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INDUSTRIAL BANK CO.,LTD.

2024 ANNUAL REPORT



Stock code 601166

2024
ANNUAL REPORT



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 annual report is free from false representation, misleading statement or material omission, and assume joint and several liabilities.

The 7th meeting of the 11th session of the Board of the Company was held on March 27, 2025. 11 directors shall attend the meeting, and 11 directors actually attended it. The meeting considered and approved the 2024 annual report and the summary thereof.

The financial data and indicators contained in this annual report were prepared in compliance with the China Accounting Standards for Business Enterprises. Unless otherwise specified, they represented the consolidated data. The monetary sums were expressed in RMB in this annual report.

KPMG Huazhen LLP has audited the Company's 2024 financial statements in accordance with the Auditing Standards for CPAs of China and has issued an auditor's report with unqualified opinion.

The Company's Chairman Lyu Jiajin, President Chen Xinjian and person in charge of the accounting body Lin Shu hereby warrant that the financial statements in the 2024 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: cash dividend of RMB10.6 (inclusive of tax) should be distributed for every 10 ordinary shares.

The plan of dividends distribution for preferred shares is as follows: the total nominal value of the preferred shares of "Xing Ye You 1" is RMB13 billion with 5.55% coupon rate in the second interest cycle, the coupon rate of "Xing Ye You 1" in the third interest cycle has been adjusted to 4.23% since December 8, 2024 and proposed dividends to be paid for 2024 are RMB710 million; the total nominal value of the preferred shares of "Xing Ye You 2" is RMB13 billion and proposed dividends to be paid for 2024 are RMB602 million with an annual dividend yield of 4.63%; the total nominal value of the preferred shares of "Xing Ye You 3" is RMB30 billion with 4.90% coupon rate in the first interest cycle, the coupon rate of "Xing Ye You 3" in the second interest cycle has been adjusted to 4.05% since April 10, 2024 and proposed dividends to be paid for 2024 are RMB1.285 billion.

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 Chapter 3 "Operation Discussion and Analysis" for risk factor the Company is subject to and the risk management analysis.

Message from Chairman

The year 2024 marked the 36th anniversary of the founding of Industrial Bank. Over the past 36 years, we have continuously accumulated the strength to navigate through economic cycles amid the trials of the market.

– We have marched in step with the nation, proactively transformed the “country’s most fundamental interests” into the “top priority of the Bank”. We continued to strengthen counter-cyclical adjustments. Our total assets have surpassed the milestone of RMB10 trillion and are still growing. Our loans in technology finance, green finance, inclusive finance, and pension finance all achieved double-digit growth. In digital finance, we are transitioning from the early stage development phase to the harvest phase, seizing the market initiative in building the new triangle of “technology – industry – finance”.

– We have forged ahead despite difficulties, adhering to the general working principle of seeking progress while maintaining stability. We made every effort to pursue high-quality development, effectively controlled the net interest margin, achieved expectation-beating growth in both operating income and net profit, and performed above the industry average in terms of asset quality and risk offset capabilities. All this was hard won in an environment of “low interest rates, low interest margins, and high risks”.

– We have remained committed to “integrating righteousness with profit”, striving to share the fruits of development with stakeholders. Our MSCI ESG rating was elevated from AA to AAA. Our stock price surged significantly throughout the year, with the dividend payout ratio expected to exceed 30% for the first time. We have struck a higher level of equilibrium among the interconnected economic, social, and environmental benefits.

– We have pursued our dreams with vigour, continuously enhancing our market position and brand image. Our global banking ranking rose from 17th to 16th place, our status as a domestic systemically important bank was consolidated, and the Head Office was honoured with the “National May 1 Labor Certificate”. We have demonstrated an uplifting look in the process of transformation and development.

As a systemically important bank with total assets exceeding RMB10 trillion, we witness every day the differentiation and hard work across industries during this economic transformation phase and increasingly feel the strong pulse and confidence of households moving forward against the wind. We pay tribute to every market player forging ahead!

In 2025, the world remains as unpredictable as a game of chess, still full of uncertainties. The challenge of “low interest rates, low interest margins, and high risks” remains an industry-wide problem to be solved. Despite that, when we all believe in the power of the market and learn to evolve amid change, we will become more confident in overcoming the challenge as winter gives way to spring! Using the certainty of one’s own work to counter the uncertainty of the external environment is the best response to the changes of the times and the questions of the industry.



