiang and the equity investment is accounted for using the equity method.

(2) There are no restrictions of the investees' capacities of capital transferring to the Group and the Bank on 31 December 2019.

14. Fixed assets

	The Group					
	Buildings	Fixed assets improvement	Office and machinery equipment	Transportation vehicles	Flight equipment	Total
Cost						
At 1 January 2019	**12,951**	**1,107**	**7,018**	**479**	**5,294**	**26,849**
Purchase	**602**	**9**	**1,287**	**42**	**970**	**2,910**
Transfers from constructions in progress	**5,856**	**57**	**6**	**-**	**-**	**5,919**
Sales/disposals	**(94)**	**(13)**	**(443)**	**(59)**	**-**	**(609)**
At 31 December 2019	**19,315**	**1,160**	**7,868**	**462**	**6,264**	**35,069**
Accumulated depreciation						
At 1 January 2019	**(3,061)**	**(444)**	**(4,950)**	**(309)**	**(424)**	**(9,188)**
Depreciation for the year	**(452)**	**(78)**	**(872)**	**(46)**	**(262)**	**(1,710)**
Eliminated on sales/disposals	**10**	**11**	**413**	**45**	**-**	**479**
At 31 December 2019	**(3,503)**	**(511)**	**(5,409)**	**(310)**	**(686)**	**(10,419)**
Net value						
At 1 January 2019	**9,890**	**663**	**2,068**	**170**	**4,870**	**17,661**
At 31 December 2019	**15,812**	**649**	**2,459**	**152**	**5,578**	**24,650**
Allowance for impairment losses						
At 1 January 2019	**(3)**	**-**	**-**	**-**	**-**	**(3)**
Charge for the year	**-**	**-**	**-**	**-**	**(6)**	**(6)**
At 31 December 2019	**(3)**	**-**	**-**	**-**	**(6)**	**(9)**
Net carrying amount						
At 1 January 2019	**9,887**	**663**	**2,068**	**170**	**4,870**	**17,658**
At 31 December 2019	**15,809**	**649**	**2,459**	**152**	**5,572**	**24,641**

On 31 December 2019, the cost of flight equipment leased out under operating lease business by the Group's subsidiary Industrial Bank Financial Leasing Co., Ltd. was RMB 6,264 million (31 December 2018: RMB 5,294 million).

Buildings cost RMB 1,340 million are in use but the legal ownership registrations were still in process as at 31 December 2019 (31 December 2018: RMB 1,325 million).

	The Bank				
	Buildings	Fixed assets improvement	Office and machinery equipment	Transportation vehicles	Total
Cost					
At 1 January 2019	**12,916**	**1,107**	**6,735**	**444**	**21,202**
Purchase	**603**	**9**	**1,225**	**38**	**1,875**
Transfers from constructions in progress	**5,856**	**57**	**6**	**-**	**5,919**
Sales/disposals	**(94)**	**(13)**	**(427)**	**(52)**	**(586)**
At 31 December 2019	**19,281**	**1,160**	**7,539**	**430**	**28,410**
Accumulated depreciation					
At 1 January 2019	**(3,049)**	**(444)**	**(4,789)**	**(293)**	**(8,575)**
Depreciation for the year	**(452)**	**(78)**	**(833)**	**(44)**	**(1,407)**
Eliminated on sales/disposals	**9**	**11**	**407**	**40**	**467**
At 31 December 2019	**(3,492)**	**(511)**	**(5,215)**	**(297)**	**(9,515)**
Net value					
At 1 January 2019	**9,867**	**663**	**1,946**	**151**	**12,627**
At 31 December 2019	**15,789**	**649**	**2,324**	**133**	**18,895**
Allowance for impairment losses					
At 1 January 2019	**(3)**	**-**	**-**	**-**	**(3)**
At 31 December 2019	**(3)**	**-**	**-**	**-**	**(3)**
Net carrying amount					
At 1 January 2019	**9,864**	**663**	**1,946**	**151**	**12,624**
At 31 December 2019	**15,786**	**649**	**2,324**	**133**	**18,892**

Buildings cost RMB 1,340 million are in use but the legal ownership registrations were still in process as at 31 December 2019 (31 December 2018: RMB 1,325 million).

15. Construction in progress

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

	The Group					
	2019			2018		
	Carrying amount	Allowance for impairment loss	Net carrying amount	Carrying amount	Allowance for impairment loss	Net carrying amount
Operating building, Head office	**709**	**-**	**709**	618	-	618
Operating building, Jinan	**577**	**-**	**577**	526	-	526
Operating building, Changsha	**359**	**-**	**359**	-	-	-
Operating building, Nanchang	**351**	**-**	**351**	-	-	-
Operating building, Guiyang	**336**	**-**	**336**	1	-	1
Operating building, Nanning	**291**	**-**	**291**	259	-	259
Others	**840**	**-**	**840**	6,468	-	6,468
Total	**3,463**	**-**	**3,463**	7,872	-	7,872

	The Bank					
	2019			2018		
	Carrying amount	Allowance for impairment loss	Net carrying amount	Carrying amount	Allowance for impairment loss	Net carrying amount
Operating building, Head office	**709**	**-**	**709**	618	-	618
Operating building, Jinan	**577**	**-**	**577**	526	-	526
Operating building, Changsha	**359**	**-**	**359**	-	-	-
Operating building, Nanchang	**351**	**-**	**351**	-	-	-
Operating building, Guiyang	**336**	**-**	**336**	1	-	1
Operating building, Nanning	**291**	**-**	**291**	259	-	259
Others	**818**	**-**	**818**	6,448	-	6,448
Total	**3,441**	**-**	**3,441**	7,852	-	7,852

(2) Significant changes in construction in progress are as follows:

	The Group				
	2019				
	At 1 January 2019	Additions	Transfer to fixed assets	Transfer to long-term prepaid expenses	At 31 December 2019
Operating building, Head office	**618**	**91**	**-**	**-**	**709**
Operating building, Jinan	**526**	**51**	**-**	**-**	**577**
Operating building, Changsha	**-**	**359**	**-**	**-**	**359**
Operating building, Nanchang	**-**	**351**	**-**	**-**	**351**
Operating building, Guiyang	**1**	**335**	**-**	**-**	**336**
Operating building, Nanning	**259**	**32**	**-**	**-**	**291**
Others	**6,468**	**1,104**	**(5,919)**	**(813)**	**840**
Total	**7,872**	**2,323**	**(5,919)**	**(813)**	**3,463**

	The Bank				
	2019				
	At 1 January 2019	Additions	Transfer to fixed assets	Transfer to long-term prepaid expenses	At 31 December 2019
Operating building, Head office	**618**	**91**	**-**	**-**	**709**
Operating building, Jinan	**526**	**51**	**-**	**-**	**577**
Operating building, Changsha	**-**	**359**	**-**	**-**	**359**
Operating building, Nanchang	**-**	**351**	**-**	**-**	**351**
Operating building, Guiyang	**1**	**335**	**-**	**-**	**336**
Operating building, Nanning	**259**	**32**	**-**	**-**	**291**
Others	**6,448**	**1,102**	**(5,919)**	**(813)**	**818**
Total	**7,852**	**2,321**	**(5,919)**	**(813)**	**3,441**

16. Goodwill

	The Group				
	1 January 2019	Additions	Deductions	31 December 2019	Provision at 31 December 2019
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 period, the Group performed impairment tests on goodwill based on expected future cash flow of the investee, meanwhile, calculated the expected present value of future cash flow of the investee by applying an appropriate discount rate to determine recoverable amount. No evidence shows that the recoverable amount of goodwill is less than the carrying amount and therefore no impairment is recognized.

17. Deferred tax asset and deferred tax liability

(1) Recognized deferred tax assets and liabilities

	The Group			
	2019		2018	
	Deductible (taxable) temporary differences	Deferred tax assets (liabilities)	Deductible (taxable) temporary differences	Deferred tax assets (liabilities)
Deferred tax assets				
Impairment losses on assets	**147,280**	**36,820**	116,896	29,224
Fair value changes of trading assets	**1,097**	**274**	N/A	N/A
Fair value changes of financial assets at fair value through profit or loss	**N/A**	**N/A**	1,160	290
Fair value changes of trading liabilities	**19**	**5**	10	2
Accrued but not paid employee benefits	**15,744**	**3,936**	13,093	3,273
Fair value changes of available-for-sale financial assets	**N/A**	**N/A**	740	185
Fair value changes of other equity investments	**163**	**41**	N/A	N/A
Others	**2,112**	**528**	3,222	806
Deferred tax assets before offset	**166,415**	**41,604**	135,121	33,780
Deferred tax liabilities				
Fair value changes of derivative financial instruments	**(425)**	**(106)**	(2,312)	(578)
Fair value changes of financial assets at fair value through profit or loss	**N/A**	**N/A**	(10)	(2)
Differences of fixed assets depreciation	**(1,073)**	**(268)**	(536)	(134)
Fair value changes of available-for-sale financial assets	**N/A**	**N/A**	(2,897)	(724)
Fair value changes of precious metals	**(14)**	**(4)**	(98)	(25)
Fair value changes of other debt investments	**(509)**	**(127)**	N/A	N/A
Others	**(1,198)**	**(300)**	-	-
Deferred tax liabilities before offset	**(3,219)**	**(805)**	(5,853)	(1,463)
Net amount after offset	**163,196**	**40,799**	129,268	32,317

	The Bank			
	2019		2018	
	Deductible (taxable) temporary differences	Deferred tax assets (liabilities)	Deductible (taxable) temporary differences	Deferred tax assets (liabilities)
Deferred tax assets				
Impairment losses on assets	**139,617**	**34,904**	112,580	28,145
Fair value changes of trading assets	**751**	**188**	N/A	N/A
Fair value changes of financial assets at fair value through profit or loss	**N/A**	**N/A**	1,160	290
Fair value changes of trading liabilities	**19**	**5**	3	1
Accrued but not paid employee benefits	**14,261**	**3,565**	11,897	2,974
Fair value changes of other equity investments	**163**	**41**	N/A	N/A
Others	**351**	**88**	612	153
Deferred tax assets before offset	**155,162**	**38,791**	126,252	31,563
Deferred tax liabilities				
Fair value changes of derivative financial instruments	**(425)**	**(106)**	(2,312)	(578)
Differences of fixed assets depreciation	**(1,073)**	**(268)**	(536)	(134)
Fair value changes of available-for-sale financial assets	**N/A**	**N/A**	(2,897)	(724)
Fair value changes of precious metals	**(14)**	**(4)**	(98)	(25)
Fair value changes of other debt investments	**(516)**	**(129)**	N/A	N/A
Others	**(1,198)**	**(300)**	-	-
Deferred tax liabilities before offset	**(3,226)**	**(807)**	(5,843)	(1,461)
Net amount after offset	**151,936**	**37,984**	120,409	30,102

The tax payment of domestic branches of the Bank can be aggregated in the way that the deferred tax assets and deferred tax liabilities are presented at the net amount after offset; overseas branches are individual taxable entities, and the deferred tax assets and deferred tax liabilities of the same entity can be presented at the net amount after offset. When there are net deferred tax assets/ liabilities in overseas branches, they are not offset against those in domestic branches. The subsidiaries of the Bank are individual taxable entities, and the deferred tax assets and deferred tax liabilities of the same entity can be presented at the net amount after offset.

(2) According to the Group's profit forecast, the Group believes that it is highly possible that sufficient taxable profits will be available in future periods to offset the deductible temporary differences. Therefore, the Group recognizes the deferred tax assets accordingly.

(3) Movements in deferred income tax assets and liabilities

	The Group	The Bank
31 December 2018	32,317	30,102
- Deferred tax assets	33,780	31,563
- Deferred tax liabilities	(1,463)	(1,461)
Changes in accounting policies	1,326	1,080
1 January 2019	**33,643**	**31,182**
Net changes of deferred tax recognized in income tax expenses	**6,325**	**6,109**
Net changes of deferred tax recognized in other comprehensive income	**831**	**693**
31 December 2019	**40,799**	**37,984**
- Deferred tax assets	**41,604**	**38,791**
- Deferred tax liabilities	**(805)**	**(807)**

18. Other assets

		The Group		The Bank	
	Note	2019	2018	2019	2018
Interest receivable	(1)	**1,785**	34,463	**1,745**	33,328
Other receivables	(2)	**14,213**	16,507	**11,728**	7,352
Prepaid purchase cost of lease assets		**1,174**	1,438	**-**	-
Foreclosed assets	(3)	**539**	981	**539**	981
Items in the process of clearance and settlement		**9,129**	4,256	**7,292**	4,256
Continuing involvement assets (Note XII, 3.1)		**13,400**	7,641	**10,472**	7,641
Long-term deferred expenses	(4)	**1,398**	1,430	**1,333**	1,382
Net assets of defined benefit plan (Note VII, 47.2)		**1,409**	1,088	**1,409**	1,088
Total		**43,047**	67,804	**34,518**	56,028

(1) Interest receivable

	The Group		The Bank	
	2019	2018	2019	2018
Amount due from Central Bank and financial institutions	-	443	-	433
Placements with banks and other financial institutions	-	406	-	584
Financial assets purchased under resale agreements	-	51	-	48
Loans and advances to customers	**890**	8,202	**867**	7,970
Bonds and other investments	**875**	25,244	**875**	24,258
Others	**20**	117	**3**	35
Total	**1,785**	34,463	**1,745**	33,328

In accordance with the requirements of Notice on Revision of 2018 Illustrative Financial Statements for Financial Entities, the Group's interest from financial instruments based on the effective interest rate method on 31 December 2019 is reflected under the carrying amount of corresponding financial instruments. Interest receivable due but not received from related financial instrument on 31 December 2019 is presented under other assets.

(2) Other receivables

Listed by aging:

	The Group				The Bank			
Account age	2019	Proportion %	2018	Proportion %	2019	Proportion %	2018	Proportion %
Within 1 year	**13,716**	**81.90**	15,176	83.17	**11,316**	**79.61**	6,192	68.11
1-2 years	**407**	**2.42**	610	3.35	**331**	**2.33**	439	4.83
2-3 years	**219**	**1.31**	194	1.06	**183**	**1.29**	194	2.13
Over 3 years	**2,406**	**14.37**	2,266	12.42	**2,384**	**16.77**	2,266	24.93
Subtotal	**16,748**	**100.00**	18,246	100.00	**14,214**	**100.00**	9,091	100.00
Less: Allowance for impairment losses	**(2,535)**		(1,739)		**(2,486)**		(1,739)	
Net value	**14,213**		16,507		**11,728**		7,352	

(3) Foreclosed assets

Analysed by category of the foreclosed assets:

	The Group and the Bank	
	2019	2018
Buildings and land use rights	**591**	1,028
Others	**1**	1
Subtotal	**592**	1,029
Less: Allowance for impairment losses	**(53)**	(48)
Net value	**539**	981

(4) Long-term deferred expenses

	The Group				
	1 January 2019	Changes	Transferred from construction in progress	Amortization	31 December 2019
Leasehold improvements	**1,349**	**(265)**	**813**	**(608)**	**1,289**
Others	**81**	**40**	**-**	**(12)**	**109**
Total	**1,430**	**(225)**	**813**	**(620)**	**1,398**

	The Bank				
	1 January 2019	Changes	Transferred from construction in progress	Amortization	31 December 2019
Leasehold improvements	**1,301**	**(311)**	**813**	**(579)**	**1,224**
Others	**81**	**40**	**-**	**(12)**	**109**
Total	**1,382**	**(271)**	**813**	**(591)**	**1,333**

19. Deposits from banks and other financial institutions

	The Group		The Bank	
	2019	2018	2019	2018
Amount from banks:				
Banks operating in Mainland China	**226,267**	318,725	**237,938**	318,748
Banks operating outside Mainland China	**110,254**	97,746	**110,254**	97,746
Deposits from other financial institutions:				
Other financial institutions operating in Mainland China	**891,312**	928,389	**891,312**	934,890
Other financial institutions operating outside Mainland China	**13**	23	**13**	23
Interest accrued	**6,091**	N/A	**6,091**	N/A
Total	**1,233,937**	1,344,883	**1,245,608**	1,351,407

20. Placements from banks and other financial institutions

	The Group		The Bank	
	2019	2018	2019	2018
Banks operating in Mainland China	**107,437**	157,077	**13,960**	63,188
Other financial institutions operating in Mainland China	**3,458**	4,648	**3,393**	4,648
Banks operating outside Mainland China	**80,094**	59,106	**78,939**	59,105
Interest accrued	**1,321**	N/A	**902**	N/A
Total	**192,310**	220,831	**97,194**	126,941

21. Trading liabilities

		The Group		The Bank	
	Note	2019	2018	2019	2018
Trading liabilities:					
Financial liabilities related to precious metals	(1)	**3,654**	-	**3,654**	-
Sold financing bonds		**30**	-	**30**	-
Others		**261**	97	**261**	97
Subtotal		**3,945**	97	**3,945**	97
Financial liabilities assigned as at fair value through profit or loss	(2)	**269**	2,497	**161**	2,290
Total		**4,214**	2,594	**4,106**	2,387

(1) The Group's financial liabilities related to the precious metals are matched with the precious metals or derivatives based on the risk management strategy and are included in the financial liabilities at fair value through profit or loss.

(2) The Group's other shareholder's equity and structured financial instruments that are included in the consolidated financial statements are designated as financial liabilities at fair value through profit or loss. No significant changes in fair value from changes in credit risk occurred on 31 December 2019 (31 December 2018: Nil).

22. Financial assets sold under repurchase agreements

	The Group		The Bank	
	2019	2018	2019	2018
Bonds	**143,966**	181,969	**134,626**	170,674
Bills	**49,089**	48,600	**49,089**	48,600
Interest accrued	**357**	N/A	**357**	N/A
Total	**193,412**	230,569	**184,072**	219,274

23. Deposits from customers

	The Group		The Bank	
	2019	2018	2019	2018
Demand deposits				
- Corporate	**1,176,810**	1,001,358	**1,179,079**	1,001,909
- Personal	**287,098**	253,500	**287,098**	253,500
Subtotal	**1,463,908**	1,254,858	**1,466,177**	1,255,409
Term deposits (including call deposits)				
- Corporate	**1,628,915**	1,541,943	**1,629,315**	1,541,943
- Personal	**374,634**	272,073	**374,634**	272,073
Subtotal	**2,003,549**	1,814,016	**2,003,949**	1,814,016
Guaranteed and margin deposits	**289,707**	231,867	**289,707**	231,867
Others	**1,899**	2,771	**1,899**	2,771
Interest accrued	**35,769**	N/A	**35,769**	N/A
Total	**3,794,832**	3,303,512	**3,797,501**	3,304,063

The pledged deposits included in deposits from customers are analysed as follows:

	The Group		The Bank	
	2019	2018	2019	2018
Bank acceptances	**163,958**	123,699	**163,958**	123,699
Letters of credit	**31,936**	18,494	**31,936**	18,494
Guarantee	**9,156**	8,717	**9,156**	8,717
Others	**84,657**	80,957	**84,657**	80,957
Total	**289,707**	231,867	**289,707**	231,867

24. Employee benefits payable

	The Group				The Bank			
	1 January 2019	Increase	Decrease	31 December 2019	1 January 2019	Increase	Decrease	31 December 2019
Salaries and bonus	**13,305**	**21,133**	**(18,972)**	**15,466**	**11,643**	**19,414**	**(17,306)**	**13,751**
Labor union expenditure and staff educational funds	**1,778**	**901**	**(647)**	**2,032**	**1,723**	**794**	**(531)**	**1,986**
Social insurance	**84**	**2,319**	**(2,333)**	**70**	**81**	**2,228**	**(2,243)**	**66**
Housing funds	**42**	**1,100**	**(1,101)**	**41**	**37**	**999**	**(1,000)**	**36**
Defined contribution plans	**132**	**2,555**	**(2,558)**	**129**	**85**	**2,409**	**(2,424)**	**70**
Total	**15,341**	**28,008**	**(25,611)**	**17,738**	**13,569**	**25,844**	**(23,504)**	**15,909**

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 VII, 47.1.

25. Tax payable

	The Group		The Bank	
	2019	2018	2019	2018
Enterprise income tax	**10,715**	7,959	**10,026**	7,125
Value added tax	**3,124**	2,733	**2,628**	2,404
City maintenance and construction tax	**221**	186	**212**	179
Others	**416**	419	**360**	337
Total	**14,476**	11,297	**13,226**	10,045

26. Provisions

	The Group		The Bank	
	2019	2018	2019	2018
Credit loss of off-balance sheet assets	**6,253**	-	**6,253**	-

As at 31 December 2019, movements of credit loss on off-balance sheet assets are as follows:

	The Group			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2019	**(4,371)**	**(320)**	**(281)**	**(4,972)**
Transfer:				
— to stage 1	**(86)**	**86**	**-**	**-**
— to stage 2	**3**	**(3)**	**-**	**-**
— to stage 3	**1**	**-**	**(1)**	**-**
Charge	**(361)**	**89**	**(1,005)**	**(1,277)**
Exchange difference and other movements	**(4)**	**-**	**-**	**(4)**
31 December 2019	**(4,818)**	**(148)**	**(1,287)**	**(6,253)**

	The Bank			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2019	**(4,371)**	**(320)**	**(281)**	**(4,972)**
Transfer:				
— to stage 1	**(86)**	**86**	**-**	**-**
— to stage 2	**3**	**(3)**	**-**	**-**
— to stage 3	**1**	**-**	**(1)**	**-**
Charge	**(361)**	**89**	**(1,005)**	**(1,277)**
Exchange difference and other movements	**(4)**	**-**	**-**	**(4)**
31 December 2019	**(4,818)**	**(148)**	**(1,287)**	**(6,253)**

27. Debt securities issued

	The Group		The Bank	
	2019	2018	2019	2018
Long-term subordinated bonds	**13,381**	20,957	**13,381**	20,957
Financial bonds	**143,015**	150,244	**120,702**	134,424
Secondary capital bonds	**83,427**	51,935	**81,397**	49,935
Interbank certificates of deposit	**650,853**	483,363	**650,853**	483,363
Certificates of deposit	**4,773**	9,757	**4,773**	9,757
Asset-backed securities	**-**	598	**-**	-
Private placement note	**1,400**	1,000	**-**	-
Corporate bonds	**2,267**	-	**-**	-
Total	**899,116**	717,854	**871,106**	698,436

Note: Debt securities issued by the Group include long-term subordinated bonds, financial bonds, secondary capital bonds, interbank certificates of deposit, certificates of deposit and asset-backed securities. The secondary capital bonds are issued by commercial banks and their subsidiaries to supplement the secondary capital. The secondary capital bonds and the long-term subordinated bonds are in the same liquidation sequence.

Details of debt securities issued are as follows:

			The Group	The Bank
Category of bonds	Issuing date	Interest payment frequency	2019	2019
Long-term subordinate bonds				
10 CIB debt [(1)]	2010-03-29	Yearly	**3,000**	**3,000**
11 CIB subordinated debt [(2)]	2011-06-28	Yearly	**10,000**	**10,000**
Interest accrued			**401**	**401**
Less: unamortised issuance cost			**(20)**	**(20)**
Subtotal			**13,381**	**13,381**
Financial bonds				
16 CIB green financial bond 03[(3)]	2016-11-15	Yearly	**20,000**	**20,000**
18 CIB green financial bond 01[(4)]	2018-11-01	Yearly	**30,000**	**30,000**
18 CIB green financial bond 02[(4)]	2018-11-22	Yearly	**30,000**	**30,000**
19 CIB green financial bond 01[(5)]	2019-07-16	Yearly	**20,000**	**20,000**
USD medium-term notes[(6)]	2016-09-21	Semi-annually	**2,093**	**2,093**
USD medium-term notes[(6)]	2018-03-05	Semi-annually	**4,186**	**4,186**
USD medium-term notes[(6)]	2018-03-05	Semi-annually	**1,744**	**1,744**
USD medium-term notes[(6)]	2018-03-05	Quarterly	**3,488**	**3,488**
EUR medium-term notes[(6)]	2018-03-05	Quarterly	**1,955**	**1,955**
USD green financial bond[(6)]	2018-11-13	Quarterly	**4,186**	**4,186**
EUR green financial bond[(6)]	2018-11-13	Quarterly	**2,346**	**2,346**
17 CIB leasing debt 01[(7)]	2017-03-08	Yearly	**450**	**-**
17 CIB leasing debt 02[(7)]	2017-05-19	Yearly	**2,000**	**-**
17 CIB leasing debt 03[(7)]	2017-08-10	Yearly	**4,000**	**-**
18 CIB leasing debt 01[(8)]	2018-06-05	Yearly	**3,490**	**-**
18 CIB leasing debt 02[(8)]	2018-11-21	Yearly	**3,500**	**-**
18 CIB leasing debt 03[(8)]	2018-11-30	Yearly	**3,000**	**-**
19 CIB leasing debt 01(8)	2019-03-04	Yearly	**2,500**	**-**
19 CIB consumer financial debt 01[(9)]	2019-08-15	Yearly	**2,000**	**-**
19 CIB consumer financial debt 02[(9)]	2019-11-20	Yearly	**1,000**	**-**
Interest accrued			**1,207**	**827**
Less: unamortised issuance cost			**(130)**	**(123)**
Subtotal			**143,015**	**120,702**
Secondary capital bonds				
16 CIB secondary [(10)]	2016-04-11	Yearly	**30,000**	**30,000**
19 CIB secondary 01 [(10)]	2019-08-23	Yearly	**30,000**	**30,000**
19 CIB secondary 02 [(10)]	2019-09-17	Yearly	**20,000**	**20,000**
17 CIB leasing secondary [(10)]	2017-09-15	Yearly	**2,000**	**-**
Interest accrued			**1,502**	**1,472**
Less: unamortised issuance cost			**(75)**	**(75)**
Subtotal			**83,427**	**81,397**

			The Group	The Bank
Category of bonds	Issuing date	Interest payment frequency	2019	2019
Interbank certificates of deposit				
Par value of interbank certificates of deposit [12]			**659,374**	**659,374**
Interest accrued			**47**	**47**
Less: unamortised issuance cost			**(8,568)**	**(8,568)**
Subtotal			**650,853**	**650,853**
Certificates of deposit				
Par value of certificates of deposit [13]			**4,818**	**4,818**
Interest accrued			**11**	**11**
Less: unamortised issuance cost			**(56)**	**(56)**
Subtotal			**4,773**	**4,773**
Private placement note				
18 CIAMC PPN001[14]	2018-12-19	Yearly	**1,000**	**-**
19 CIAMC PPN002[14]	2019-07-17	Maturity	**400**	**-**
Subtotal			**1,400**	**-**
Corporate bonds				
19 CIAMC 01[15]	2019-11-18	Yearly	**500**	**-**
19 CIAMC 02[15]	2019-11-18	Yearly	**440**	**-**
19 CIIT 01[16]	2019-12-30	Yearly	**1,330**	**-**
Less: unamortised issuance cost			**(3)**	**-**
Subtotal			**2,267**	**-**
Total			**899,116**	**871,106**

(1) In March 2010, the Group issued RMB 3 billion 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 last five years is 7.80% since the eleventh interest-bearing year to maturity of the bonds if the issuer does not exercise the option of redemption.

(2) In June 2011, the Group issued RMB 10 billion 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.

(3) In November 2016, the Group issued a green financial bond of 5-year bonds amounting RMB 20 billion with fixed rate of 3.40%.

(4) In November 2018, the Group issued two kinds of green financial bonds of 3-year bonds amounting RMB 30,000 million with fixed rates of 3.99% and 3.89%.

(5) In July 2019, the Group issued a green financial bond of 3-year bonds amounting RMB 20,000 million with fixed rates of 3.55%.

(6) In September 2016, the Group set the medium-term notes issuing plan with limit of USD 5 billion at The Stock Exchange of Hong Kong Ltd. (the "SEHK"). According to the plan, the Hong Kong branch of the Bank initially issued 5-year medium-term notes amounting USD 300 million at fixed annual rates of 2.375%. 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 USD 600 million, 5-year medium-term notes amounting USD 250 million, 5-year medium-term notes amounting USD 500 million and 3-year medium-term notes amounting EUR 250 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 USD 600 million and 3-year overseas green financial bonds amounting EUR 300 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 RMB 500 milion, RMB 2,000 million and RMB 4,000 million three-year fixed interest rate financial bonds at the annual rate of 4.5%, 5% and 4.7% respectively. As at 31 December 2019, the Bank holds "17 CIB leasing debt 01" of RMB 50 million issued by China Industrial Finance Leasing Limited in March 2017.

(8) In June 2018, November 2018, November 2018 and March 2019, the Group's subsidiary Industrial Bank Financial Leasing Co., Ltd. respectively issued RMB financial bonds of 3-year bonds amounting RMB 3,500 million, RMB 3,500 million, RMB 3,000 million and RMB 2,500 million with fixed rates of 4.88%, 3.98%, 3.95% and 3.52%. As of 31 December 2019, the "18 CIB leasing debt 01" of RMB 10 million issued by Industrial Bank Financial Leasing Co., Ltd. in June 2018 was held by the Bank.

(9) In August 2019 and November 2019, the Group's subsidiary Industrial Consumer Finance Co., Ltd. respectively issued RMB financial bonds of 3-year bonds amounting RMB 2,000 million and RMB 1,000 million with fixed rates of 3.77% and 3.79% respectively.

(10) In April 2016, August 2019 and November 2019, the Group issued RMB 30,000 million, RMB 30,000 million, RMB 20,000 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%, 4.15% and 4.12% consistently.

(11) In September 2017, the Group's subsidiary China Industrial Finance Leasing Limited issued RMB 2 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 2019, the Group had 444 unpaid interbank certificates of deposit with total amount of RMB 659,374 million, including 3 USD non-negotiable certificates deposit, of which the issued par value was USD400 million (RMB 2,790 million) and the terms are within 1 year; 1 EUR interbank certificates of deposit, of which the issued par value is EUR113 million, with RMB 884 million due within 1 year; and 440 RMB interbank certificates of deposit, of which the issued par value is RMB 655,700 million, with RMB 650,500 million due within 1 year and the rest due in 3 years. The annual rate is 2.85% to 3.33%. Except for interest of 11 interest-bearing debts being paid quarterly, the interest of rest is paid upon maturity.

(13) As at 31 December 2019, Hong Kong branch had 9 unpaid interbank certificates of deposit, of with a total the amount was RMB 4,818 million and due within 1 year. The amount of 2 HKD certificates was HKD900 million (RMB 806 million); the amount of 7 USD certificates was USD 575 million (RMB 4,011 million). The annual interest rate was between 2.20% to 2.57%. The interest of all certificates is paid upon maturity.

(14) In December 2018 and July 2019, China Industrial Asset Management Co., Ltd., a subsidiary of China Industrial International Trust Limited, the Group's subsidiary, issued RMB 1,000 milion three-year fixed interest rate placement note at the annual rate of 4.85% and RMB 500 million eight-month fixed interest rate placement note at the annual rate of 3.73% respectively. As at 31 December 2019, the Bank holds "19 CIAMC PPN002" of RMB 100 million issued by China Industrial Asset Management Co., Ltd in July 2019.

(15) In November 2019, China Industrial Asset Management Co., Ltd., a subsidiary of China Industrial International Trust Limited, the Group's subsidiary, issued RMB 500 milion three-year fixed interest rate financial bond at the annual rate of 4.10% and RMB 500 million five-year fixed interest rate Corporate bond at the annual rate of 4.25% respectively. As at 31 December 2019, the Bank holds "19 CIAMC 02" of RMB 60 million issued by China Industrial Asset Management Co., Ltd. in November 2019.

(16) In December 2019, CIIT Asset Management Co., Ltd., a subsidiary of China Industrial International Trust Limited, the Group's subsidiary, issued RMB 1,900 milion three-year fixed interest rate Corporate bond at the annual rate of 4.4%. As at 31 December 2019, the Bank holds "19 CIIT 01" of RMB 570 million issued by CIIT Asset Management Co., Ltd. in November 2019.

28. Other liabilites

	The Group		The Bank	
	2019	2018	2019	2018
Interest payable	**42**	46,771	**42**	45,646
Bank promissory notes	**1,542**	848	**1,038**	848
Items in the process of clearance and settlement	**1,650**	5,304	**1,650**	5,304
Dividend payables	**1**	1	**1**	1
Continuing involvement liabilities (Note XII, 3.1)	**13,400**	7,641	**10,472**	7,641
Wealth management and entrusted investment fund	**177**	312	**96**	312
Deferred income	**1,128**	2,889	**1,076**	993
Other payables	**22,098**	21,103	**6,749**	5,678
Total	**40,038**	84,869	**21,124**	66,423

29. Share capital

	The Group and the Bank		
	1 January 2019	Change for the period	31 December 2019
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 2019, the share capital of the Bank is RMB 20,774 million (31 December 2018: RMB 20,774 million) with par value of RMB 1 per share.

30. Other equity instruments

(1) Outstanding preference shares in the end of the period are as follows:

	The Group and the Bank									
Outstanding financial instrument	Time	Classification	Rate	Price RMB/ share	Quantity RMB million share	Amount RMB million	Maturity date	Transfer requirement	Condition
preference shares	2014.12	Equity instrument	Note 1	100	130	13,000	N/A	Note 4	N/A
preference shares	2015.6	Equity instrument	Note 2	100	130	13,000	N/A	Note 4	N/A
preference shares	**2019.4**	**Equity instrument**	**Note 3**	**100**	**300**	**30,000**	**N/A**	**Note 4**	**N/A**

Note 1: For the initial issuance of the preference shares ("Xing Ye You 1"), every five year was an interest-bearing cycle starting from the payment deadline (i.e. 8 December 2014). The dividend rate was the same in every interest-bearing cycle. The dividend rate of first cycle was determined as 6.00% through inquiry by the Board of Directors authorized by shareholders' meeting and was in accordance with factors such as national policy, market conditions, specific circumstances of the Bank and requirements from investors at that time. The dividend rate of preference shares of this issuance was not higher than the annual weighted average ROE of ordinary shareholders over the last two fiscal years. The dividend rate of preference shares of this issuance was the sum of benchmark interest rate and basic interest rate. The benchmark interest rate of the first interest-bearing cycle (i.e. 3.45%, rounded to 0.01%) was determined by calculating the arithmetic mean of 20 trading days (before 8 December 2014) of the YTM regarding treasury bonds, with 5-year remaining terms. The data was obtained from the inter-bank fixed-rate treasury bond yield curve published by China Bond Information Website (or any other websites approved by Central Securities Depository Trust and Clearing Corporation Limited). The benchmark interest rate was adjusted every 5 years from the deadline for payment of preference shares issued. The basic spread was the dividend rate of first cycle deducting the benchmark interest rate, i.e. 2.55%. The basic spread would no longer be adjusted after the issuance. The subsequent coupon interest rate was determined by the current benchmark interest rate plus the basis spread. The benchmark interest rate of current interest-bearing cycle was determined by calculating the arithmetic mean of 20 trading days (before the benchmark interest adjustment date) of the YTM regarding treasury bonds, with 5-year remaining terms (rounded to 0.01%). If the YTM of 5-year treasury bonds is not available on the benchmark interest adjustment day, the benchmark interest rate or its principle will be determined under negotiations between the Bank and investors required by the regulator.

In December 2019, the dividend yield ratio of the "Xing Ye You 1" preferred stock for the second dividend period was adjusted in accordance with relevant provisions in the Prospectus. The current benchmark interest rate was the arithmetic mean (i.e. 3.00% rounded to 0.01%) of the yield to maturity of the 5-year treasury bond within the ChinaBond treasury bond yield curve (previously known as the ChinaBond interbank fixed interest rate treasury bond yield curve) in the 20 trading days (excluding the benchmark interest rate adjustment date) prior to the current benchmark interest rate adjustment date (8 December 2019) published on www.chinabond.com.cn or other websites recognised by China Central Depository & Clearing Co., Ltd., and the basic spread was 2.55%. Therefore, the dividend yield ratio of "Xing Ye You 1" for the second dividend period was changed to 5.55% from 8 December 2019.

Note 2: For the second issuance of the preference shares ("Xing Ye You 2"), every five year was an interest-bearing cycle starting from the payment deadline (i.e. 24 June 2015). The dividend rate was the same in every interest-bearing cycle. The dividend rate of first cycle was determined as 5.40% through inquiry by the Board of Directors authorized by shareholders' meeting and was in accordance with factors such as national policy, market conditions, specific circumstances of the Bank and requirements from investors at that time. The dividend rate of preference shares of this issuance was not higher than the annual weighted average ROE of ordinary shareholders over the last two fiscal years. The dividend rate of preference shares of this issuance was the sum of benchmark interest rate and basic interest rate. The benchmark interest rate of the first interest-bearing cycle, (i.e. 3.25%, rounded to 0.01%), was determined by calculating the arithmetic mean of 20 trading days (before 24 June 2015) of the YTM regarding treasury bonds, with 5-year remaining terms (rounded to 0.01%). The data was obtained from the inter-bank fixed-rate treasury bond yield curve published by China Bond Information Website (or any other websites approved by Central Securities Depository Trust and Clearing Corporation Limited). The benchmark interest rate was adjusted every 5 years from the deadline for payment of preference shares issued. The basic spread was the dividend rate of first cycle deducting the benchmark interest rate, i.e. 2.15%. The basic spread would no longer be adjusted after the issuance. The subsequent coupon interest rate was determined by the current benchmark interest rate plus the basis spread, 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 to 0.01%), from the fixed-rate national debt yield curve in Bank Debt published on www.chinabond.com.cn (or any other websites approved by Central Securities Depository Trust and Clearing Corporation Limited), 20 days before benchmark interest rate adjustment date which's the date of each 5 years of the deadline for payment of preference shares issued (which is 24 June). If the YTM regarding treasury bonds, with 5-year remaining terms is not available on the benchmark interest adjustment date, the Bank and investors will negotiate with the investor to determine the subsequent benchmark interest rate or its determining principles at the request of the regulatory authorities.