– **We will accelerate the effective implementation of our strategy.** Every bank has an inspiring strategic vision and the success or failure of the strategy depends on how well it is implemented. We will maintain strategic focus, strengthen strategy execution, break down the “five priorities” of the financial sector into concrete projects, and embed financial services into various consumer scenarios. We will conduct refined pricing for each asset and liability business, provide more differentiated policies for each business unit, establish an effective mechanism to promote coordinated, linked, and integrated development among the three business lines of corporate finance, retail finance, and interbank business, and truly “attain to the broad and great while addressing the delicate and minute”.

– **We will shift our focus to existing customers at a faster pace.** The stage of rapid expansion of the customer base is over in the banking industry. Deeply tapping into the value of existing customers has become an inevitable choice for banks to avoid the race to the bottom. We will return to the essence of the financial sector as a service sector, continue to improve the systematic management layout for all types of customers, work to enhance digital account operation capabilities, further improve the customer experience, and establish a brand image that is “mainstream, innovative, convenient, and premium”. We will continue to tap into the value of our existing 110 million retail customers, 1.5 million corporate customers, and 4,000 interbank customers, and lay a deeper and more solid foundation for development.

– **We will move faster to expand our market globally.** Faced with the rise of international trade protectionism and the intensification of domestic market competitions, “go global or you are out” has become a consensus among many Chinese enterprises. We will integrate into China’s high-standard opening-up initiative, follow the pace of our customers’ overseas expansion, actively expand our overseas service network, make international business an essential financial service for high-quality customers, and promote comprehensive and leapfrog development of international business. We aim to enter the first echelon of banks of the same type within three years. We will learn to swim in the ocean and turn the deep sea into a “blue ocean”.

– **We will move faster to achieve future-oriented technological breakthroughs.** From the fierce competition of several home-grown large language models (LLMs) to the overnight global popularity of DeepSeek, China has transformed from a chaser to a leader in the field of artificial intelligence (AI). LLMs characterized by “low cost, high performance, and open-source ecosystem” have become everyday tools for the public, driving the financial digital transformation into the stage of smart services. We will continue to lead the digital transformation at the enterprise level and by promoting standardization and lay a solid foundation for smart financial services. We will promote the three-pronged approach of “smart decision-making hub + intelligence scenario of human-machine collaboration + ethics of technology for good”, create an environment where “AI is available to and used by everyone”, and accelerate the transition from “Digital Industrial Bank” to “Intelligent Industrial Bank”.



– **We will move faster to converge risks to a lower point.** Risk is the biggest variable affecting high-quality development and ensuring security remains our top priority. Crises should not be wasted and the lessons learned must not be in vain. We need to re-examine our risk management philosophy and mechanisms in light of the risks we have experienced. We should establish worst-case thinking and extreme-case thinking and implement a prudent and steady risk appetite. We should improve the three lines of defence with clear responsibilities and division of labour, smooth cooperation, and effective checks and balances, improve the comprehensive, all-staff, and full-process risk management system, and use digital tools to improve the quality and efficiency of risk management to ensure that the risk curve turns downwards as soon as possible.

– **We will move faster to strengthen team building.** As silicon-based life gradually acquires human thinking, language, and form, we human beings must contemplate our place in the world. Industrial Bank will re-plan our human resources, enable talents to keep pace with technological evolution through more effective professional training, enhance the comprehensive skillset of management through more vigorous job rotation and exchanges, and achieve the all-round development of employees through heart-touching cultural immersion activities. On the journey to prosperity and development of Industrial Bank, we will continue to embody the saying “no mountain is too high for man to conquer”.

The year 2025 is the final year for completing the 14th Five-Year Plan and the planning year for the 15th Five-Year Plan. We will remain confident, adhere to long-termism, continue to do the difficult but right things, accumulate strength to navigate through economic cycles, and strive bravely along the path of financial development with Chinese characteristics!

Chairman: **Lyu Jiajin**





Message from President

Standing at this pivotal juncture for the completion of the 14th Five-Year Plan and the planning of the 15th Five-Year Plan, as we look back on the extraordinary journey of 2024, we see the accelerated reshaping of the global political and economic landscape and the deepening of China's economic transformation and upgrading. Faced with the industry-wide challenges of "low interest rates and low interest margins", we adhered to our "1234" strategy (referring to one transformation direction, two growth engines, three capabilities, and four priorities), reshaped our development goal to become a value bank, and promoted high-quality development through reform and innovation, striving to write a chapter of Industrial Bank's development along the path of financial development with Chinese characteristics. By the end of 2024, our total assets reached RMB10.51 trillion, up 3.44% from the end of the previous year; operating income was RMB212.226 billion, up 0.66% year-on-year; net profit attributable to the parent company was RMB77.205 billion, up 0.12% year-on-year; and the non-performing loan ratio remained at 1.07%. We have blazed a trail of balanced improvement in scale, quality, and efficiency, centring on value creation.

Repositioning ourselves as a value bank, we have reshaped our development goals while serving the big picture of national development. Actively integrating into the national drive of comprehensively deepening reform, we have benchmarked ourselves against the five hallmarks of a value bank: strong profitability, in-depth cooperation with customers, low risks and costs, a balanced business structure, and distinctive business characteristics. In the course of serving Chinese modernization, we have joined hands with numerous enterprises and households towards a better future. We firmly believe that only by responding to external uncertainties with the certainty of our own work, and only with a deep understanding of our strengths and weaknesses, the general trends, and strategies, and by applying what we know to our work, can we translate our professional capabilities into actual operational efficiency, and our strategic focus into the confidence to navigate through economic cycles.

We have forged a core engine, driving business transformation through capability upgrades. With the enhancement of five major capabilities – strategy execution, customer service, investment trading, comprehensive risk control, and management propulsion – we have sketched out a strategic closed loop to achieve the goal of becoming a value bank:

– **Deepening strategy execution to build a more resilient bank.** In enhancing our strategy execution capabilities, we have further optimised the balance sheet. On the asset side, focusing on the "five priorities" of the financial sector, we have deepened the "region plus industry" approach to business, aligning asset restructuring more closely with the needs of national economic transformation and development. In 2024, the loan balances for technology finance, green finance, and inclusive finance increased by 20.68%, 19.64%, and 10.97%, respectively from the end of the previous year, all exceeding the overall loan growth rate. On the liability side, we have implemented the self-regulatory interest-rate pricing mechanism, advanced the "Network Weaving" Project, and developed scenario-based finance, reducing the deposit interest payment rate by 26 basis points year-on-year to 1.98%. In 2024, the net interest margin was 1.82%, down 11 basis points year-on-year but better than initially expected.

– **Growing with customers to deliver more considerate services.** In enhancing customer service capabilities, we adhere to a customer-centric approach, continuously improving the system of account management by tier and by category, cross-selling system, public-private linkage, and scenario-based financial service system to boost the internal motivation for customer acquisition, retention, and engagement. The corporate finance team acquired customers in bulk by centring on the "equity chain, transaction chain, and supply chain", with the customer base reaching 1.5355 million accounts by the end of the year, an increase of 134.1 thousand from the end of the previous year. The retail finance team advanced the building of an account management system, strengthening the "digital operation + account management operation" model, with the customer base growing to 110 million accounts by the yearend: among them, 871.4 thousand long-tail customers were upgraded to VIP customers, and 14.8 thousand golden, platinum and black golden customers were upgraded to private banking customers. The interbank finance team continued to increase the customer coverage rate, product usage rate, and revenue growth rate, further solidifying the position as the lead bank in the settlement, custody, transactions, and investment banking business, with the number of value customers increasing to 1,864.