Note 3: For the preference shares issued in 2019 (“Xing Ye You 3”), every five year was an interest-bearing cycle starting from the payment deadline (i.e. 10 April 2019). The dividend rate was the same in every interest-bearing cycle. The dividend rate of first cycle was determined as 4.90% through inquiry by the Board of Directors authorized by shareholders’ meeting and was in accordance with factors such as national policy, market conditions, specific circumstances of the Bank and requirements from investors at that time. The dividend rate of preference shares of this issuance was not higher than the annual weighted average ROE of ordinary shareholders over the last two fiscal years. The dividend rate of preference shares of this issuance was the sum of benchmark interest rate and basic interest rate. The benchmark interest rate of the first interest-bearing cycle (i.e. 3.06%, rounded to 0.01%) was determined by calculating the arithmetic mean of 20 trading days (before 10 April 2019) of the YTM regarding treasury bonds, with 5-year remaining terms. The data was obtained from the inter-bank fixed-rate treasury bond yield curve published by China Bond Information Website (or any other websites approved by Central Securities Depository Trust and Clearing Corporation Limited). The benchmark interest rate was adjusted every 5 years from the deadline for payment of preference shares issued. The basic spread was the dividend rate of first cycle deducting the benchmark interest rate, i.e. 1.84%. The basic spread would no longer be adjusted after the issuance. The subsequent coupon interest rate was determined by the current benchmark interest rate plus the basis spread, the benchmark interest rate of current interest-bearing cycle is national debt (which period before payment is for 5 years) YTM’s arithmetic mean (rounded off to 0.01%), from the fixed-rate national debt yield curve in Bank Debt published on www.chinabond.com.cn (or any other websites approved by Central Securities Depository Trust and Clearing Corporation Limited), 20 days before benchmark interest rate adjustment date which’s the date of each 5 years of the deadline for payment of preference shares issued (which is 10 April). If the YTM of 5-year treasury bonds is not available on the benchmark interest adjustment day, the benchmark interest rate or its principle will be determined under negotiations between the Bank and investors required by the regulator.

Note 4: When the Bank's core tier one capital adequacy ratio falls to 5.125%, the preference shares issued this time will be completely converted to A shares of ordinary shares with the mandatory price after the examination and determination made by CBIRC in accordance with the relevant requirements of CBIRC. The conversion is irrevocable.

When triggered events of the secondary capital instruments issued by the Bank occur, the preference shares issued this time will be completely converted to A shares of ordinary shares with the mandatory price after the examination and determination made by CBIRC in accordance with the relevant requirements of CBIRC. The conversion is irrevocable. The secondary capital instruments triggering event is the earlier of the following two situations: 1) CBIRC considers the Bank unable to survive without conversion or writtenoff; 2) Relevant departments considers the Bank unable to survive without the contribution from public departments or the same effect of support provided.

(2) The principal terms of disclosure:

The Bank will pay preferred dividends in cash. The preference shares of this issuance uses a non-cumulative dividend payment, which means dividend that is not paid in full to preference shareholders will not accumulate to the next interest-bearing year. After the preference shareholders obtain distribution in accordance with the agreed dividend rate, they can no longer participate in the distribution of remaining profits with ordinary shareholders.

Under the premise of ensuring the capital adequacy ratio to satisfy the regulatory requirements, if there still is retained earnings in the Bank's financial statements caliber after covering losses, extracting statutory reserve and general reserve, the Bank could allocate dividends to preference shareholders. The priority of preference shareholders is higher than ordinary shareholders in dividend distribution. Payment of preference shares dividends is neither linked to ratings of the Bank, nor adjusted with the rating changes. The Bank can cancel payment of preference shares dividends in any case, which does not constitute an event of default. The Bank is entitled to arrange cancelled payment of preference shares dividends as repayment of other matured debts. Cancelling payment of dividends shall not constitute any further restrictions on the Bank except restrictions on profit distribution of ordinary shares. When the Bank exercises the aforesaid rights, it will take full account of the interests of preferrence shareholders. If payment of preference shares dividend is wholly or partly cancelled, the Bank shall not pay ordinary share dividend for the fiscal year.

The right of redemption for preference shares of this issuance belongs to the Bank. The Bank may exercise the right of redemption under the premise of obtaining CBIRC's approval. The Bank's preferrence shareholders do not have the right to request redemption of preference shares and should not expect that the preferrence shares will be redeemed.

The initial mandatory conversion price of the preference shares of this issuance is the arithmetic mean of 20 trading days of the Bank's A shares of ordinary shares before issuance of Board resolution which passed the issuance of the preference shares. Since the issuance plan of the preference shares is passed by the Bank's Board of Directors, when the Bank's shares change with the delivery of stock dividend, transferring of reserve to share capital, issuance of new shares (not including any share capital from conversion of financing instruments with terms that they could be converted to ordinary shares) or the allotment of shares, the mandatory conversion price of the preference shares will be accumulatively adjusted in turn in accordance with the established formula, and disclose relevant information in accordance with the provisions.

The Bank's preferrence shareholders are entitled with priority over ordinary shareholders of the remaining property distribution. The amount paid off is the sum of the neither cancelled nor paid dividends and the notional amount of the preference shares; if it can not be paid in full, the remaining property will be distributed in proportion to preference shares.

(3) Changes of outstanding preference shares are as follows:

	The Group and the Bank							
	1 January 2019		Addition		Less		31 December 2019	
	Quantity	Book value	Quantity	Book value	Quantity	Book value	Quantity	Book value
Preference shares	**260**	**26,000**	**300**	**30,000**	**-**	**-**	**560**	**56,000**
Fees		**(95)**		**(63)**		**-**		**(158)**
Total	**260**	**25,905**	**300**	**29,937**	**-**	**-**	**560**	**55,842**

As at 31 December 2019, the Bank issued the above-mentioned other equity instruments to supplement Tier 1 capital of RMB 55.842 billion.

(4) Attribution to holders of equity instrument:

	The Group	
	2019	2018
Equities attributable to shareholders of the Bank	**541,360**	465,953
Equities attributable to ordinary shareholders of the Bank	**485,518**	440,048
Equities attributable to preferrence shareholders of the Bank	**55,842**	25,905
Including: Net profit	**1,482**	1,482
Total comprehensive income	**1,482**	1,482
Distributed dividend of the year	**(1,482)**	(1,482)
Accumulated retained dividend	**-**	-
Equity attributable to non-controlling shareholders	**8,292**	6,631
Equity attributable to non-controlling ordinary shareholders	**6,298**	6,631
Equity attributable to non-controlling shareholders of other equity instruments	**1,994**	-

31. Capital reserve

	The Group				The Bank			
	1 January 2019	Increase	Decrease	31 December 2019	1 January 2019	Increase	Decrease	31 December 2019
Share premium	**74,978**	-	(97)	**74,881**	**75,227**	-	-	**75,227**
Others	**33**	-	-	**33**	**33**	-	-	**33**
Total	**75,011**	-	(97)	**74,914**	**75,260**	-	-	**75,260**

32. Surplus reserve

	The Group and the Bank	
	2019	2018
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 nondistributable 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 2019, 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.

33. General reserve

	The Group		The Bank	
	2019	2018	2019	2018
General reserve	**78,525**	73,422	**74,829**	69,996

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 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, Debt investments, Other debt investments, Other equity investments, 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. The subsidiaries of the Bank determine the general reserve according to the regulation.

34. Retained earnings

	The Group		The Bank	
	2019	2018	2019	2018
Balance at the end of the previous year	**257,801**	214,977	**244,143**	204,005
Changes in accounting policies	**(5,361)**	-	**(3,918)**	-
Net profit	**65,868**	60,620	**62,299**	57,231
Appropriations to general reserve	**(5,103)**	(2,811)	**(4,833)**	(2,108)
Dividends distribution of ordinary shares	**(14,334)**	(13,503)	**(14,334)**	(13,503)
Dividends distribution of preference shares	**(1,482)**	(1,482)	**(1,482)**	(1,482)
Balance at the end of the year	**297,389**	257,801	**281,875**	244,143

(1) "2019 Profit Distribution Proposal of the Bank" approved by the Board of Directors on 28 April 2020 and submitted for approval by the annual general meeting is as follows :

(i) Appropriation of RMB 4,833 million to general and regulation reserve. As at 31 December 2019, the proposed appropriation of general and regulation reserve has been included in the general and regulation reserve.

(ii) Distribute cash dividends of RMB 7.62 per 10 shares (tax inclusive) on the basis of 20,774,190,751 ordinary shares of the Bank at the issuance date of the financial statements.

(iii) The interest period of preference shares issued in 2014 is from 1 January 2019 to 31 December 2019 (the nominal dividend yield of the first dividend period was 6%, and was adjusted to 5.55% for the second dividend period since 8 December 2019), the interest period of preference shares issued in 2015 is from 1 January 2019 to 31 December 2019 (the annual dividend rate is 5.4%), the interest period of preference shares issued in 2019 is from 10 April 2019 to 31 December 2019 (the annual dividend rate is 4.9%), the dividends payable of preference shares are RMB 2,549 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) "2018 Profit Distribution Proposal of the Bank" approved by the Board of Directors on 29 April 2019 and approved by the annual general meeting on 27 May 2019 is as follows:

(i) Appropriation of RMB 2,108 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 reserve.

(ii) Distribute a cash dividend of RMB 6.90 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 RMB 1,482 million in total.

As at 31 December 2019, the above-mentioned dividend distribution has been completed.

(3) Surplus reserve appropriated by subsidiaries

As at 31 December 2019, the balance of the Group's retained earnings include surplus reserve appropriated by subsidiaries amounting to RMB 1,917 million (31 December 2018: RMB 1,613 million).

35. Net interest income

	The Group		The Bank	
	2019	2018	2019	2018
Interest income				
Balances with Central Bank	**6,209**	6,545	**6,209**	6,545
Deposits with banks and other financial institutions	**2,209**	2,949	**2,060**	2,866
Placements with banks and other financial institutions	**4,792**	2,707	**5,145**	3,144
Financial assets purchased under resale agreements	**2,676**	2,824	**2,651**	2,714
Loans and advances to customers	**153,153**	124,819	**147,457**	122,165
Including: Corporate	**83,952**	75,480	**84,114**	75,696
Personal	**62,530**	45,786	**56,672**	42,916
Discounted bills	**6,671**	3,553	**6,671**	3,553
Bonds and other investment	**94,976**	123,781	**92,314**	121,390
Finance lease receivables	**5,291**	5,717	**-**	-
Others	**371**	1,236	**115**	843
Subtotal	**269,677**	270,578	**255,951**	259,667
Interest expense				
Borrowing from Central Bank	**(7,215)**	(8,639)	**(7,215)**	(8,639)
Deposits from banks and other financial institutions	**(34,548)**	(55,205)	**(34,662)**	(55,317)
Placements from banks and other financial institutions	**(6,289)**	(8,899)	**(2,630)**	(3,292)
Financial assets sold under repurchase agreements	**(3,888)**	(4,259)	**(3,615)**	(4,007)
Deposits from customers	**(86,691)**	(69,985)	**(86,710)**	(69,987)
Debt securities issued	**(27,812)**	(27,707)	**(26,792)**	(27,706)
Others	**(246)**	(227)	**(83)**	(83)
Subtotal	**(166,689)**	(174,921)	**(161,707)**	(169,031)
Net interest income	**102,988**	95,657	**94,244**	90,636

36. Net fee and commission income

	The Group		The Bank	
	2019	2018	2019	2018
Fee and commission income				
Settlement and clearing fee	**1,395**	1,682	**1,396**	1,682
Bank card fee	**30,174**	21,408	**30,174**	21,408
Agency fee	**3,269**	2,670	**3,074**	2,635
Credit commitment fee	**1,591**	1,526	**1,591**	1,526
Transactional service fee	**1,005**	942	**1,005**	942
Custodian fee	**2,707**	3,405	**2,875**	3,405
Consultancy and advisory fee	**9,272**	11,124	**8,133**	10,202
Trust service fee	**2,469**	2,118	**-**	-
Lease service fee	**841**	1,053	**-**	-
Others	**911**	1,134	**880**	575
Subtotal	**53,634**	47,062	**49,128**	42,375
Fee and commission expense	**(3,955)**	(4,084)	**(3,767)**	(3,621)
Net fee and commission income	**49,679**	42,978	**45,361**	38,754

37.Investment income

	The Group		The Bank	
	2019	2018	2019	2018
Trading assets	**19,920**	N/A	**21,103**	N/A
Other debt investments	**4,554**	N/A	**4,553**	N/A
Precious metal	**430**	88	**430**	88
Debt investments	**393**	N/A	**250**	N/A
Gains from long-term equity investments under the equity method	**205**	265	**184**	264
Other equity investments	**9**	N/A	**9**	N/A
Dividends declared by subsidiaries	**-**	-	**267**	-
Derivative financial instruments	**(529)**	8,506	**(538)**	8,506
Trading liabilities	**(571)**	(12)	**(571)**	(12)
Financial assets at fair value through profit or loss	**N/A**	9,339	**N/A**	9,862
Available-for-sale financial assets	**N/A**	6,595	**N/A**	7,464
Others	**581**	1,701	**579**	809
Total	**24,992**	26,482	**26,266**	26,981

38. Gains from changes in fair values

	The Group		The Bank	
	2019	2018	2019	2018
Precious metals	**(84)**	(360)	**(84)**	(360)
Derivative financial instruments and others	**377**	3,589	**377**	3,589
Trading assets	**1,345**	N/A	**1,157**	N/A
Financial assets at fair value through profit or loss	**N/A**	(320)	**N/A**	(517)
Trading liabilities	**(16)**	10	**(16)**	(1)
Total	**1,622**	2,919	**1,434**	2,711

39. Taxes and surcharges

	The Group		The Bank	
	2019	2018	2019	2018
City maintenance and construction tax	**845**	674	**790**	632
Education surcharge	**568**	460	**529**	431
Others	**343**	274	**316**	253
Total	**1,756**	1,408	**1,635**	1,316

40. General and administrative expenses

	The Group		The Bank	
	2019	2018	2019	2018
Employee benefits	**28,008**	26,229	**25,844**	23,981
Lease expenses	**3,107**	3,003	**2,932**	2,804
Depreciation and amortization	**2,199**	2,423	**2,110**	2,263
Others	**13,243**	10,409	**12,116**	10,038
Total	**46,557**	42,064	**43,002**	39,086

41. Credit impairment losses

	2019	
	The Group	The Bank
Loans and advances to customers	**46,692**	**44,949**
Debt investments	**4,633**	**3,980**
Other debt investments	**817**	**783**
Finance lease receivables	**626**	**-**
Credit loss of off-balance sheet assets	**1,277**	**1,277**
Others	**4,043**	**4,003**
Total	**58,088**	**54,992**

42. Impairment losses on assets

	2018	
	The Group	The Bank
Loans and advances to customers	38,067	37,426
Investments classified as receivables	5,409	5,168
Available-for-sale financial assets	648	401
Finance lease receivables	1,128	-
Others	1,152	1,614
Total	46,404	44,609

43. Income tax expenses

	The Group		The Bank	
	2019	2018	2019	2018
Current income tax	**14,115**	12,973	**12,369**	10,770
Deferred income tax	**(6,325)**	(6,192)	**(6,109)**	(5,205)
Adjustment for prior years	**11**	51	**5**	50
Total	**7,801**	6,832	**6,265**	5,615

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

	The Group		The Bank	
	2019	2018	2019	2018
Accounting profit	**74,503**	68,077	**68,564**	62,846
Tax calculated at applicable statutory tax rate of 25%	**18,626**	17,019	**17,141**	15,712
Adjustments on income tax:				
Income not taxable for tax purpose	**(12,324)**	(12,105)	**(12,286)**	(11,997)
Expenses not deductible for tax purpose	**1,488**	1,867	**1,405**	1,850
Adjustment for prior years	**11**	51	**5**	50
Total	**7,801**	6,832	**6,265**	5,615

44. Other comprehensive income

	The Group								
				Year ended 31 December 2019					
	31 December 2018	Changes in accounting policies	1 January 2019	Amount incurred before income tax	Other comprehensive income transferred to profit and loss	Income tax expense	Attributable to shareholders of the Bank after tax	Non-controlling interests after tax	31 December 2019
Other comprehensive income that will not be subsequently classified to profit and loss									
Including: Actuarial profits/losses on defined benefit plans	634	-	**634**	**363**	**-**	**-**	**363**	**-**	**997**
Fair value changes of other equity investments	N/A	(123)	**(123)**	**1**	**-**	**-**	**1**	**-**	**(122)**
Subtotal	634	(123)	**511**	**364**	**-**	**-**	**364**	**-**	**875**
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	1,702	(1,702)	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
Fair value changes of other debt investments (Note 1)	N/A	1,077	**1,077**	**3,519**	**(4,553)**	**258**	**(776)**	**(3)**	**301**
Credit losses on other debt investments (Note 2)	N/A	1,359	**1,359**	**888**	**-**	**(222)**	**666**	**8**	**2,025**
Translation differences of financial statements denominated in foreign currencies	24	-	**24**	**7**	**-**	**-**	**7**	**-**	**31**
Shares of other comprehensive income of associates and joint ventures accounted for under equity method	(4)	-	**(4)**	**-**	**4**	**-**	**4**	**-**	**-**
Subtotal	1,722	734	**2,456**	**4,414**	**(4,549)**	**36**	**(99)**	**5**	**2,357**
Total	2,356	611	**2,967**	**4,778**	**(4,549)**	**36**	**265**	**5**	**3,232**

Note 1: Fair value changes of other debt investments include changes in fair value of issued loans and advances measured at fair value through other comprehensive income.

Note 2: Provision for credit impairments of other debt investments include provision for impairments of issued loans and advances measured at fair value through other comprehensive income.

	The Bank						
				Year ended 31 December 2019			
	31 December 2018	Changes in accounting policies	1 January 2019	Amount incurred before income tax	Other comprehensive income transferred to profit and loss	Income tax expense	31 December 2019
Other comprehensive income that will not be subsequently classified to profit and loss							
Including: Actuarial profits/losses on defined benefit plans	634	-	**634**	**363**	**-**	**-**	**997**
Fair value changes of other equity investments	N/A	(123)	**(123)**	**1**	**-**	**-**	**(122)**
Subtotal	634	(123)	**511**	**364**	**-**	**-**	**875**
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	2,172	(2,172)	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
Fair value changes of other debt investments (Note 1)	N/A	1,150	**1,150**	**3,524**	**(4,553)**	**257**	**378**
Credit losses on other debt investments (Note 2)	N/A	1,291	**1,291**	**864**	**-**	**(216)**	**1,939**
Shares of other comprehensive income of associates and joint ventures accounted for under equity method	(4)	-	**(4)**	**-**	**4**	**-**	**-**
Subtotal	2,168	269	**2,437**	**4,388**	**(4,549)**	**41**	**2,317**
Total	2,802	146	**2,948**	**4,752**	**(4,549)**	**41**	**3,192**

Note 1: Fair value changes of other debt investments include changes in fair value of issued loans and advances measured at fair value through other comprehensive income.

Note 2: Provision for credit impairments of other debt investments include provision for impairments of issued loans and advances measured at fair value through other comprehensive income.