– **Keeping up with the pulse of the market to diversify the wealth management products.** In enhancing investment trading capabilities, we have placed greater emphasis on increasing intermediate business income. Fully leveraging the professional and independent decision-making mechanism of the agile team for investment trading, we seized market swing opportunities, achieving other non-interest net income of RMB40.023 billion, up 9.43% year-on-year. The wealth and asset management working group showed remarkable synergy, with the finance product aggregate (FPA) scale reaching RMB3.06 trillion after transitioning to investment banking. The professional asset management capabilities of subsidiaries continued to improve: the scale of CIB Wealth Management reached RMB2.18 trillion, the public funds under management of CIB Fund Management and the assets under management of China Industrial International Trust Limited increased by 32.70% and 118.37%, respectively, from the end of the previous year. The role of the integrated wealth management value circulation chain has been further highlighted, with AUM of retail customers at RMB5.11 trillion and daily AUM of corporate customers at RMB433.6 billion on average, up 6.68% and 16.42%, respectively from the end of the previous year. The business model featuring integrated investment banking, asset management, and wealth management is gradually taking shape.

– **Ensuring the bottom line of security to sustain operations.** In enhancing enterprise risk management (ERM) capabilities, we adhere to the principle of “preferring to give up profit rather than risk”. We have transformed from passive response to active operation upgrades, creating an ERM system that is “efficient and productive”. Leveraging agile teams’ vanguard role, we have seized market opportunities brought by incremental policies, effectively resolving risks in key areas such as real estate, local government financing platforms, and credit cards. We increased the use of digital and intelligent technologies in risk control, upgraded the Group’s intelligent risk control system, and significantly improved employees’ operational efficiency and risk management quality. We adhere to strict corporate governance, promoting a closed loop of identifying problems, making rectifications, and promoting development. Our compliance level has significantly improved, so has our internal control management system.

– **Stimulating organizational vitality to energize internal reform.** In enhancing management propulsion capabilities, we have focused intensely on the frontline and foundational capabilities. We earnestly carried out Party discipline education, continuously advancing the full and vigorous self-governance of the Party and the Bank. We have strengthened digital empowerment, continuously improving the “1+5+N” Digital Industrial Bank system, and maintaining a good growth momentum across core indicators of the five major online platforms. We have coordinated efforts to enhance the competence of frontline workers, basic policies, and basic management, and advance standardised branch management, systematic marketing, and digital operations while effectively reducing the burden on frontline workers and enhancing the implementation efficiency of Head Office strategies at the community level. To build a more competitive professional team, we have stepped up to recruit leading talents, promoted exchanges and job rotations, and actively cultivated a culture that values family-like bonds among employees, innovation, integrity, and engineers with characteristics of Industrial Bank, to nurture our employees and propel our business development. The purity, professionalism, and combat effectiveness of the team have been effectively enhanced.

We practice “finance for good”, radiating the warmth of a socially responsible value bank. We create and safeguard social value and have embedded sustainable development and ESG principles into our operations, and translated them into quantifiable, accessible, and perceptible services. We have combined a global perspective with a local focus, infusing each service with ecological value. We actively integrate into China’s drive of high-standard opening up and serve the implementation of the Belt and Road Initiative, offering customers one-stop ESG services of “intelligence + financing”. We are the only domestic bank that has continuously received the highest ESG rating from MSCI for six years in a row. With a focus on key areas and weak links of the real economy, such as technological innovation, rural revitalization, common prosperity, and inclusive finance for micro and small enterprises, we are committed to bridging the “last mile” of financial services. We believe that when bamboo forests funded by our green loans begin to sequester carbon, when small business owners use “CIB Fast Loan” to renovate their shops, when rural children enter schools through our financial assistance project, and when elderly people smile in “Happy Life” classes – these ordinary, real-life changes are the most genuine, touching demonstration of what we stand for as a value bank.

We are well aware that the value of a bank is not on the cold pages of financial statements but grows with each considerate service delivered. Here, on behalf of the management team, I would like to extend our sincere gratitude to friends from all walks of life for your attention and support. We will uphold the principle of “finance for the people”, stay true to the essence of finance, maintain strategic focus, serve national strategies from a higher standpoint, unleash institutional vitality through deeper reforms, more resolutely prevent and control financial risks, and take more concrete measures to enhance public welfare. We will lay a solid foundation and build strong platforms for the continued efforts in the 15th Five-Year Plan period. On the voyage of building Industrial Bank into a modern financial enterprise, we will bravely push through waves and stay vigilant to ensure the financial well-being and stability of our customers and society!