45. Earnings per share

	The Group	
	2019	2018
Current net profit attributable to ordinary shareholders of the Bank (RMB million)	**64,386**	59,138
Weighted average ordinary shares issued by the Bank (shares in million)	**20,774**	20,774
Basic and diluted earnings per share (RMB)	**3.10**	2.85

When calculating the earnings per share, the current net profit attributed to ordinary shareholders did not include preference shares dividends announced of insurance during the year ended 31 December 2019 and 31 December 2018. The conversion characteristic of preference shares enables the existence or ownership of ordinary shares to be issued. For the year ended 31 December 2019 and 31 December 2018, there was no trigger event for the conversion of shares, and the conversion characteristics of preference shares had no impact on the calculation of the basic and diluted earnings per share for the above period.

46. Supplementary information to the cash flow statement

(1) Reconciliation of net profit to cash flows from operating activities

	The Group		The Bank	
	2019	2018	2019	2018
1.Reconciliation of net profit to cash flows from operating activities				
Net profit	**66,702**	61,245	**62,299**	57,231
Add: Allowance for impairment losses on assets	**58,096**	46,404	**55,000**	44,609
Depreciation of fixed assets	**1,710**	1,787	**1,407**	1,524
Amortization of intangible assets	**124**	116	**112**	100
Amortization of long-term deferred expenses	**620**	671	**591**	639
Gains from disposal of fixed assets, intangible assets and other long-term assets	**(36)**	(20)	**(36)**	(20)
Interest income of bonds and other investments	**(94,976)**	(123,781)	**(92,314)**	(121,390)
Interest income of impaired financial assets	**(1,162)**	(1,287)	**(1,162)**	(1,287)
Gains from changes in fair value	**(1,622)**	(2,919)	**(1,434)**	(2,711)
Investment income	**(24,992)**	(26,482)	**(26,266)**	(26,981)
Interest expense for debt securities issued	**27,812**	27,707	**26,792**	27,706
Increase in deferred tax assets	**(7,060)**	(6,735)	**(6,706)**	(5,746)
(Decrease) increase in deferred tax liabilities	**(61)**	543	**(59)**	541
Increase in receivables of operating activities	**(783,178)**	(515,206)	**(759,854)**	(514,854)
Increase in payables of operating activities	**170,014**	181,858	**178,633**	183,632
Net cash flow from operating activities	**(588,009)**	(356,099)	**(562,997)**	(357,007)
2.Net changes in cash and cash equivalents				
Closing balance of cash and cash equivalents	**731,730**	549,177	**775,679**	543,622
Less: opening balance of cash and cash equivalents	**549,177**	470,321	**543,622**	480,627
Net increase of cash and cash equivalents	**182,553**	78,856	**232,057**	62,995

(2) Composition of cash and cash equivalents

Cash and cash equivalents stated in consolidated cash flow statement and cash flow statement comprise:

	The Group		The Bank	
	2019	2018	2019	2018
Cash on hand	**4,848**	5,191	**4,843**	5,191
Balances with Central Bank that can be withdrawn on demand	**89,863**	77,820	**89,859**	77,820
Original maturity less than three months:				
Deposits with banks and other financial institutions	**82,306**	36,216	**77,403**	32,456
Placements with banks and other financial institutions	**85,391**	54,508	**85,754**	54,508
Financial assets purchased under resale agreements	**42,494**	75,014	**38,629**	73,637
Bonds investment	**426,828**	300,428	**479,191**	300,010
Closing balance of cash and cash equivalents	**731,730**	549,177	**775,679**	543,622

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 undertakes no further payment duties. Certain expenses are charged in profit or loss of the period.

Expense recognized in profit or loss for the period:

	The Group		The Bank	
	2019	2018	2019	2018
Defined contribution plans	**2,555**	2,611	**2,409**	2,534

Amount of payable at the period-end:

	The Group		The Bank	
	2019	2018	2019	2018
Defined contribution plans	**129**	132	**70**	85

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 by actuary means based on expected cumulative benefits unit method. The project estimates the future cash outflow based on rate of inflation and rate of death, and recognizes its present value by discount rate. Discount rate is measured by the corresponding yield of the treasury bond which matches the period of defined benefit plans and currency on balance sheet date. The Group recognizes assets of this plan based on actuary results, related actuarial gains or losses recognized into other comprehensive income. Past service costs will be charged in profit or loss in the period of revising the plans. The interest net value is recognized by the defined benefit plans net liabilities or assets multiplying by appropriate discount rate.

The profit or loss charged by related influence from defined benefit plans is RMB 43 million. Actuary gains charging to other comprehensive income are RMB 363 million. Net assets of defined benefit plans are decreased by RMB 320 million for the period, and the balance at the end of the period is RMB 1,409 million, which is the net value of present value of defined benefit plans duties and fair value of defined benefit plans assets, and should be charged to other assets (Note VII, 18).

On 31 December 2019, the Group's defined benefit plans' average benefit obligation period was about 6 to 8 years (31 December 2018: about 7 to 8 years).

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

Discount rate and mortality rate are the key actuarial factors in determining the present value of the defined benefit plan obligations. The discount rate is 3.00% as at 31 December 2019 (31 December 2018: 3.25%). Mortality assumptions are based on Male Pension Service Form and Female Pension Service Form of China Experience Life Table of Life Insurance (2010-2013) released by Chinese Insurance Regulatory Commission. The male workers retired at the age of 60 and female workers retired at the age of 55 are expected to have an average residual life of 25.34 years and 34.03 years respectively.

The following sensitivity analysis is based on the corresponding hypothesis with reasonable possible changes occurred at the end of the reporting period (assuming all other assumptions remain unchanged):

If the discount rate increases (decreases) by 25 basis points, then the present value of defined benefit plan obligations will be decreased by RMB 40 million (increased by RMB 42 million).

As part of hypothesis may have correlation and a hypothesis cannot be changed in an isolate way, the sensitivity analysis may not reflect the actual changes in the fair value of the defined benefit plan obligations.

In the aforesaid sensitivity analysis, the calculation method in determining the defined benefit plan obligations is the same as the recognition of the relevant liabilities in the balance sheet at the end of the reporting period.

Compared with the previous year, the method for sensitivity analysis and the hypothesis didn't change.

48. Structured entities

Consolidated structured entities

The consolidated structured entities of the Group are fund products, asset-backed securities, trust plans and asset management plans. As the manager/initiator of the fund 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 scope of asset manager's decision, power of trust holder, reward from management service offering and the risk exposure of variable profit. In 2019, the Group didn't offer financial support to the consolidated structured entities (2018: Nil).

Unconsolidated structured entities

(1) Structured entities sponsored by third party institutions in which the Group holds an interest

The Group holds an interest in some structured entities sponsored by third party institutions through investments in the notes issued by these structured entities. Such structured entities include funds, trust plans, asset management plans, asset-backed financings and wealth management products and the Group does not consolidate these structured entities. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors including the Group and are financed through the issue of investment products to investors. 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 following table sets out an analysis of the carrying amounts and the maximum risk exposure of interests held by the Group as at 31 December 2019 and 31 December 2018 in the structured entities sponsored by third party institutions:

	The Group					
	2019					
	Trading assets	Debt investments	Other debt investments	Carrying amount	Maximum risk exposure (note)	Type of income
Funds	**403,969**	**-**	**-**	**403,969**	**403,969**	**Investment income**
Trust plans	**3,899**	**330,386**	**1,746**	**336,031**	**336,031**	**Investment income, interest income**
Asset management plans	**32,994**	**87,619**	**1,784**	**122,397**	**122,397**	**Investment income, interest income**
Asset-backed securities	**7,235**	**16,245**	**93,862**	**117,342**	**117,342**	**Investment income, interest income**
Wealth management products	**2,127**	**-**	**-**	**2,127**	**2,127**	**Investment income**
Total	**450,224**	**434,250**	**97,392**	**981,866**	**981,866**	

	2018						
	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Investments classified as receivables	Carrying amount	Maximum risk exposure (note)	Type of income
Funds	271,755	142,333	-	-	414,088	414,088	Investment 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
Wealth management products	1,914	2,972	-	1,088	5,974	5,974	Investment income, interest income
Total	280,988	207,799	128	979,873	1,468,788	1,468,788	

Note : Maximum loss exposure to funds, trust plans, asset management plans, asset-backed securities and wealth management products is the amortised cost or fair value at the reporting date as recognized in the balance sheet.

(2) Structured entities sponsored by the Group which the Group did not consolidate but held an interest

The Group acted as sponsors of structured entities that provide specialised investment opportunities to investors. These structured entities generally finance the purchase of assets by issuing units of the products. The Group did not control these structured entities and therefore, these structured entities were not consolidated.

As at 31 December 2019, those structured entities sponsored by the Group consist primarily of wealth management products, trust plans, funds, asset management plans and asset-backed securities with principals not guaranteed by the Group. The Group earns commission income by providing management services to the investors of these structured entities.

As at 31 December 2019 and 31 December 2018, unconsolidated structured entities sponsored by the Group are set out as below:

	The Group	
	2019	2018
Wealth management products	**1,311,051**	1,215,684
Trust plans	**477,028**	724,056
Funds	**194,736**	202,071
Asset management plans	**148,868**	296,715
Asset-backed securities	**70,612**	18,621
Total	**2,202,295**	2,457,147

For the year ended 31 December 2019, the commission income earned from offering management service to the investors of these structured entities by the Group is RMB 9,409 million (year ended 31 December 2018: RMB 11,238 million).

(3) Unconsolidated structured entities sponsored by the Group during the year in which the Group does not have an interest at 31 December 2019

Unconsolidated structured entities sponsored after 1 January 2019 but matured before 31 December 2019 by the Group in which the Group does not have an interest at were mainly the non-principal-guaranteed wealth management products. For the year ended 31 December 2019, the amount of fee and commission income received from such category of non-principal-guaranteed wealth management products by the Group was RMB 691 million (year ended 31 December 2018: RMB 1,025 million).

The aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2019 but matured before 31 December 2019 was RMB 208,686 million (The aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2018 but matured before 31 December 2018 was RMB 567,183 million).

VIII. 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 regions, western region, central region, a total of ten segments, of which branches within the northeast and other regions, western region, central region are presented in a consolidated manner.

Among them, the northeast and other regions 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 Lahsa branch;

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

	The Group											
	2019											
	Head office	Fujian	Beijing	Shanghai	Guangdong	Zhejiang	Jiangsu	Northeast and other regions	Western region	Central region	Eliminations	Total
Operating income	72,294	20,874	7,408	5,209	11,998	6,833	11,135	16,082	14,229	15,246	-	181,308
Net interest income	9,997	16,383	6,664	4,482	11,077	6,389	10,250	12,005	12,663	13,078	-	102,988
Including: Net inter-segment interest income	(64,404)	6,478	13,567	9,789	12,828	1,451	2,505	5,282	5,755	6,749	-	-
Net fee and commission income	36,709	4,266	663	647	717	360	675	2,511	1,307	1,824	-	49,679
Other income	25,588	225	81	80	204	84	210	1,566	259	344	-	28,641
Operating expenses	(40,129)	(13,033)	(2,358)	(3,676)	(5,423)	(2,683)	(3,529)	(21,723)	(6,554)	(7,934)	-	(107,042)
Operating profit	32,165	7,841	5,050	1,533	6,575	4,150	7,606	(5,641)	7,675	7,312	-	74,266
Add: Non-operating income	85	126	3	6	45	34	12	10	17	30	-	368
Less: Non-operating expenses	(19)	(24)	(8)	-	(17)	(5)	(6)	(32)	(7)	(13)	-	(131)
Total profit	32,231	7,943	5,045	1,539	6,603	4,179	7,612	(5,663)	7,685	7,329	-	74,503
Less: Income tax expenses												(7,801)
Net profit												66,702
Segment assets	3,758,609	584,804	576,641	435,959	742,110	305,298	423,548	826,411	598,404	762,898	(1,909,800)	7,104,882
Including: Investment in an associate												3,413
Undistributed assets												40,799
Total assets												7,145,681
Segment liabilities	3,331,015	559,210	577,274	431,364	735,430	300,988	415,581	808,977	590,718	755,272	(1,909,800)	6,596,029
Undistributed liabilities												-
Total liabilities												6,596,029
Supplemental information												
Credit commitments	355,436	63,821	20,964	62,984	100,214	74,462	111,846	232,049	153,244	228,867	-	1,403,887
Depreciation and amortization	475	269	96	85	141	94	153	315	249	322	-	2,199
Capital expenditures	1,089	370	78	128	228	120	167	1,549	882	1,273	-	5,884

	2018											
	Head office	Fujian	Beijing	Shanghai	Guangdong	Zhejiang	Jiangsu	Northeast and other regions	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

IX. 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 hundred 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
People's Insurance Company of China (1)	Incorporated Company	Beijing	222.43	Insurance services	Miao Jianmin
China Life Insurance Company (1)	Incorporated Company	Beijing	257.61	Insurance services	Miao Jianmin
China National Tobacco Corporation (1)	Owned by the whole people	Beijing	570.00	Production, and sales of tobacco products	Zhang Jianmin
Haisheng Investment Management Company of Fujian Tobacco (1)	Limited Company	Xiamen	26.47	Investment management	Lu Xiaodong
China Tobacco Hunan Investment Management Company (1)	Limited Company	Changsha	2.00	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
China National Tobacco Fujian Corporation (1)	Owned by the whole people	Fuzhou	1.37	Sales of tobacco products	LI Mindeng
China National Tobacco Guangdong Corporation (1)	Owned by the whole people	Guangzhou	1.40	Production, and sales of tobacco products	Liu Yiping

Number of shares held by Shareholders holding more than 5% (inclusive) of the Bank's shares:

Name	2019		2018	
	Shares Million shares	Proportion (%)	Shares Million shares	Proportion (%)
The Finance Bureau of Fujian Province	**3,902**	**18.78**	3,902	18.78
China Life Insurance Company [1]	**1,276**	**6.14**	1,276	6.14
People's Insurance Company of China [1]	**1,229**	**5.91**	1,229	5.91
China National Tobacco Corporation [1]	**1,110**	**5.34**	1,110	5.34
Haisheng Investment Management Company of Fujian Tobacco [1]	**441**	**2.13**	441	2.13
China Tobacco Hunan Investment Management Company [1]	**226**	**1.09**	226	1.09
The People's Insurance Company (Group) of China Limited [1]	**174**	**0.84**	174	0.84
China National Tobacco Fujian Corporation [1]	**132**	**0.64**	132	0.64
China National Tobacco Guangdong Corporation [1]	**99**	**0.48**	99	0.48
Total	**8,589**	**41.35**	8,589	41.35

Note: (1) Relationship between related parties: People's Insurance Company of China and China Life Insurance Company are both subsidiaries of The People's Insurance Company (Group) of China Limited. The aggregate proportion is 12.89%. Haisheng Investment Management Company of Fujian Tobacco, China Tobacco Hunan Investment Management Company, China National Tobacco Fujian Corporation and China National Tobacco Guangdong Corporation are subsidiaries of China National Tobacco Corporation. The aggregate proportion is 9.68%.

(2) Associates

Details of general information and related information of associates are set out in Note VII.13.

(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.

(1) Interest income

Related party	2019	2018
Fujian Yango Holdings Group and its related parties	**178**	474
Associates	**103**	137
Zhejiang Energy Group Co., Ltd. and its related parties	**7**	1
Longyan Huijin Development Group Co., Ltd. and its related parties	**1**	-
The People's Insurance Company (Group) of China Limited and its related parties	**-**	84
Fujian Investment Development Group Co., Ltd. and its related parties	**Note**	30
Xiamen International Bank Co., Ltd.	**Note**	1
Other related parties	**33**	55
Total	**322**	782

Note: As at 31 December 2019, Fujian Investment Development Group Co., Ltd. and its related parties and Xiamen International Bank Co., Ltd. were no longer related party of the Group.

(2) Interest expense

Related party	2019	2018
The People's Insurance Company (Group) of China Limited and its related parties	**960**	369
China Tobacco and its related parties	**553**	1,619
The Finance Bureau of Fujian Province and its subsidiaries	**223**	325
Associates	**13**	12
Fujian Yango Holdings Group and its related parties	**8**	50
Zhejiang Energy Group Co., Ltd. and its related parties	**4**	26
Longyan Huijin Development Group Co., Ltd. and its related parties	**4**	11
Fujian Investment Development Group Co., Ltd. and its related parties	**Note**	44
Xiamen International Bank Co., Ltd.	**Note**	1
Others	**23**	40
Total	**1,788**	2,497

Note: As at 31 December 2019, Fujian Investment Development Group Co., Ltd. and its related parties and Xiamen International Bank Co., Ltd. were no longer related party of the Group.

(3) Investment income

Related party	2019 (i)
Associates	**35**
The People's Insurance Company (Group) of China Limited and its related parties	**13**
Total	**48**

Note (i): Due to the impact of the new financial instrument standard, interest income generated by "trading financial assets" under the new financial instrument standard is reclassified from "interest income" to "investment income". Comparative figure is therefore not applicable.

(4) Fee and commission income

Related party	2019	2018
Fujian Yango Holdings Group and its related parties	**23**	71
The People's Insurance Company (Group) of China Limited and its related parties	**18**	10
The Finance Bureau of Fujian Province and its subsidiaries	**1**	1
Associates	**-**	1
Fujian Investment Development Group Co., Ltd. and its related parties	**Note**	4
Others	**22**	20
Total	**64**	107

Note: As at 31 December 2019, Fujian Investment Development Group Co., Ltd. was no longer related party of the Group.

(5) Fees and commission expense

Related party	2019	2018
The People's Insurance Company (Group) of China Limited and its related parties	**6**	11
Others	**-**	4
Total	**6**	15

(6) General and administrative expenses-insurance

Related party	2019	2018
The People's Insurance Company (Group) of China Limited and its related parties	**450**	458

In 2019, the Bank was paid RMB 10 million in compensation from People's Insurance Company of China (2018: RMB 8 million).

(7) General and administrative expenses-rental expense

Related party	2019	2018
China Tobacco and its related parties	**29**	26

3. Unsettled amount of related party transactions

(1) Deposits with banks and other financial institutions

Related party	2019	2018
Associates	**643**	6
Fujian Yango Holdings Group and its related parties	**500**	400
Total	**1,143**	406

(2) Placements with banks and other financial institutions

Related party	2019	2018
Associates	**2,198**	734

(3) Derivative financial instruments

Related party	Transaction type	2019		2018	
		Notional amount	Assets/ Liabilities	Notional amount	Assets/ Liabilities
Others	Interest Rate Derivative	**20**	**-**	20	-
Xiamen International Bank Co., Ltd.	Interest Rate Derivative	**Note**	**Note**	50	-
Xiamen International Bank Co., Ltd.	Exchange Rate Derivative	**Note**	**Note**	94	(2)
Total		**20**	**-**	164	(2)

Note: As at 31 December 2019, Xiamen International Bank Co., Ltd. was no longer related party of the Group.

(4) Loans and advances to customers

Related party	2019	2018
Fujian Yango Holdings Group and its related parties	**7,284**	4,187
Longyan Huijin Development Group Co., Ltd. and its related parties	**116**	-
Zhejiang Energy Group Co., Ltd. and its related parties	**100**	250
The People's Insurance Company (Group) of China Limited and its related parties	**-**	50
Fujian Investment Development Group Co., Ltd. and its related parties	**Note**	3,151
Others	**651**	45
Total	**8,151**	7,683

Note: As at 31 December 2019, Fujian Investment Development Group Co., Ltd. and its related parties were no longer related parties of the Group.