Vice Chairman, President: **Chen Xinjian**





Director, vice president Sun Xiongpeng



Supervisor Zhang Guoming



Vice president Zhang Min



Vice president Zhang Ting



Vice president Zeng Xiaoyang

Honors and awards

In 2024, the Company ranked **16**th among the “Top 1000 World Banks” by The Banker in terms of tier 1 capital and won the “Bank of the Year Award in China for 2023” by The Banker.

In 2024, the Company ranked **232**nd in the Global 500 in Fortune. It was the only joint-stock commercial bank included in the “China ESG Influence List” in Fortune for two consecutive years.

The Company won the “**National May 1 Labor Certificate**” from All-China Federation of Trade Unions.

In 2024, the Company was awarded an **AAA** rating in the MSCI ESG Ratings.

The Company won the title of “**Advanced Organization in Green Bank Evaluation**” by China Banking Association for five consecutive times.

The Company won the “**Most Promising Private Bank Award**” in 2024 by Euromoney.

In the 5th Golden Bull Award for Banking Wealth Management held by China Securities Journal, the Company won the “**Private Banking Golden Bull Award**” and “**Green Finance Golden Bull Award**”.

The Company was the first domestic bank selected in S&P Global’s Sustainability Yearbook 2024 (China Edition) and the only domestic bank (including Hong Kong) to be named an “**Industry Mover**” by S&P Global.

The Company was awarded “**Outstanding Custodian Bank of the Year**” in the Golden Tie Awards of Finance in 2024 by wallstreetcn.com.

At the 21st Global Annual Meeting (F20 Summit) of the International Finance Forum (IFF), the dual-carbon management platform project won the “**IFF Global Green Finance Award – Innovation Award**”.

The Company was awarded the “**Best Private Bank in Digital Customer Service in China in 2024**” by PWM published by the Financial Times Group.

In the list of projects winning the Fintech Development Award for 2023 issued by the People's Bank of China, the enterprise-level data standard system development project and the “Xing Xiao'er” AI bond trading robot project won the **second prize**, and the interbank financial ecosystem digital development project and the 1+N green finance system development and practice based on the dual-carbon platform won the **third prize**.

The Company won the “**2024 Outstanding Institution of Digital Supply Chain Financial Service Platform Award**” from the General Clearing Center of the People's Bank of China.

The Industrial Steward App won the “**2024 Excellent Corporate Mobile Banking Award**” from China Financial Certification Authority.

In the Data Element × Competition 2024 National Finals hosted by the National Data Administration and other ministries and commissions, the inclusive finance digital risk assessment exploration and practice project won the **third prize** in financial services.

In the 2024 China “Digital Village” Innovation Contest guided by the Office of the Central Cyberspace Affairs Commission and the Ministry of Agriculture and Rural Affairs and hosted by the China Federation of Internet Societies and other institutions, the digital transformation plan and data application project of wholesale markets of agricultural products won the “**Innovation and Creativity Award**”.

The Company received an **AAA** rating in the 2023 Lead Underwriter Work Evaluation by the National Association of Financial Market Institutional Investors.

In the 2024 paper market institution award selection held by Shanghai Commercial Paper Exchange Corporation, the Company won nine awards, including the “**Excellent Comprehensive Business Institution**”, “**Excellent Acceptance Institution**”, “**Excellent Discount Institution**” and “**Excellent Trading Institution**”.

According to the Evaluation Results of High-quality Development of the Centralized Clearing Business and the Issuance Registration Custody Settlement Business in 2024 issued by Shanghai Clearing House, the Company won 14 awards, including “**Excellent Clearing Member**”, “**Excellent Settlement Member**”, “**Excellent Award for Self-operated Clearing of Interest Rate Swaps**”, and “**Excellent Custodian Institution**”.

The Company was awarded the **"Best Practice Case of Sustainable Development of Listed Companies in 2024"** and **"Best Practice of the Annual Report Presentation of Listed Companies in 2023"** by China Association for Public Companies.

In the ESG practice case collection activity initiated by China Financial Media Corporation, the cases of "Sustainable Development Management" and "ESG 'Finance + Non-finance' Comprehensive Services to Boost the Sustainable Development of Enterprises" were selected as **"Typical Cases of ESG Practices in the Banking Sector in 2024"**. The Company made the list of "Top 20 for Overall ESG Performance in the Banking Sector" and received an **AAAA** rating.

The Company was included in the list of **"Pioneer 30 of Chinese ESG Listed Companies in the Financial Sector"** released by China Media Group.

At the "Climate Ambition & Global Action" Zero-Carbon Mission 2024 International Climate Summit hosted by Phoenix TV, Beijing Office of the World Wide Fund for Nature and Beijing Office of the Rocky Mountain Institute (RMI), the Company was awarded **"Pioneering ESG Financial Institution of the Year"**.

At the 2024 Peak Carbon and Carbon Neutrality Green Development Forum hosted by People's Daily, the case of "Promoting Green and Low-carbon Development, Excelling in Green Finance" won the **"2024 Peak Carbon and Carbon Neutrality Green Development Excellence Case"** award.

At the High-end Think Tank's Insights into New Quality Productive Forces (Annual Meeting) and the 2nd **"Vibrant ESG"** Innovation Forum guided by Southern Finance Omnimedia Group and hosted by 21st Century Business Herald, the Company was included in the 21st Century "Vibrant ESG" Corporate Governance Case Collection.

In the "2024 China Best Employer" selection activity initiated by zhaopin.com and organized and reviewed by Institute of Social Science Survey of Peking University, National School of Development of Peking University, HR Labor Union and multiple professional institutions, the Company was recognized as **"Top 100 Best Employers in China in 2024"**.

In the award selection activity initiated by nowcoder.com, verified and recognized by millions of students, and based on the big data in the NowCoder Community and the corporate employer brand building questionnaire self-evaluation, the Company was recognized as the **"2024 NFuture Most Socially Responsible Campus Recruitment Employer"**.

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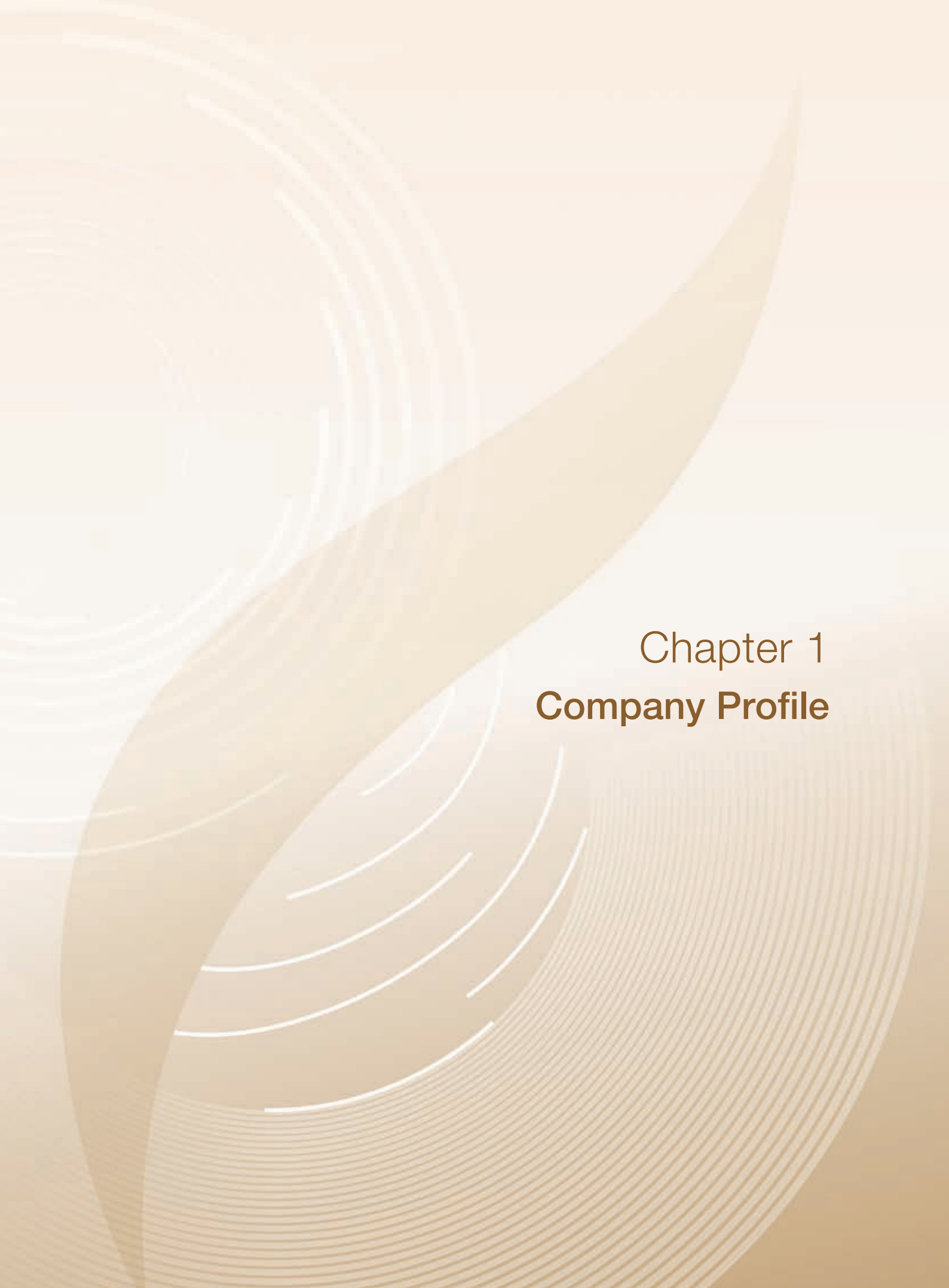
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Definition