(5) Debt investments

Related party	2019(i)
Associates	**6,219**
Fujian Yango Holdings Group and its related parties	**4,675**
Total	**10,894**

Note (i): The "debt investment" is an item under the new financial instrument standard. Data in comparison period is therefore not applicable.

(6) Financial assets at fair value through profit or loss

Related party	2018(i)
Xiamen International Bank Co., Ltd. (ii)	2,840
Fujian Yango Holdings Group and its related parties	441
Total	3,281

Note (i): "Financial assets at fair value through profit or loss" was a "trading financial assets" item under the original financial instrument standard. Data in comparison period is therefore not applicable.

Note (ii): As at 31 December 2019, Xiamen International Bank Co., Ltd. was no longer related party of the Group.

(7) Available-for-sale financial assets

Related party	2018[i]
Xiamen International Bank Co., Ltd. [ii]	400
Others	30
Total	430

Note (i): The "available-for-sale financial assets" is an item under the original financial instrument standard. Data for the period is therefore not applicable.

Note (ii): As at 31 December 2019, Xiamen International Bank Co., Ltd. was no longer related party of the Group.

(8) Investments classified as receivables

Related party	2018[i]
Fujian Yango Holdings Group and its related parties	5,781
Associates	4,949
The People's Insurance Company (Group) of China Limited and its related parties	600
Others	1,552
Total	12,882

Note (i): The "investment in receivables" is an item under the original financial instrument standard. Data for the period is therefore not applicable.

(9) Interest receivable

Related party	2018[i]
Fujian Yango Holdings Group and its related parties	63
Associates	63
The People's Insurance Company (Group) of China Limited and its related parties	7
Fujian Investment Development Group Co., Ltd. and its related parties[ii]	2
Xiamen International Bank Co., Ltd. [ii]	1
Others	2
Total	138

Note (i): Pursuant to the New Format of Enterprise Financial Statements issued by the Ministry of Finance, amount included in the original "interest receivable" item was reclassified to each asset item for calculation respectively during this period. Data under this item for the period is therefore not applicable.

Note (ii): As at 31 December 2019, Fujian Investment Development Group Co., Ltd. and its related parties, Xiamen International Bank Co., Ltd. were no longer related parties of the Group.

(10) Deposits from banks and other financial institution

Related party	2019	2018
Associates	**479**	31
Fujian Yango Holdings Group and its related parties	**397**	15
Xiamen International Bank Co., Ltd.	**Note**	2
Others	**770**	100
Total	**1,646**	148

Note: As at 31 December 2019, Xiamen International Bank Co., Ltd. was no longer related party of the Group.

(11) Deposits from customers

Related party	2019	2018
China Tobacco and its related parties	**33,961**	55,132
The People's Insurance Company (Group) of China Limited and its related parties	**21,694**	23,405
The Finance Bureau of Fujian Province and its subsidiaries	**7,811**	15,196
Fujian Yango Holdings Group and its related parties	**1,289**	4,566
Associates	**479**	1
Longyan Huijin Development Group Co., Ltd. and its related parties	**378**	541
Zhejiang Energy Group Co., Ltd. and its related parties	**1**	1,024
Fujian Investment Development Group Co., Ltd. and its related parties	**Note**	3,582
Xiamen Airlines Co., Ltd.	**Note**	21
Others	**740**	1,051
Total	**66,353**	104,519

Note: As at 31 December 2019, Fujian Investment Development Group Co., Ltd. and its related parties, Xiamen Airlines Co., Ltd. were no longer related parties of the Group.

(12) Interest payable

Related party	2018[i]
China Tobacco and its related parties	1,830
The Finance Bureau of Fujian Province and its subsidiaries	465
The People's Insurance Company (Group) of China Limited and its related parties	311
Longyan Huijin Development Group Co., Ltd. and its related parties	8
Fujian Yango Holdings Group and its related parties	7
Zhejiang Energy Group Co., Ltd. and its related parties	1
Fujian Investment Development Group Co., Ltd. and its related parties(ii)	1
Others	1
Total	2,624

Note (i): Pursuant to the New Format of Enterprise Financial Statements issued by the Ministry of Finance, amount included in the original "interest payable" item was reclassified to each liability item for calculation respectively during this period. Data under this item for the period is therefore not applicable.

Note (ii): As at 31 December 2019, Fujian Investment Development Group Co., Ltd. and its related parties were no longer related parties of the Group.

(13) Credit line

Related party	2019	2018
The People's Insurance Company (Group) of China Limited and its related parties	**54,000**	54,000
Fujian Yango Holdings Group and its related parties	**22,000**	18,000
China Tobacco and its related parties	**15,000**	15,000
Zhejiang Energy Group Co., Ltd. and its related parties	**8,000**	8,000
Longyan Huijin Development Group Co., Ltd. and its related parties	**1,000**	1,000
Fujian Investment Development Group Co., Ltd. and its related parties	**Note** (ii)	10,000
Xiamen International Bank Co., Ltd.	**Note** (ii)	12,300
Xiamen Airlines Co., Ltd.	**Note** (ii)	4,000
Total[i]	**100,000**	122,300

Note (i): Based on the principle of materiality, the above table only disclosed the credit lines of material related party annouced by the Group.

Note (ii): As at 31 December 2019, Fujian Investment Development Group Co., Ltd. and its related parties, Xiamen International Bank Co., Ltd. and Xiamen Airlines Co., Ltd. were no longer related parties of the Group.

(14) Off-balance sheet items

At the end of the period, the amount of Bank acceptance held by the subsidiaries of China National Tobacco Corporation and its related parties is RMB 46 million (2018: RMB 101 million); the balance of bank acceptances and letters of guarantee held by Fujian Yango Holdings Group and its related parties is RMB 897 million and 216 milliion respectively (2018: RMB 441 million and 197 million); the balance of Bank acceptances and letters of credit held by Zhejiang Energy Group Co., Ltd. and its related parties is RMB 195 million (2018: Nil) and RMB 100 million respectively (2018: Nil); the amount of Bank acceptance and letters of guarantee held by The People's Insurance Company (Group) of China Limited and its related parties is RMB 294 million (2018: Nil) and RMB 482 million respectively (2018: Nil) ; the balance of Bank acceptances and letters of credit held by Longyan Huijin Development Group Co., Ltd. and its related parties is RMB 29 million (2018: Nil) and RMB 61 million respectively (2018: Nil).

4.Key management personnel remuneration

	2019	2018
Salary and welfare	**15**	18

X. 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

	The Group and the Bank	
	Contractual amount	
	2019	2018
Credit card commitments	**355,436**	284,430
Letters of credit	**148,059**	112,002
Letters of guarantee	**120,318**	123,668
Bank acceptances	**761,032**	532,919
Irrevocable loan commitments	**19,042**	38,545
Total	**1,403,887**	1,091,564

3. Capital commitments

	Contractual amount of the Group		Contractual amount of the Bank	
	2019	2018	2019	2018
Authorized but not contracted for	**85**	187	**85**	187
Contracted but not paid for	**751**	353	**730**	349
	836	540	**815**	536

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:

	The Group		The Bank	
	2019	2018	2019	2018
Within one year	**2,246**	2,023	**2,173**	1,939
One to five years	**4,180**	4,759	**4,102**	4,595
Over five years	**962**	1,602	**961**	1,601
Total	**7,388**	8,384	**7,236**	8,135

5. Collateral

Assets pledged

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

	The Group		The Bank	
	2019	2018	2019	2018
Bonds	**148,041**	191,189	**138,681**	179,894
Bills	**49,089**	48,600	**49,089**	48,600
Total	**197,130**	239,789	**187,770**	228,494

As at 31 December 2019, included in Group's and the Bank's bills purchased under resale agreement, there was no bill used for carrying out business of sale under repurchase agreement (31 December 2018: Nil) .

(ii) As at 31 December 2019, the Group and the Bank pledged bonds amounting to RMB 518 million to credit derivative transaction (31 December 2018: RMB 1,390 million) .

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. As at 31 December 2019, the fair value of pledged assets available for sale or convertible is RMB 2,456 million (31 December 2018: RMB 13 million).

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 2019 and 31 December 2018, 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:

	The Group and the Bank	
	Contractual amount	
	2019	2018
Certificate treasury bonds and saving treasury bonds	**2,849**	2,884

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

(2) As at 31 December 2019, the Group has announced but unissued bonds underwriting amount of RMB 2,700 million (31 December 2018: 2,658 million).

7. Fiduciary Business

	The Group and the Bank	
	2019	2018
Fiduciary loans	**307,446**	420,046
Fiduciary wealth management products	**1,311,051**	1,215,684
Fiduciary investments	**14,524**	10,131

Fiduciary loans are 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 trustor.

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 trustor.

XI. 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, country risk, bank account interest rate risk, reputation risk, strategic risk, information technology risk.

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

2. Risk management framework

Risk management is the basic safeguard of survival and development of commercial banks. The Group has taken risk management as one of its core competitiveness, formulated development strategy focus on business operation as well as risk management, established 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; including credit risk, market risk, liquidity risk, operational risk and other risks 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 sector form the first line of defences to conduct risk management according to the risk management rules and policies. Operation institutions take precautions against all the business and operating risk, while business sector is in charge of making its risk management policy, evaluating the effectiveness of risk management regularly and taking corrective actions if necessary. The risk management department is the second line of defences, which is responsible for the constitution of the risk management strategy, policy, regulations and process, and supervision of the execution. Meanwhile, the risk management department is responsible for the identification, evaluation and supervision of the risk that the Group faces, assessing the Group's risk condition periodically, taking measures for continuously improvement, pushing forward the outspread of overall risk management work. The internal audit department is the third line of defences. It 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 debt investment) and off-balance sheet related credit risk exposures. The Group manages and controls credit risk according to the following processes: customer investigation before granting of credit limits, credit review and approval and post-disbursement loan monitoring and collection.

The Group establish the risk management department, which is responsible for organizing, implementing the credit risk management policies of the Group, it is also responsible for making basic rules for the Group risk management affairs, in addition, it is also professionally managing, evaluating, guiding the general operation of the Group risk management together with inspecting and supervising the activities mentioned above. As the leading party, the risk management department formulates unified standards, responsible for the credit management on the whole. All the actions taken are to ensure the overall credit risk under control. The Group set up risk management department and professional risk management desk in all the three major lines called enterprise financial line, retail financial line and investment banking and financial markets line. Each of the risk departments is responsible for the credit management in its own line or professional operating department, and it is also responsible for making detailed regulation and operating rules and approving projects within the approving authority. The Group also sets up several specialized committees such as Credit Approval Committee and Credit Accountability Committee. The first one is responsible for the examination and approval of the loans within the authority. The other one is responsible for determining the responsibility of related loans.

The Group has formulated a whole set of credit policies on approval process and management procedure, and implemented throughout the Group. The credit management procedure for corporate and personal loans can be classified as credit investigation, credit examination, credit approval, credit disbursement, and post disbursement monitoring and recovery process. 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.

In accordance with the discriminative credit policy of “protecting, controlling, and compressing”, the Group set up detailed rules for the implementation of credit policy, which has intensified the credit support for the real economy and optimized credit resources allocation. The Group preferentially develops credit businesses for industries which comply with national policy orientation, develop rapidly and have broad market prospects (including infrastructures, people’s livelihood, strategic emerging industries and modern agriculture); actively practices green credit principle, preferentially supports green and environment friendly industry with obvious social benefits, mature technology application and commercial operation; supports short-term cycle and people’s livelihood consumption industry like medical care, education, tourism and communication.

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 CBIRC, the Group developed and established customer internal rating system and has been continuously optimizing the model and system. Meanwhile, the related results of internal rating has continuously entered into various risk management areas including authorization management, industry access, limit management, economic capital measurement and asset impairment. Since the credit risk weighted assets (“CRWA”) measurement system was completed and launched, the Group had the capacity to measure CRWA using internal rating method. As the new capital accords related projects were completed successively, the Group got promoted 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 CBIRC, the Group has classified its credit asset risks into 9 levels as level 1(normal), level 2(normal), level 3(normal), level 1(attention), level 2(attention), level 3(attention), sublevel, doubtful and loss. The Group has various management policies to each level.

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

ECL measurement

Stage of financial asset risks

The Group adopted a three-stage ECL model for the impairment of financial assets in accordance with the new standard requirements. The model is summarised as follows:

- Financial assets that have not increased significantly since the initial recognition or have a low credit risk at the reporting date are included in stage 1, and the Group continuously monitors its credit risk;
- Financial assets that have a significant increase (excluding the low credit risk of such financial instruments at the reporting date), but without objective impairment evidence are included in stage 2. Criteria of the Group's significant increase in credit risk, see Significant increase in credit risk;
- Financial assets with objective evidence of impairment at the reporting date are included in stage 3. The Group's definition of credit impairment and default, see Definition of asset defaulted and credit-impaired.
- Financial assets classified in stage 1 make provisions for ECL caused by defaults that may occur within 12 months after the reporting date, and the financial assets classified in the stage 2 and 3 make provisions for the entire lifetime ECL; calculation of the interest income of financial assets classified in stage 1 and 2 is based on the total carrying value of the assets, and interest income of the financial assets classified in stage 3 is calculated based on the net amount after deducting provisions for credit losses. Inputs, assumptions and estimation techniques utilised in ECL measurement, see Measurement of ECL – Explanation of inputs, assumptions and estimation techniques.
- The Group takes into account forward-looking information when measuring ECLs. For a description of how the Group considers forward-looking information into the ECL model, please refer to Forward-looking information incorporated in the ECL model;
- Purchased or originated credit-impaired (POCI) financial assets refer to financial assets with credit impairment at initial recognition. Loss provision of these assets are lifetime ECLs.

The key judgements and assumptions adopted by the Group when measuring the ECLs in accordance with the new standard are as follows:

Significant increase in credit risk

The Group identifies whether the credit risk has increased significantly by comparing default risk at the reporting date with the risk of default on the day of initial recognition. Main factors include: 1. The PD of impairment losses, e.g. the internal credit rating of corporate loans declined by 3 levels or more, and the external credit rating of bond investment declined by 3 levels or more in principle. 2. Other significant increase in credit risk. Generally, if the credit business is overdue for over 30 days, it should be considered a significant increase in credit risk. The Group reviews whether the evaluation criteria are applicable to the current situation on a regular basis.

Definition of asset defaulted and credit-impaired

The Group carefully considers whether different standards represent client defaults. When a financial asset meets one or more of the following conditions, the Group recognizes the financial asset as defaulted, and the standard is consistent with the definition of the credit-impaired:

(1) Quantitative criteria:

- Payment overdue for more than 90 days. If the borrower violates the prescribed overdraft limit or the re-approved overdraft limit is less than the current balance, the overdraft will be deemed to be overdue.

(2) Qualitative criteria:

- Any loan to the debtor ceases to bear interest or accrue interest is included in the off-balance sheet accounting;
- After the occurrence of the credit relationship, due to the deterioration of the financial situation of the debtor, the Group wrote off the loan or has made a certain proportion of loan loss provisions;
- The Group sells the loan and assumes a certain percentage of the book loss;
- Due to the deterioration of the financial situation of the debtor, the Group agreed to restructure and make non-commercial adjustments to the terms of the loan contract, including but not limited to the following: (a) The contract term changes lead to a decline in the scale of the debt; (b) the debtor is unable to repay the loan; (c) extension due to the debtor's inability to repay;
- The Group classifies the debtor as a bankrupt enterprise or a similar status;
- The debtor filed for bankruptcy, or has gone bankrupt, or is in a similar state of protection, and thus will not perform or postpone the settlement of the debts of the Group;
- Other circumstances identified by the Group that may result in the debtor not being able to fully repay the debt.

The above criteria apply to all financial instruments of the Group and are consistent with the definition of default used in internal credit risk management. The definition of default has been consistently applied to the model of Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) in the Group's ECL calculation process.

Measurement of ECL – Explanation of inputs, assumptions and estimation techniques

According to whether there is a significant increase in credit risk and whether there is an impairment of assets, the Group measures the impairment loss for different financial assets according to its current risk stage with ECL of 12 months or the entire lifetime respectively. The expected credit losses taken by the Group are obtained by Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD), and discounted by discount factors. Definitions are as follows:

- PD refers to the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- The exposure to default risk refers to the amount that the Group should be repaid in the event of default in the next 12 months or throughout the remaining period;
- LGD is the Group's estimation regarding the extent of the EAD.

The estimates for each risk parameter are as follows:

- Estimation of PD: For non-retail credit assets, the PD is obtained through the main benchmark mapping of internal rating and the macroeconomic forward-looking adjustment is applied to obtain the PD applicable under the new standard; for retail credit assets, it is based on PD of division of pool, and the macroeconomic forward-looking adjustment is conducted to obtain the PD applicable under the new standard; for bond assets, the PD is mapped to the main benchmark mainly through external rating, and the applicable PD under the new criterion is obtained through macroeconomic forward-looking adjustment; PD for the entire lifetime of more than 12 months is estimated by a 12M PD and a forward-looking adjustment factor;
- Estimation of EAD: The EAD of financial assets in the first and third stages is the amortised cost; the EAD of financial assets in the second stage is the amortised cost and the cash discount of capital recovered in the following years;
- Estimation of LGD: For non-retail credit assets, it uses the LGD after mitigation, and a macroeconomic forward-looking adjustment is made to obtain the LGD applicable under the new standard; for retail credit assets, it is based on LGD of division of pool, and a macroeconomic forward-looking adjustment is conducted to obtain the LGD applicable under the new standard; for the loss without historical data collection and write-off of data assets, it is based on peer experience and regulatory factors, combined with expert's judgement.

The ECL is multiplied by the above estimated PD, EAD and LGD, and discounted to the reporting date. The discount rate used in the ECL calculation is the initial actual effective interest rate.

The Group monitors and reviews assumptions related to the calculation of ECL on a regular basis. There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Forward-looking information incorporated in the ECL model

Risk parameters related to the calculation of ECL incorporates forward-looking information. The macroeconomic indicators considered by the Group include GDP growth rate, year-on-year growth of CPI , year-on-year growth of M2 monetary supply, cumulative year-on-year growth of fixed asset investment completion value, year-on-year growth of total cumulative value of retail sales of social consumer goods, year-on-year growth of cumulative value of real estate development investment, and the year-on-year growth of per capita disposable income of urban residents. The macroeconomic forward-looking adjustment factors are determined based on the historical situation of these macroeconomic indicators and the predicted values for the coming year. Considering that the changes in the future macro economy may differ from the estimations, the Group reviews and monitors the appropriateness of the estimation on a regular basis.

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 only. Since there are different economic development characteristics in the different regions in China, the characteristics of credit risks are also different.

For the geographical and industrial concentration of the loans and advances to customers please refer to Note VII. 6.