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 subsidiaries
Central Bank/PBOC	The People's Bank of China
CSRC	China Securities Regulatory Commission
NFRA	National Financial Regulatory Administration
Former CBIRC	Former 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.
Ciit Asset Management	China Industrial International Trust Asset Management Company Limited
Yuan	RMB Yuan
"1234" strategy system	1: Light assets, light capital and high efficiency are the main lines of development 2: Take the strategy of "commercial bank + investment bank" as the starting point, and adhere to the development philosophy of "customers as the foundation, commercial banking as the carrier, and investment banking as the functional arm" 3: Continuously improve the capacity building of settlement banks, investment banks and transaction banks 4: Strengthen the strategic roles of key branches, key industries, key customers and key products
Commercial bank + investment bank	The deepening and expansion of the strategy of "commercial bank + investment bank" includes the improvement of product system, coordination mechanism, risk model and evaluation mechanism
Three business cards	green banking, wealth management banking and investment banking
Five new arenas	technology finance, inclusive finance, energy finance, auto finance, industrial zone finance
Five online platforms	"Industrial Inclusion"(兴业普惠), "Industrial Steward"(兴业管家), "Industrial Living"(兴业生活), "Qianda Money Manager"(钱大掌柜), "Bank-to-Bank Platform"(银银平台)
Five standardization	process, data, pattern, development, operation
FPA of large investment banking	During the reporting period, the Company focused on providing customers with solutions for diversified financial demands, effectively integrated the advantages across the Group and established the FPA of large investment banking, including bond underwriting, bond investment, M&A loans, syndicated loans, capital market and equity investment and other investment banking products

The background is a light beige color with a series of concentric, slightly irregular white circles on the left side. A large, thick, light beige swoosh shape curves from the bottom left towards the top right, partially overlapping the circles.

Chapter 1

Company Profile

Chapter 1 Company Profile

1.1 Company overview

Industrial Bank Co., Ltd. was founded in 1988 in Fuzhou, Fujian Province, a forefront city of China's reform and opening up. In 2007, the Company was listed on the Shanghai Stock Exchange. Since its inception, the Company has kept in mind General Secretary Xi Jinping's expectations on Industrial Bank when he worked in Fujian. In line with the fundamental strategy of "strict governance, expert management and technology enhancement" as well as the development goals of "outstanding service capabilities, distinct business and management features, and prominent market and brand image", the Company has taken root in Fujian and reached out to customers around the nation and the globe, transforming from a regional bank to a national bank, a listed bank, and finally a modern, comprehensive financial service group.