3.2 Maximum exposure to credit risk

Despite any usable collateral, and other credit enhancement measures, the maximum credit risk exposure that the Group and the Bank can afford on balance sheet date is the related financial assets (including derivative instruments and deducted equity instruments) plus the amount of off-balance sheet book value in Note X. 2. As at 31 December 2019, the maximum credit risk exposure of the Group amounted to RMB 8,024,736 million (31 December 2018: RMB 7,265,112 million); the maximum credit risk exposure of the Bank amounted to RMB 7,811,204 million (31 December 2018: RMB 7,066,978 million).

Credit exposure

Loans and advances to customers

	The Group				
	2019				
	Stage 1	Stage 2	Stage 3	Purchased financial assets that have already been impaired	Total
Low risk	**3,313,348**	**18,032**	**1,218**	**-**	**3,332,598**
Medium risk	**-**	**54,145**	**7,646**	**-**	**61,791**
High risk	**-**	**-**	**53,305**	**-**	**53,305**
Total carrying amount	**3,313,348**	**72,177**	**62,169**	**-**	**3,447,694**
Allowance for impairment losses	**(57,044)**	**(11,150)**	**(36,659)**	**-**	**(104,853)**
Total	**3,256,304**	**61,027**	**25,510**	**-**	**3,342,841**

The Group classifies asset risk characteristics according to the quality of assets. "Low risk" means that the borrower can fulfill the contract, and there are not enough reasons to suspect that the principal and interest of the loan cannot be repaid in full on time; "Medium risk" means that the borrower is currently able to repay the principal and interest of the loan, but there are some factors that may adversely affect the repayment; "High risk" means that the borrower's repayment ability has obvious problems and loan principal and interest cannot be repaid in full by relying on normal business income. Even if the guarantee is enforced, losses may be incurred. The above maximum credit risk exposure information for loans and advances does not include loans and advances that are measured at fair value through profit or loss.

Off-Balance Sheet Items

	The Group				
	2019				
	Stage 1	Stage 2	Stage 3	Purchased financial assets that have already been impaired	Total
Low risk	**1,392,362**	**3,961**	**625**	**-**	**1,396,948**
Medium risk	**-**	**3,754**	**1,100**	**-**	**4,854**
High risk	**-**	**-**	**2,085**	**-**	**2,085**
Total carrying amount	**1,392,362**	**7,715**	**3,810**	**-**	**1,403,887**
Allowance for impairment losses	**(4,818)**	**(148)**	**(1,287)**	**-**	**(6,253)**
Total	**1,387,544**	**7,567**	**2,523**	**-**	**1,397,634**

Financial investments

	The Group				
	2019				
	Stage 1	Stage 2	Stage 3	Purchased financial assets that have already been impaired	Total
Low risk	**1,998,828**	**13,741**	**-**	**-**	**2,012,569**
Medium risk	**-**	**35,027**	**3,601**	**-**	**38,628**
High risk	**-**	**-**	**16,470**	**-**	**16,470**
Total carrying amount	**1,998,828**	**48,768**	**20,071**	**-**	**2,067,667**
Allowance for impairment losses	**(8,892)**	**(2,936)**	**(12,281)**	**-**	**(24,109)**
Total	**1,989,936**	**45,832**	**7,790**	**-**	**2,043,558**

The Group classifies the credit ratings of financial assets included in the ECL measurement as “low risk”, “medium risk” and “high risk” according to the characteristics of risk levels. “Low risk” means that the assets are of good quality, the possibility of future default is low, and it is less affected by external unfavourable factors; “medium risk” means the asset has certain solvency, but the persistent significant instability or poor commercial, financial or economic conditions may reduce its solvency; and “high risk” means the existence of unfavourable factors that have a material impact on solvency, a higher risk of default or assets that meet the definition of default by the Group.

Deposits with banks and other financial institutions

	The Group				
	2019				
	Stage 1	Stage 2	Stage 3	Purchased financial assets that have already been impaired	Total
Low risk	**362,681**	-	-	-	**362,681**
Medium risk	-	-	-	-	-
High risk	-	-	**25**	-	**25**
Total carrying amount	**362,681**	-	**25**	-	**362,706**
Allowance for impairment losses	**(2,085)**	-	**(25)**	-	**(2,110)**
Total	**360,596**	-	-	-	**360,596**

The Group classifies financial investment risk characteristics based on asset entry and internal rating changes. "Low risk" means that the issuer's initial internal rating is above the entry level, there are no reasons to suspect that the financial investment is expected to default; "Medium risk" means that although the issuer's internal rating is reduced to a certain extent, but there are not enough reasons to suspect that the financial investment is expected to default; "high risk" means that there are obvious problems may cause a default, or the financial investment indeed is defaulted.

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

As at 31 December 2019, the credit risk stages of financial instruments are as follows:

	The Group							
	Gross carrying amount				Allowance for impairment losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Measured at amortised cost:								
Cash and balances with Central Bank	**486,444**	-	-	**486,444**	-	-	-	-
Deposits with banks and other financial institutions	**87,572**	-	**16**	**87,588**	**(312)**	-	**(16)**	**(328)**
Placements with banks and other financial institutions	**232,539**	-	**9**	**232,548**	**(1,064)**	-	**(9)**	**(1,073)**
Financial assets purchased under resale agreements	**42,570**	-	-	**42,570**	**(709)**	-	-	**(709)**
Loans and advances to customers								
- Corporate loans and advances	**1,687,624**	**60,288**	**50,769**	**1,798,681**	**(49,606)**	**(9,274)**	**(28,412)**	**(87,292)**
- Personal loans and advances	**1,430,079**	**11,745**	**11,365**	**1,453,189**	**(7,438)**	**(1,876)**	**(8,247)**	**(17,561)**
Financial investments	**1,402,836**	**45,931**	**19,518**	**1,468,285**	**(8,892)**	**(2,936)**	**(12,281)**	**(24,109)**
Finance lease receivables	**105,190**	**2,721**	**3,385**	**111,296**	**(1,358)**	**(982)**	**(2,683)**	**(5,023)**
Financial assets, Others	**26,301**	-	-	**26,301**	**(2,527)**	-	-	**(2,527)**
Total	**5,501,155**	**120,685**	**85,062**	**5,706,902**	**(71,906)**	**(15,068)**	**(51,648)**	**(138,622)**

	The Group							
	Gross carrying amount				Provision for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Fair value through other comprehensive income:								
Loans and advances to customers								
- Corporate loans and advances	**195,645**	**144**	**35**	**195,824**	**(700)**	**(16)**	**(12)**	**(728)**
Other debt investments	**595,992**	**2,837**	**553**	**599,382**	**(703)**	**(74)**	**(1,205)**	**(1,982)**
Total	**791,637**	**2,981**	**588**	**795,206**	**(1,403)**	**(90)**	**(1,217)**	**(2,710)**
Credit commitments	**1,392,362**	**7,715**	**3,810**	**1,403,887**	**(4,818)**	**(148)**	**(1,287)**	**(6,253)**

3.3.1 Loans and advances to customers

As at 31 December 2019, loans and advances to customers were analysed by types of security as follows, excluding loans and advances measured at fair value through profit or loss:

	2019	
	The Group	The Bank
Stage 1		
Unsecured loans	**866,123**	**837,259**
Guaranteed loans	**656,561**	**656,561**
Collateralised loans		
- Secured by mortgage	**1,303,528**	**1,303,528**
- Secured by collaterals	**487,136**	**487,136**
Subtotal	**3,313,348**	**3,284,484**
Stage 2		
Unsecured loans	**12,975**	**12,468**
Guaranteed loans	**29,390**	**29,390**
Collateralised loans		
- Secured by mortgage	**24,722**	**24,722**
- Secured by collaterals	**5,090**	**5,090**
Subtotal	**72,177**	**71,670**
Stage 3		
Unsecured loans	**9,414**	**8,391**
Guaranteed loans	**23,859**	**23,859**
Collateralised loans		
- Secured by mortgage	**24,725**	**24,725**
- Secured by collaterals	**4,171**	**4,171**
Subtotal	**62,169**	**61,146**
Total	**3,447,694**	**3,417,300**
Fair value of collateral held against credit-impaired loans	**14,454**	**14,454**

The above collateral mainly includes land, buildings, machinery and equipment, etc. The fair value of collateral was estimated by the Group based on the latest external valuations values available, adjusted in light of disposal experience and current market conditions.

3.3.2 Deposits with banks and other financial institutions

Deposits with banks and other financial institutions include balances with banks and other financial institutions, placements with banks and other financial institutions and financial assets purchased under resale agreements of which counterparties are banks and non-bank financial institutions.

	2019	
	The Group	The Bank
Occurred credit impaired	**25**	**25**
Less: allowances for impairment losses	**(25)**	**(25)**
Subtotal	**-**	**-**
Neither past due nor credit-impaired		
- Grade A to AAA	**339,208**	**342,365**
- Grade B to BBB	**4,378**	**4,378**
- Unrated	**18,200**	**18,200**
Total	**361,786**	**364,943**
Interest accrued	**895**	**881**
Less: allowances for impairment losses	**(2,085)**	**(2,078)**
Subtotal	**(1,190)**	**(1,197)**
Total	**360,596**	**363,746**

Deposits with banks and other financial institutions are analysed above according to the Group and the Bank's internal credit rating. Exposure limits are set for banks and non-bank financial institutions.

3.3.3 Distribution of investments analysed by rating

The ratings are obtained from Standard & Poor's ratings, or major rating agencies where the issuers of the debt securities are located. The investments include debt investments in Financial investments.

	The Group					
	2019					
	Unrated	AAA	AA	A	Lower than A	Total
Occurred credit impaired						
- Other corporates	**15,953**	**858**	**454**	**-**	**2,806**	**20,071**
Allowance for impairment losses						**(12,281)**
Subtotal						**7,790**
Overdue nor credit impaired						
- Other corporates	**1,262**	**-**	**1,203**	**-**	**-**	**2,465**
Allowance for impairment losses						**(293)**
Subtotal						**2,172**
Neither overdue nor credit impaired						
- Government	**764,822**	**144,157**	**-**	**511**	**43**	**909,533**
- Policy banks	**28,621**	**-**	**-**	**419**	**-**	**29,040**
- Banking and non-banking financial institution	**176,982**	**58,449**	**2,254**	**10,988**	**3,079**	**251,752**
- Other corporates	**513,648**	**294,694**	**202,859**	**20,276**	**43,102**	**1,074,579**
Total	**1,484,073**	**497,300**	**205,113**	**32,194**	**46,224**	**2,264,904**
Allowance for impairment losses						**(11,535)**
Subtotal						**2,253,369**
Total						**2,263,331**

3.3.4 As at 31 December 2018, the 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 is as follows:

	The Group				
	2018				
	Loans and advances to customers	Inter-bank placements (1)	Financial 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

(1) Inter-bank placements includes 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, loans and securities;
- For commercial loans, collateral mainly includes land, properties, equipment and shares, etc;
- For retail loans, collateral mainly includes properties.

The management will monitor the market value of the collateral, ask the borrowers to increase collateral if necessary according to the agreements and monitor the changes in the market value of the collateral when reviewing the adequacy of impairment.

3.5 Rescheduled loans

Rescheduled loans refer to the loan projects generated by the the Group to re-determine the terms of the loan at the discretion of the borrower who is unable to repay the loan according to the original loan terms. If conditions permit, the Group will seek to reschedule the loan instead of obtaining ownership of the collateral. The Group assessed the rescheduled loans as impaired loans in an individual manner when rescheduling. On 31 December 2019, the carrying amount of the Group's rescheduled loans was RMB 4,769 million.

4. Market risk

Market risk is the risk of loss, in respect of the Group's on and off-balance sheet activities, arising from movements in market rates including interest rates, foreign exchange rates, commodity prices and stock prices. Market risk arises from both the Group's proprietary and customer driven business. The Group's market risk management objective is to control the market risk within a reasonable scope in order to achieve the optimal risk adjusted benefit.

According to the Group's market risk management structure, market risk management is critical for the management of the Group's assets and liabilities. Any major events should be reported to the Asset and Liability Management Committee for review and then authorized by President of the Bank. The planning and financial department is responsible for implementing the Group's asset and liability management policy, analysing and monitoring the implementation status of each type of indicators.

For daily control and management of treasury business, investment banking department and the risk management department of financial market built up mid-stage risk control system to carry out an implanting risk management and report to the risk management department of the Group.

4.1 Interest rate risk

The interest rate risk of the Group includes repricing risk, yield curve risk, benchmark risk and optional risk, among which repricing risk is the main risk. It is the risk arising from the mismatch between the agreed maturity date (fixed interest rate day) and the repricing date (floating interest rate) of interest bearing assets and interest payment liabilities. Currently, the Group has fully carried out the internal capital transfer pricing. The Group determined the transfer pricing by different products and terms, and gradually centralized the interest rate risk to the Head Office, so as to improve the efficiency of management and control the interest rate risk.

For the interest risk management of bank accounts, the Group mainly evaluates the interest rate risk of balance sheet through gap analysis. The Group dynamically monitors and controls the interest rate sensitive gap of balance sheet through information systems like assets-liabilities management system, and simply calculates the interest rate sensitivity affected by revenue and economic value on the basis of gap analysis. The revenue analysis emphasizes on the effect of the interest rate fluctuation on short-term income, while the economic value analysis emphasizes on the effect of the interest rate fluctuation on present value of net cash flow.

For the interest risk management of transaction accounts, the Group mainly achieves the real-time monitoring of the interest rate risk of the trading accounts through the quota system, the use of financial transactions and analysis system and the scientific exposure measurement models. According to regulatory requirement, the Group has strengthened the management of market risk measurement models, standardized the developing, testing and commissioning process, and built on regular evaluation mechanisms to ensure the accuracy of measurement models. The Group applies the on-line trading and analysis system to timely measure and control the interest rate risk exposure of transaction accounts, which provides effective technical support to control the interest rate risk of transaction accounts.

At the balance sheet date, an analysis of contractual repricing date or maturity date, whichever is earlier, of the financial assets and financial liabilities are as follows:

	The Group					
	2019					
	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Financial assets:						
Cash and balances with Central Bank	**481,596**	**-**	**-**	**-**	**4,848**	**486,444**
Deposits with banks and other financial institutions	**85,636**	**1,624**	**-**	**-**	**-**	**87,260**
Placements with banks and other financial institutions	**117,798**	**113,173**	**504**	**-**	**-**	**231,475**
Derivative financial assets	**-**	**-**	**-**	**-**	**32,724**	**32,724**
Financial assets purchased under resale agreements	**41,861**	**-**	**-**	**-**	**-**	**41,861**
Loans and advances to customers	**2,628,868**	**655,404**	**53,633**	**7,275**	**-**	**3,345,180**
Financial investments:						
Trading assets	**29,045**	**63,092**	**69,914**	**47,907**	**442,076**	**652,034**
Debt investments	**334,500**	**146,971**	**567,403**	**395,302**	**-**	**1,444,176**
Other debt investments	**73,446**	**144,385**	**278,670**	**102,881**	**-**	**599,382**
Other equity investments	**-**	**-**	**-**	**-**	**1,929**	**1,929**
Finance lease receivables	**91,244**	**8,736**	**6,277**	**16**	**-**	**106,273**
Other assets	**1,494**	**-**	**-**	**-**	**24,807**	**26,301**
Total financial assets	**3,885,488**	**1,133,385**	**976,401**	**553,381**	**506,384**	**7,055,039**
Financial liabilities:						
Borrowing from Central Bank	**-**	**30,900**	**137,359**	**-**	**-**	**168,259**
Deposits from banks and other financial institutions	**902,769**	**256,482**	**74,686**	**-**	**-**	**1,233,937**
Placements from banks and other financial institutions	**85,769**	**89,041**	**15,400**	**2,100**	**-**	**192,310**
Trading liabilities	**261**	**191**	**8**	**-**	**3,754**	**4,214**
Derivative financial liabilities	**-**	**-**	**-**	**-**	**31,444**	**31,444**
Financial assets sold under repurchase agreements	**172,195**	**21,217**	**-**	**-**	**-**	**193,412**
Deposits from customers	**2,378,411**	**525,748**	**885,156**	**26**	**5,491**	**3,794,832**
Debt securities issued	**233,806**	**431,929**	**231,351**	**2,030**	**-**	**899,116**
Other liabilities	**242**	**5**	**7**	**-**	**25,256**	**25,510**
Total financial liabilities	**3,773,453**	**1,355,513**	**1,343,967**	**4,156**	**65,945**	**6,543,034**
Net position	**112,035**	**(222,128)**	**(367,566)**	**549,225**	**440,439**	**512,005**

	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
Deposits from 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

The following tables illustrate the potential impact of a parallel upward or downward shift of 100 basis points in all currencies' yield curves on the Group's net interest income and other comprehensive income, based on the Group's positions of financial assets and financial liabilities at the balance sheet date.

	The Group			
	2019		2018	
	Net interest income increase (decrease)	Other comprehensive income (decrease) increase	Net interest income increase (decrease)	Other comprehensive income (decrease) increase
+100 basis points	**12,957**	**(11,200)**	6,821	(18,228)
- 100 basis points	**(12,957)**	**12,579**	(6,821)	19,281

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 debt instruments at fair value through other comprehensive income 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 or other currencies. RMB is the functional currency. The exchange rate for RMB converting to USD or other foreign currencies 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 financial liabilities by currency.

	The Group			
	2019			
	RMB	USD equivalent to RMB	Other currencies equivalent to RMB	Total
Financial assets:				
Cash and balances with Central Bank	**474,490**	**302**	**11,652**	**486,444**
Deposits with banks and other financial institutions	**51,631**	**35,345**	**284**	**87,260**
Placements with banks and other financial institutions	**172,056**	**59,101**	**318**	**231,475**
Derivative financial assets	**29,566**	**3,140**	**18**	**32,724**
Financial assets purchased under resale agreements	**41,179**	**682**	**-**	**41,861**
Loans and advances to customers	**3,175,265**	**103,576**	**66,339**	**3,345,180**
Financial investments:				
Trading assets	**606,234**	**44,904**	**896**	**652,034**
Debt investments	**1,403,414**	**37,273**	**3,489**	**1,444,176**
Other debt investments	**509,515**	**88,616**	**1,251**	**599,382**
Other equity investments	**1,872**	**57**	**-**	**1,929**
Finance lease receivables	**105,326**	**947**	**-**	**106,273**
Other assets	**23,213**	**336**	**2,752**	**26,301**
Total financial assets	**6,593,761**	**374,279**	**86,999**	**7,055,039**
Financial liabilities:				
Borrowing from Central Bank	**168,259**	**-**	**-**	**168,259**
Deposits from banks and other financial institutions	**1,094,788**	**138,929**	**220**	**1,233,937**
Placements from banks and other financial institutions	**97,358**	**94,823**	**129**	**192,310**
Trading liabilities	**4,053**	**161**	**-**	**4,214**
Derivative financial liabilities	**27,565**	**3,873**	**6**	**31,444**
Financial assets sold under repurchase agreements	**178,461**	**14,933**	**18**	**193,412**
Deposits from customers	**3,558,885**	**50,432**	**185,515**	**3,794,832**
Debt securities issued	**870,580**	**22,539**	**5,997**	**899,116**
Other liabilities	**21,202**	**750**	**3,558**	**25,510**
Total financial liabilities	**6,021,151**	**326,440**	**195,443**	**6,543,034**
Net position	**572,610**	**47,839**	**(108,444)**	**512,005**

	2018			
	RMB	USD equivalent to RMB	Other currencies equivalent to RMB	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
Deposits from 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

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:

	The Group	
	2019	2018
	Foreign exchange increase(decrease)	Foreign exchange (decrease) increase
5% appreciation	**2,437**	(1,685)
5% depreciation	**(2,437)**	1,685

The above sensitivity analysis is measured on the basis that all assets and liabilities have a static currency risk structure. The relevant assumptions are:

(1) The exchange rate sensitivity represents the exchange gains or losses arisen from a 5% change of the closing exchange rates (middle price) of the different foreign currencies against RMB at the balance sheet date;

(2) The exchange rate changes of different foreign currencies against RMB move in the same direction simultaneously.

The aforesaid effect on foreign exchange gains or loss is based on the assumption that the Group's net positions of foreign exchange sensitivity and foreign exchange derivative instruments at the end of the reporting period remain unchanged. The Group mitigates its foreign currency risk through active management of its foreign currency exposures and appropriate use of derivative instruments, based on the management expectation of future foreign currency movements, and therefore the above sensitivity analysis may differ from the actual situation.

4.3 Other price risk

Other price risk mainly derives from equity investment, held-for-trading precious metals investment and other bonds and derivatives linked to commodity price.

The Group considers that the market risk of commodity price or stock price from portfolio is insignificant.

5. Liquidity risk

Liquidity risk refers to the risk of being unable to acquire sufficient funds in time or failing to acquire sufficient funds at a reasonable cost to meet repayment obligations for asset growth or other business. The Group's liquidity risk mainly derives from advanced or concertrated withdrawal, principal-guaranteed wealth management products redemption, deferred loan repayment and mismatches of assets and liabilities.

The assets and liabilities management committee of the Group monitors and manages the liquidity risk of the Group. The committee will determine the liquidity risk management strategy, the monitoring indicators and the alarming index, regularly analyse and discuss the liquidity risk assessment report submitted, and determine the liquidity risk management measures.

The financial planning department is responsible for: drafting liquidity risk management policies and measures; 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; analysing the liquidity risk and reporting to the assets and liabilities management committee regularly; and daily operation of liquidity management, establishment of a cash position forecast system at the Bank level in order to meet the cash payment needs and assure the liquidity for the business development requirements.

The Group regularly monitors the surplus reserve ratio, liquidity ratio, liquidity coverage ratio, net stable fund ratio, ratio of dependence on interbank liabilities and sets alarming and tolerance limits for each ratio. The Group also prepares general liquidity analysis report based on liquidity indicators recorded and net cash flow position of assets and liabilities, incorporating the consideration of macro economy and interbank liquidity status. The report is submitted to the assets and liabilities management committee for assessment. The assessment report will be submitted together with liquidity risk, credit risk, interest rate risk, and operation risk to the risk management committee for the analysis of the Group's overall risk assessment to determine the management strategy accordingly.

5.1 Undiscounted contractual cash flows classified by the maturity date of contracts

The following tables are the structure analysis of non-derivative financial assets and financial liabilities by contractual maturities at the balance sheet date. The amounts disclosed in each term are the undiscounted contractual cash flows.

	The Group							
	2019							
	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	**390,869**	-	-	-	-	-	**97,317**	**488,186**
Deposits with banks and other financial institutions	**53,074**	**27,611**	**5,030**	**1,663**	-	-	-	**87,378**
Placements with banks and other financial institutions	**77**	**94,837**	**23,074**	**115,862**	**540**	-	-	**234,390**
Financial assets purchased under resale agreements	-	**41,889**	-	-	-	-	-	**41,889**
Loans and advances to customers	-	**486,949**	**250,130**	**907,908**	**1,009,623**	**1,694,727**	**71,461**	**4,420,798**
Financial investments:								
Trading assets	**423,808**	**14,046**	**5,550**	**67,758**	**79,650**	**55,013**	**75,803**	**721,628**
Debt investments	-	**31,289**	**57,913**	**181,850**	**769,013**	**644,582**	**36,288**	**1,720,935**
Other debt investments	-	**10,436**	**24,517**	**149,622**	**322,986**	**165,454**	**7,429**	**680,444**
Other equity investments	-	-	-	-	-	-	**1,929**	**1,929**
Financial lease receivables	-	**4,060**	**9,490**	**35,459**	**62,093**	**8,826**	**3,287**	**123,215**
Other non-derivative financial assets	**17,262**	**1,230**	**2,907**	**533**	**1,531**	**158**	**6,736**	**30,357**
Total non-derivative financial assets:	**885,090**	**712,347**	**378,611**	**1,460,655**	**2,245,436**	**2,568,760**	**300,250**	**8,551,149**
Non-derivative financial liabilities:								
Borrowing from Central Bank	-	-	-	**30,958**	**140,189**	-	-	**171,147**
Deposits from banks and other financial institutions	**616,190**	**130,532**	**156,981**	**260,375**	**74,685**	-	-	**1,238,763**
Placements from banks and other financial institutions	-	**50,273**	**36,774**	**91,394**	**16,078**	**2,193**	-	**196,712**
Trading liabilities	**92**	**510**	**3,578**	**40**	**9**	-	-	**4,229**
Financial assets sold under repurchase agreements	-	**147,994**	**24,328**	**21,387**	-	-	-	**193,709**
Deposits from customers	**21,829**	**2,091,527**	**254,751**	**540,979**	**885,701**	**46**	-	**3,794,833**
Debt securities issued	-	**39,389**	**192,377**	**439,720**	**150,276**	**129,290**	-	**951,052**
Other non-derivative financial liabilities	**13,993**	**705**	**787**	**1,449**	**1,236**	**91**	**9,046**	**27,307**
Total non-derivative financial liabilities	**652,104**	**2,460,930**	**669,576**	**1,386,302**	**1,268,174**	**131,620**	**9,046**	**6,577,752**
Net position	**232,986**	**(1,748,583)**	**(290,965)**	**74,353**	**977,262**	**2,437,140**	**291,204**	**1,973,397**

	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
Deposits from 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

5.2 Liquidity risk analysis of derivative instruments

(1) Derivatives settled on a net basis

Derivatives that were settled on a net basis by the Group include: interest rate derivatives, exchange rate derivatives, credit derivatives and precious metal 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:

	The Group					
	2019					
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Interest rate derivatives	**2**	**(31)**	**208**	**(249)**	**(158)**	**(228)**
Exchange rate derivatives	**499**	**1,092**	**(211)**	**2**	**-**	**1,382**
Other derivatives	**34**	**835**	**86**	**285**	**-**	**1,240**
Total	**535**	**1,896**	**83**	**38**	**(158)**	**2,394**

	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	(66)	(70)	282	(26)	-	120
Total	639	596	2,534	269	42	4,080

(2) Derivatives settled on a gross basis

The Group's derivatives that will be settled on a gross basis refer to exchange rate derivatives. 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:

	The Group					
	2019					
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Exchange rate derivatives						
- Cash inflow	**284,670**	**294,703**	**490,642**	**96,180**	**38,245**	**1,204,440**
- Cash outflow	**(285,264)**	**(295,237)**	**(491,279)**	**(97,683)**	**(38,311)**	**(1,207,774)**
Total	**(594)**	**(534)**	**(637)**	**(1,503)**	**(66)**	**(3,334)**

	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)
Total	(186)	383	(223)	(172)	-	(198)

5.3 Liquidity risk analysis of off-balance sheet items

The Group's off-balance sheet items mainly include credit card commitments, letter of credit, letter of guarantee and bank acceptances. The tables below set forth the liquidity of the off-balance sheet items:

	The Group							
	2019				2018			
	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	**355,436**	**-**	**-**	**355,436**	284,430	-	-	284,430
Letters of credit	**147,815**	**244**	**-**	**148,059**	111,867	135	-	112,002
Letters of guarantee	**61,588**	**51,173**	**7,557**	**120,318**	51,365	46,477	25,826	123,668
Bank acceptances	**761,032**	**-**	**-**	**761,032**	532,919	-	-	532,919
Irrevocable loan commitments	**2,543**	**7,287**	**9,212**	**19,042**	32	4,721	33,792	38,545
Total	**1,328,414**	**58,704**	**16,769**	**1,403,887**	980,613	51,333	59,618	1,091,564

6. Capital management

During the reporting period, the Group had conscientiously implemented the capital management policy according to the regulations of China Banking and Insurance Regulatory Commission Administrative Measures for the Capital of Commercial Banks (for Trial Implementation). The Group will ensure capital adequacy ratio and the overall strategic development match with risk preference and risk management capabilities, in order to achieve healthy, sustainable and rapid development.

In 2019, the Group implemented capital intensive operation and management to continuously improve and optimize risk-weighted asset amount allocation and governing system: oriented by risk-weighted asset yields, the Group makes overall arrangements in operation institutions, risk-weighted assets scale of business lines to reasonably adjust industry structure and promote capital allocation.

According to related guidelines of CBIRC, "Administrative Measures for the Capital of Commercial Banks (for Trial Implementation)" and other regulations, the Group monitors its capital adequacy and capital application in real time.

	The Group	
	2019	2018
Core tier 1 capital – net	**484,935**	440,365
Tier 1 capital - net	**540,887**	466,335
Capital - net	**684,547**	577,582
Total risk weighted assets	**5,123,362**	4,734,315
Core tier 1 capital adequacy ratio	**9.47%**	9.30%
Tier 1 capital adequacy ratio	**10.56%**	9.85%
Capital adequacy ratio	**13.36%**	12.20%

(1) The scope of consolidation for the purpose of calculating the Group's Capital Adequacy Ratios includes domestic and overseas operating units and other financial subsidiaries specified in the capital rules.

(2) The Group's Core Tier-one Capital includes ordinary shares, the capital reserve (subject to regulatory limitations), surplus reserve, general reserve, retained earnings, non-controlling interests (to the extent permitted in the Core Tier-one Capital under the Regulation), and other qualified capital instruments.

(3) The Group's core Tier 1 capital supervision deductions include the net amount of goodwill after deduction of related deferred tax liabilities and the net amount of other intangible assets (excluding land use rights) after deduction of related net deferred tax liabilities.

(4) The Group's other Tier 1 Capital includes preference shares and non-controlling interests to the extent permitted by the capital rules.

(5) The Group's Tier 2 Capital includes: Tier 2 capital instruments and related premium (to the extent allowed under the Regulation), excessive allowance for loan losses, and non-controlling interests to the extent permitted by the capital rules.

(6) Risk-weighted Assets include Credit Risk-weighted Assets, Market Risk-weighted Assets and Operational Risk-weighted Assets. The Group adopts risk weighting approach, standardized approach and basic indicator approach to measure Credit Risk-weighted Assets, Market Risk-weighted Assets and Operational Risk-weighted Assets 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. The Group determined and disclosed the fair value of financial instruments based on:

Level 1 inputs: Unadjusted public quoted prices in active markets that are observable at the measurement date for identical assets or liabilities.

Level 2 inputs: All parameters that have a significant impact on the valuation results are market information that can be directly or indirectly observable with the utilisation of valuation techniques; and

Level 3 inputs: Part of the parameters that have a significant impact on the valuation results are market information that are not observable with the utilisation of valuation techniques.

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. The financial instruments of the Group divided into the first level include equity securities and public funds listed on the exchange.

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. Financial instruments classified as level 2 by the Group were mainly bond investment, bill business, foreign exchange forwards and swaps, interest rate swaps, foreign exchange options and precious metal contracts, etc. In terms of the fair value of RMB bonds, the Group mainly adopted the valuation results issued by China Central Depository & Clearing Co., Ltd. or China Securities Depository and Clearing Corporation Limited according to the different bond exchange markets; the fair value of foreign currency bonds was based on the valuation results published by Bloomberg; bill business was discounted by a discounted cash flow model which uses the interbank lending rate as a benchmark to adjust the spread based on credit risk and liquidity to build an interest rate curve; non-derivative financial instruments and some derivative financial instruments (including interest rate swaps, foreign exchange forwards, etc.) that cannot obtain quotes from active markets were valued using a cash flow discount model which includes main parameters such as recent transaction price, relevant yield curve, exchange rate, early compensation rate and counterparty credit spread; and option derivative valuation valued using the Black-Scholes option pricing model which includes the relevant yield curve, exchange rate, volatility, and counterparty credit spread etc.. All significant valuation parameters are based on observable market information.

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:

	The Group							
	2019				2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets:								
Trading assets	**246,522**	**383,604**	**21,908**	**652,034**	N/A	N/A	N/A	N/A
Other debt investments	**-**	**593,744**	**5,638**	**599,382**	N/A	N/A	N/A	N/A
Other equity investments	**716**	**-**	**1,213**	**1,929**	N/A	N/A	N/A	N/A
Loans and advances to customers								
At fair value through profit or loss	**-**	**2,339**	**-**	**2,339**	N/A	N/A	N/A	N/A
At fair value through other comprehensive income	**-**	**195,824**	**-**	**195,824**	N/A	N/A	N/A	N/A
Derivative financial assets	**-**	**32,724**	**-**	**32,724**	-	42,092	-	42,092
Financial assets at fair value through profit or loss	**N/A**	**N/A**	**N/A**	**N/A**	211,075	242,680	5,843	459,598
Available-for-sale financial assets	**N/A**	**N/A**	**N/A**	**N/A**	44,834	575,220	24,832	644,886
Total	**247,238**	**1,208,235**	**28,759**	**1,484,232**	255,909	859,992	30,675	1,146,576
Financial liabilities:								
Trading liabilities	**108**	**4,106**	**-**	**4,214**	171	2,423	-	2,594
Derivative financial liabilities	**-**	**31,444**	**-**	**31,444**	-	38,823	-	38,823
Total	**108**	**35,550**	**-**	**35,658**	171	41,246	-	41,417

In 2019 and 2018, the Group did not transfer the fair value of financial instruments from level 1 and level 2 to level 3, nor did it transfer the fair value of financial instruments from level 1 to level 2.

Movement in level 3 financial instruments measured at fair value:

	The Group			
	Trading assets	Other debt investments	Other equity investments	Total
At 1 January 2019	**41,721**	**6,027**	**713**	**48,461**
Gains or losses				
- in profit or loss	**(1,174)**	**554**	**-**	**(620)**
- in other comprehensive income	**-**	**(963)**	**-**	**(963)**
Purchase	**13,818**	**5,495**	**500**	**19,813**
Sold and settle	**(32,457)**	**(5,475)**	**-**	**(37,932)**
At 31 December 2019	**21,908**	**5,638**	**1,213**	**28,759**
Unrealized gains or losses for the year ended 31 December 2019 included in profit or loss for assets held at 31 December 2019	**(1,468)**	**-**	**-**	**(1,468)**

	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Total
At 1 January 2018	3,565	21,352	24,917
Gains or losses			
- in other comprehensive income	-	1,507	1,507
Purchase	2,278	5,864	8,142
Settle	-	(3,891)	(3,891)
At 31 December 2018	5,843	24,832	30,675
Unrealized gains or losses for the year ended 31 December 2018 included in profit or loss for assets held at 31 December 2018	(68)	-	(68)

Information of Level 3 financial instruments:

	The Group	
Items	Fair value on 31 December 2019	Value Tech
Trading assets		
- Trust beneficiary rights and asset management plans	**8,454**	Discounted cash flow method
- Wealth management products	**2,260**	Discounted cash flow method
- Equity investments	**5,218**	Net asset value method
- Debt	**43**	Discounted cash flow method
- Others	**5,933**	Discounted cash flow method
Other debt investments		
- Trust beneficiary rights and asset management plans	**4,278**	Discounted cash flow method
- Debt	**1,360**	Discounted cash flow method
Other equity investments	**1,213**	Net asset value method
Total	**28,759**	

Items	Fair value on 31 December 2018	Value Tech
Debt instrument investment	26,397	Discounted cash flow method
Equity instrument investments	4,278	Net asset value method
Total	30,675	

7.3 Financial assets and liabilities measured not by fair value

All financial instruments are carried at amounts not materially different from their fair value not measured at fair value except as follows:

	The Group				
	2019				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets:					
Debt investments	**1,444,176**	**1,462,527**	**-**	**813,519**	**649,008**
Total	**1,444,176**	**1,462,527**	**-**	**813,519**	**649,008**
Financial liabilities:					
Debt securities issued	**899,116**	**894,531**	**-**	**894,531**	**-**
Total	**899,116**	**894,531**	**-**	**894,531**	**-**

	2018				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets:					
Held-to-maturity investments	395,142	406,992	-	406,992	-
Investments classified as receivables	1,387,150	1,385,763	-	416,236	969,527
Total	1,782,292	1,792,755	-	823,228	969,527
Financial liabilities:					
Debt securities issued	717,854	713,469	-	713,469	-
Total	717,854	713,469	-	713,469	-

Quantitative information of level 2, 3 at fair value:

	The Group			
Items	Fair value at 31 December 2019	Fair value at 31 December 2018	Valuation Technique	Inputs
Debt investments	**1,462,527**	N/A	Discounted cash flow method	Yield rate of bonds,default rate, loss given default, discount rate
Held-to-maturity investments	**N/A**	406,992	Discounted cash flow method	Yield rate of bonds
Investments classified as receivables	**N/A**	1,385,763	Discounted cash flow method	Default rate, loss given default, discount rate
Debt securities issued	**894,531**	713,469	Discounted cash flow method	Yield rate of bonds

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.

XII. OTHER SIGNIFICANT EVENTS

1. Financial assets and financial liabilities measured at fair value

	The Group				
	2019				
	Opening balance	Profit or loss arising from changes in fair value for the year	Accumulated changes in fair value included in other comprehensive income	Provision for impairment losse`s for the year	Closing balance
Financial assets:					
Derivative financial assets	**42,092**	**(9,368)**	**-**	**-**	**32,724**
Loans and advances to customers measured at fair value through profit or loss	**552**	**-**	**-**	**-**	**2,339**
Loans and advances to customers measured at fair value through other comprehensive income	**159,451**	**-**	**(86)**	**(72)**	**195,824**
Trading assets	**690,918**	**1,345**	**-**	**-**	**652,034**
Other debt investments	**520,835**	**292**	**483**	**(817)**	**599,382**
Other equity investments	**1,428**	**-**	**(163)**	**-**	**1,929**
Total financial assets	**1,415,276**	**(7,731)**	**234**	**(889)**	**1,484,232**
Financial liabilities [(1)]	**(41,417)**	**7,363**	**-**	**-**	**(35,658)**

	The Bank				
	2019				
	Opening balance	Profit or loss arising from changes in fair value for the year	Accumulated changes in fair value included in other comprehensive income	Provision for impairment losses for the year	Closing balance
Financial assets:					
Derivative financial assets	**42,092**	**(9,370)**	**-**	**-**	**32,722**
Loans and advances to customers measured at fair value through profit or loss	**552**	**-**	**-**	**-**	**2,339**
Loans and advances to customers measured at fair value through other comprehensive income	**159,451**	**-**	**(86)**	**(72)**	**195,824**
Trading assets	**661,360**	**1,157**	**-**	**-**	**628,253**
Other debt investments	**520,526**	**292**	**590**	**(783)**	**597,801**
Other equity investments	**1,428**	**-**	**(163)**	**-**	**1,929**
Total financial assets	**1,385,409**	**(7,921)**	**341**	**(855)**	**1,458,868**
Financial liabilities [1]	**(41,210)**	**7,365**	**-**	**-**	**(35,548)**

(1) Financial liabilities include trading liabilities and derivative financial liabilities.

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

2. Financial assets and financial liabilities denominated in foreign currencies

	The Group				
	2019				
	Opening balance	Profit or loss arising from changes in fair value for the year	Accumulated changes in fair value included in other comprehensive income	(Charge) reversal for impairment losses for the year	Closing balance
Cash and balances with Central Bank	**12,613**	-	-	-	**11,954**
Deposits with banks and other financial institutions	**24,238**	-	-	**(61)**	**35,629**
Placements with banks and other financial institutions	**36,639**	-	-	**(51)**	**59,419**
Derivative financial assets	**3,970**	**(812)**	-	-	**3,158**
Financial assets purchased under resale agreement	**13**	-	-	**(8)**	**682**
Loans and advances to customers	**162,706**	-	-	**(1,837)**	**169,950**
Financial investments:					
Trading assets	**30,569**	**2,486**	-	-	**45,800**
Debt investments	**37,094**	-	-	**(67)**	**40,762**
Other debt investments	**106,792**	-	**(1,007)**	**256**	**89,867**
Other equity investments	**39**	-	**53**	-	**57**
Finance lease receivables	**1,109**	-	-	**(20)**	**947**
Other financial assets	**4,736**	-	-	-	**3,088**
Total of financial assets	**420,518**	**1,674**	**(954)**	**(1,788)**	**461,313**
Financial liabilities (1)	**(527,169)**	**(101)**	-	-	**(521,883)**

	The Bank				
	2019				
	Opening balance	Profit or loss arising from changes in fair value for the year	Accumulated changes in fair value included in other comprehensive income	(Charge) reversal for impairment losses for the year	Closing balance
Cash and balances with Central Bank	**12,613**	-	-	-	**11,954**
Deposits with banks and other financial institutions	**24,238**	-	-	**(61)**	**35,629**
Placements with banks and other financial institutions	**37,325**	-	-	**(51)**	**59,419**
Derivative financial assets	**3,970**	**(812)**	-	-	**3,158**
Financial assets purchased under resale agreement	**13**	-	-	**(8)**	**682**
Loans and advances to customers	**162,706**	-	-	**(1,837)**	**169,950**
Financial investments:					
Trading assets	**30,569**	**2,486**	-	-	**45,800**
Debt investments	**37,094**	-	-	**(67)**	**40,762**
Other debt investments	**106,792**	-	**(1,007)**	**256**	**89,867**
Other equity investments	**39**	-	**53**	-	**57**
Other financial assets	**4,736**	-	-	-	**3,088**
Total of financial assets	**420,095**	**1,674**	**(954)**	**(1,768)**	**460,366**
Financial liabilities (1)	**(527,078)**	**(101)**	-	-	**(517,004)**

(1) Financial liabilities include Borrowing from Central Bank, Deposits from banks and other financial institutions, Placements from banks and other financial institutions, Trading liabilities, Derivative financial liabilities, Financial assets sold under repurchase agreements, Deposits from customers and Debt securities issued, etc.

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

3. Transfer of financial assets

3.1 Assets-securitized

The Group conducts asset-backed securities transactions during normal operations. The Group sells part of its financial assets to the special purpose trust established by the Group as an originating institution and then the special purpose trust issues asset-backed securities to investors. The Group determines whether it combines the special purpose trust based on whether it has power over such special purpose trust and whether it is involved in related activities of the special purpose trust 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. When the Group is dissolved according to law, revoked according to law, and declared bankrupt, if the Group is the sole beneficiary, the special purpose trust shall be terminated and the trust property shall be deemed as the liquidation property; if the Group is not the sole beneficiary, the special purpose trust shall survive and the trust property shall not be deemed as the liquidation property; however, the trust beneficial rights held by the Group is its liquidation property.

In the course of the transfer of the aforesaid financial assets, the Group has not recognized the gains or losses since the transferring consideration is same as the book value of the transferred financial assets. Subsequently, the Group as a financial asset service institution will charge a certain service fee.

The Group analyses and judges if the relevant financial assets transferred to be derecognized based on the degree of transfer of risk and return:

- When the Group transfers substantially all the risks (mainly include credit risk, early repayment risk and interest rate risk of the transferred assets) and rewards of ownership of the financial assets to other investors in the course of the transfer of the underlying financial assets, the Group derecognizes the transferred financial assets. The Group has no securitized financial assets in 2019 (2018: RMB 15,179 million). Meanwhile, the Group subscribed for a certain percentage of asset-backed securities. As at 31 December 2019, the above asset-backed securities held by the Group amounted to RMB 7,815 million (31 December 2018: RMB 7,817 million).
- The Group did not transfer substantially all the risks (mainly include credit risk, early repayment risk and interest rate risk of the transferred assets) and rewards of ownership of the financial assets to other investors in the process of transferring related financial assets, and the Group did not derecognize of the transferred financial assets. The Group has no the aforesaid nonderecognized finance assets in 2019 (2018: Nil). As at 31 December 2019, the aforesaid non-derecognized finance lease receivables held by the Group are RMB 0 million (31 December 2018: RMB 1,420 million), the aforesaid non-derecognized investments classified as receivables held by the Group are RMB 0 million (31 December 2018: RMB 400 million), and the consideration received from the transfer of financial assets amounting to RMB 0 million (31 December 2018: RMB 598 million) is presented as " Debt securities issued ".
- In 2019, the Group's transferred assets include financial assets with carrying amount of RMB 50,571 million (2018: RMB 46,320 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. As at 31 December 2019, the Group continued to recognize the financial assets with carrying amount of RMB 13,400 million (31 December 2018: RMB 7,641 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 and the counter-parities that financial assets (or financial assets that share the same substance) are settled a fixed price of repurchasing when they are sold at a fixed date. Due to the fixed repurchasing price, the Group shoulders almost all the credit and market risks and benefit of the assets. The sold financial assets (cannot be used within the period) should not be recognized in the financial statement, but should be regarded as guarantees because the Group retains all the risks and returns. Besides, the Group recognizes the financial liabilities by the price received. In these trading, the counter-parties' right to the Group is not limited within the transferred financial assets.

As at 31 December 2019 and 31 December 2018, the Group conducted trading of bonds and bills under repurchase agreements. The price of selling these financial assets is called financial assets sold under repurchase agreements price (Note VII, 22).

Included in the repurchase agreement, the book value of the financial assets which had been transferred but continued to be recognized by the Group and relevant liabilities are as follows:

Item	The Group			
	2019		2018	
	Bond	Bill	Bond	Bill
Assets book value	**148,041**	**49,089**	191,189	48,600
Liabilities book value	**143,966**	**49,089**	181,969	48,600

XIII. COMPARATIVE FIGURES

Certain comparative figures have been re-presented by the Group to meet the presentation of the financial reporting.

XIV. NON-ADJUSTING EVENTS AFTER BALANCE SHEET DATE

Assessment of the impact of COVID-19

COVID-19 has been basically contained in China after the outbreak in January 2020, but it is still rampaging in the rest of the world, affecting commercial and economic activities. This may to some extent affect the quality of the Group's credit assets and investment assets or ROE of the Group, depending on the level of containment, the duration of the pandemic, the effectiveness of control measures, and the Group's response.

During the pandemic, the Group proactively implements the government's decisions and plans, fully plays its role to support the real economy, and offers comprehensive services to facilitate the containment. Meanwhile, the Group will keep a close eye on the development of the pandemic and China's countermeasures, make proactive responses and try its best to seek opportunities in the crisis, and assess the pandemic's impact on the Group's financial position and operating results. As at the reporting date, the assessment is still in process.

As at the approval date of the financial statements, there is no material post balance sheet date events which should be disclosed by the Group, except for COVID-19's impacts and dividend distribution. For dividend distribution details, see Note VII. 34.

XV. FINANCIAL STATEMENTS APPROVED

The financial statements were approved by the Board of Directors of the Bank on 28 April 2020.

Supplementary Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

I. 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.

	The Group	
	2019	2018
		(Restated)
Gains and losses on the disposal of non-current assets	**36**	20
Government grants recognized in profit or loss	**363**	655
Net non-operating income and expenses in addition to the above	**239**	144
Subtotal	**638**	819
Impact on income tax expenses	**(177)**	(231)
Total	**461**	588
Total non-recurring profit or loss attributable to ordinary shareholders of the Bank	**410**	572
Total non-recurring profit or loss attributable to non-controlling interests	**51**	16
Net profit attributable to ordinary shareholders of the Bank, after deduction of non-recurring profit or loss	**63,976**	58,566

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 "Trading assets, Debt investments, Other debt investments and Other equity investments" in non-recurring profit or loss.

The Group deletes the "Recovery of assets written off" when calculating non-recurring gains and losses, and restates the comparative figures.

II. Return on net assets (“ROE”) 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.

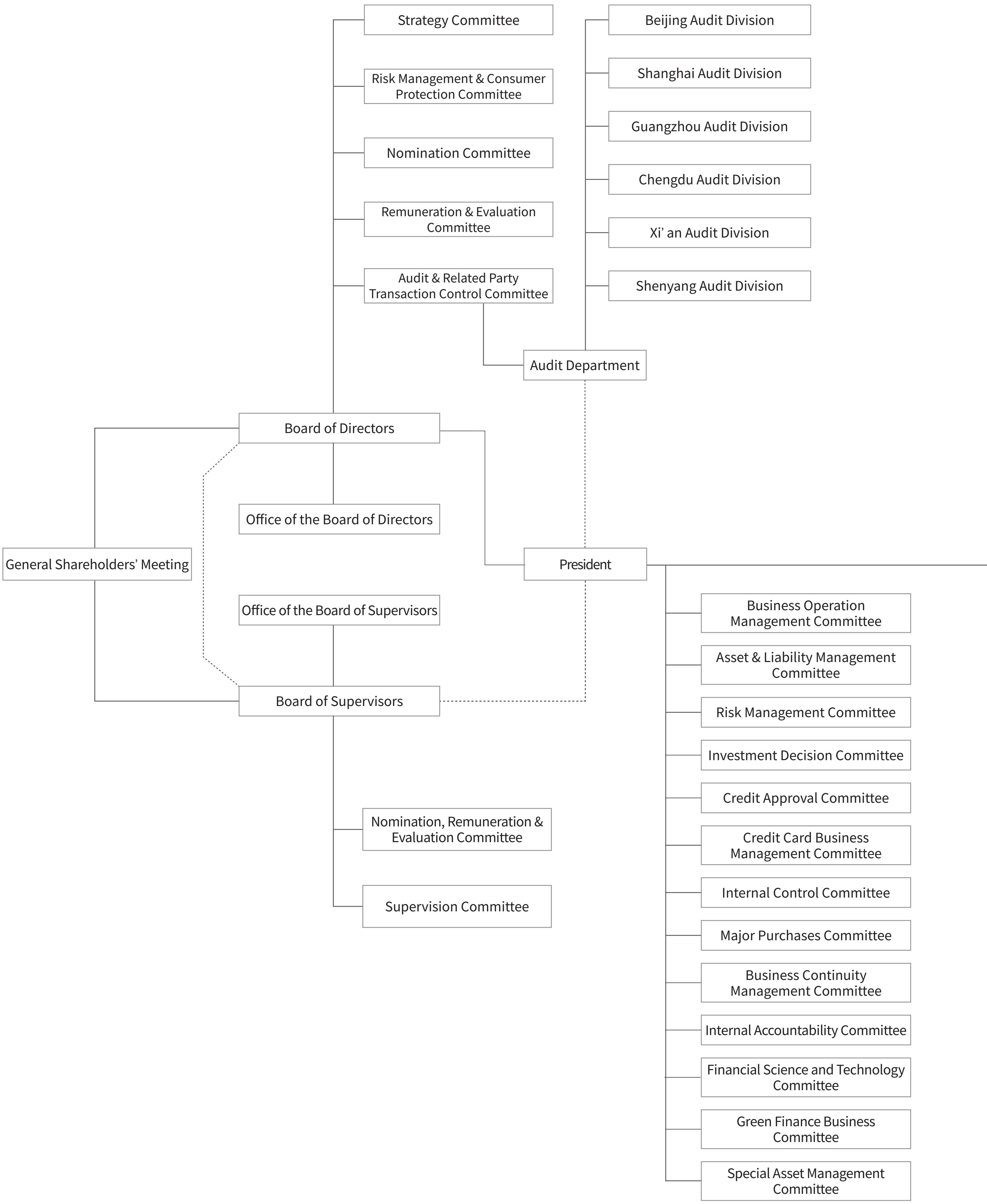
	The Group	
	2019	
	Weighted average ROE(%)	Basic EPS(RMB)
Net profit attributable to ordinary shareholders of the Bank	**14.02**	**3.10**
Net profit attributable to ordinary shareholders of the Bank, after deduction of non-recurring profit or loss	**13.93**	**3.08**

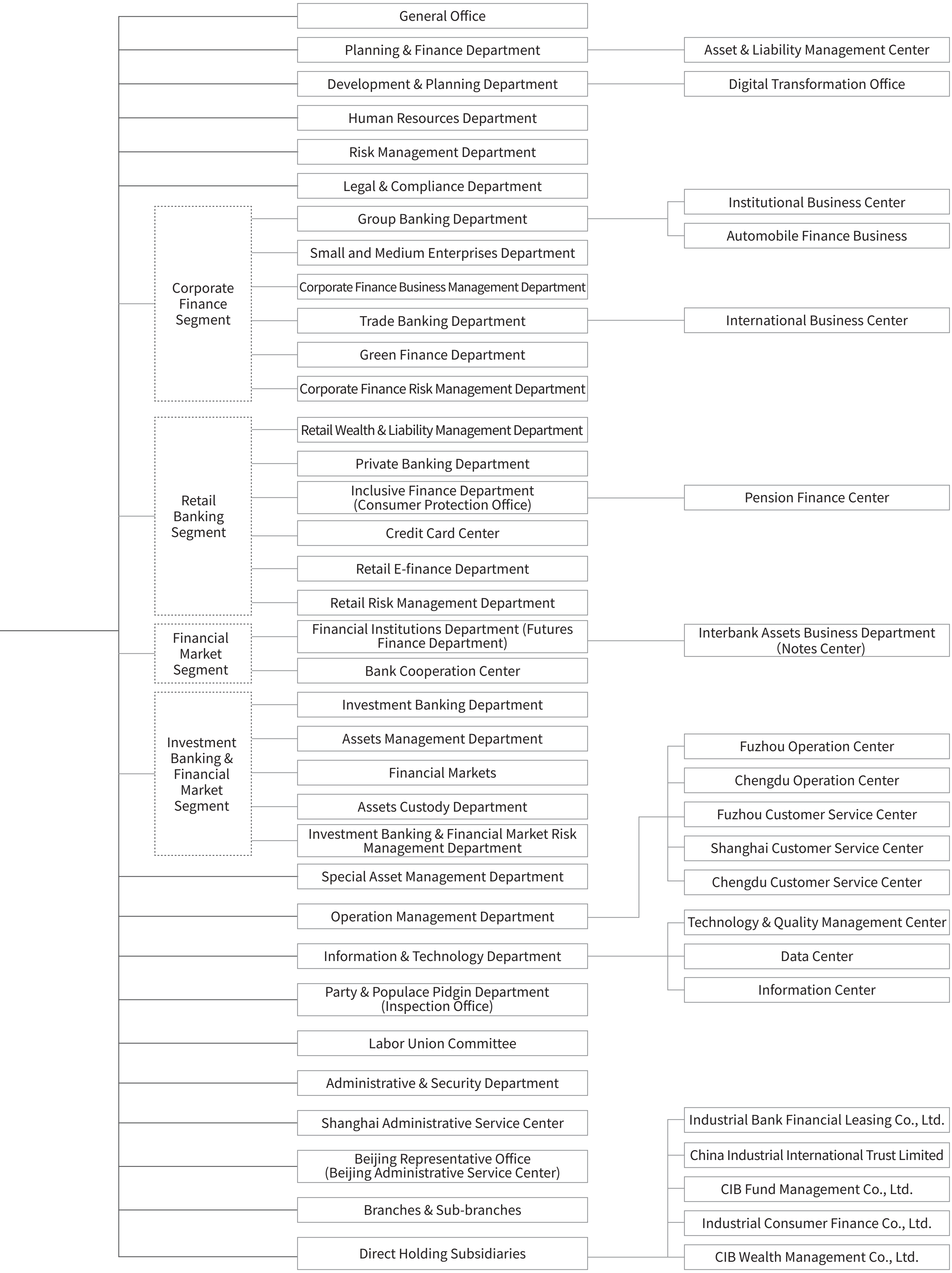
	2018	
	Weighted average ROE(%)	Basic EPS(RMB)
Net profit attributable to ordinary shareholders of the Bank	14.27	2.85
Net profit attributable to s ordinary shareholders of the Bank, after deduction of non-recurring profit or loss (restated)	14.13	2.82

The issuance of RMB 26 billion domestic preference shares approved by the Bank in November 2014 has been successfully completed in June 2015, and the issuance of RMB 30 billion domestic preference shares approved in August 2018 has been successfully completed in April 2019. When the Group calculated EPS, current net profit attributable to the Company’s ordinary shareholders does not include the dividends of preference shares that have been declared in 2019 and 2018. In addition, it had no impact on the calculation of the basic and diluted earnings per share for the above period.

The Group deletes the “Recovery of assets written off” when calculating non-recurring gains and losses during this period, and restated the comparative figures of weighted average net return on assets and EPS.

The Company's Organizational Structure





General Office
Planning & Finance Department
Asset & Liability Management Center
Development & Planning Department
Digital Transformation Office
Human Resources Department
Risk Management Department
Legal & Compliance Department
Corporate Finance Segment
Group Banking Department
Institutional Business Center
Automobile Finance Business
Small and Medium Enterprises Department
Corporate Finance Business Management Department
Trade Banking Department
International Business Center
Green Finance Department
Corporate Finance Risk Management Department
Retail Banking Segment
Retail Wealth & Liability Management Department
Private Banking Department
Inclusive Finance Department (Consumer Protection Office)
Pension Finance Center
Credit Card Center
Retail E-finance Department
Retail Risk Management Department
Financial Market Segment
Financial Institutions Department (Futures Finance Department)
Interbank Assets Business Department (Notes Center)
Bank Cooperation Center
Investment Banking & Financial Market Segment
Investment Banking Department
Assets Management Department
Financial Markets
Assets Custody Department
Investment Banking & Financial Market Risk Management Department
Special Asset Management Department
Operation Management Department
Fuzhou Operation Center
Chengdu Operation Center
Fuzhou Customer Service Center
Shanghai Customer Service Center
Chengdu Customer Service Center
Information & Technology Department
Technology & Quality Management Center
Data Center
Information Center
Party & Populace Pidgin Department (Inspection Office)
Labor Union Committee
Administrative & Security Department
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.
CIB Wealth Management Co., Ltd.

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