The Company was born in the reform and prospers through innovation. Bearing in mind the original aspiration of "exploring the path for financial reform and contributing more to economic development", the Company stays committed to reform, innovation and competition, thereby forming a modern, comprehensive financial service system based on the Bank that covers trust, funds, futures, financial leasing, bank wealth management, consumer finance and asset management and fostering differentiated competitive advantages in multiple fields such as green finance, investment banking, wealth management, asset management, financial market, and cooperation with peers.

In recent years, the Company has actively integrated into and served the new development paradigm and actively transformed the "country's most fundamental interests" into the "top priority of the Bank". It has coordinated efforts to promote the "five priorities" of technology finance, green finance, inclusive finance, pension finance, and digital finance, polish the "three business cards" of green banking, wealth management banking and investment banking, and deploy presence in the "five new arenas", namely technology finance, inclusive finance, energy finance, auto finance and industrial zone finance, thereby promoting high-quality development while fostering new quality productive forces and serving Chinese modernization.

Embarking on the new journey of the new era, the Company will earnestly implement the guiding principles of the Third Plenary Session of the 20th CPC Central Committee, the Central Economic Work Conference and the Central Financial Work Conference, firmly follow the path of financial development with Chinese characteristics, vigorously promote the financial culture with Chinese characteristics, build a value bank with CIB characteristics, respond to the call of the times to develop China into a financial powerhouse by building a strong financial institution, and work towards the vision of "First-class Bank, Everlasting CIB".

1.2 Core competitiveness

Clear strategic goals and effective measures. The Company makes sustained effort to implement its "1234" strategy, advances transformation towards "light assets, light capital and high efficiency", focuses on "commercial banking + investment banking", continuously strengthens the intelligent core of a "settlement, investment and transaction" bank, and strives to increase the value contribution of "key branches, key industries, key customers and key products". Meanwhile, the Company plans according to the situation and acts in line with the trend to continuously enrich the strategy. In 2021, the Company proposed to firmly establish and polish the "three business cards" of green banking, wealth management banking and investment banking to accelerate digital transformation. In 2022, the Company put forward the strategy of "consolidating the overall performance and developing new arenas", sped up development in the "five new arenas" of technology finance, inclusive finance, energy finance, auto finance and industrial zone finance and accelerated the building of a "Digital Industrial Bank". The "three business cards", "five new arenas", and "Digital Industrial Bank" align closely with the "five priorities" of technology finance, green finance, inclusive finance, pension finance and digital finance proposed at the Central Financial Work Conference, reflecting the Company's forward-looking strategic capabilities. In 2024, the Company proposed to focus on enhancing the five core capabilities of "strategy execution, customer service, investment trading, comprehensive risk control, and management propulsion" and further developed itself into a value bank with "strong profitability, in-depth customer cooperation, low risk cost, balanced business structure, and distinctive business characteristics", striving to achieve long-term sustainable development through all-round value creation. In terms of execution, the Company continuously strengthens strategy execution. Through reforms in organizational structure and mechanisms, the Company invigorates organizational vitality, enhances professional capabilities, and increases response speed to better and more quickly meet customer needs.

It persistently drives the reconstruction of the balance sheet and the transformation and upgrading of the business model, showing robust vitality and broad development prospects. Currently, the Company's strategic initiatives are steadily showing results, possessing a first-mover advantage in the specific areas under the "five priorities" and laying a solid foundation for the next phase of development.

A unified and pragmatic management team. The Company's management team highly identifies with the corporate culture and core values of the Company, possesses rich experience in financial management, and has outstanding abilities in situation analysis, strategy execution, policy formulation and risk management. The members maintain a high level of unity and a pragmatic and efficient work style, working together towards the realization of the Company's strategic goals. Under the leadership of the management team, the enthusiasm, initiative, and creativity of all employees within the Group have been fully stimulated, significantly enhancing cohesion and appeal. They readily take responsibility and ably perform their duties, ensuring that various strategies, decisions and measures are effectively implemented and yield tangible results, thereby laying a solid foundation for the Company's high-quality development.

Distinct business features and comprehensive functions. The Company keeps to the business development path that is market-oriented, differentiated and integrated. It has created new products and services in various niche business areas to carve out its own blue oceans, thereby forming distinctive business features. The Company steadfastly positions green finance as a strategic core business of the Group and proactively elevates it to an ESG concept, taking the lead in promoting sustainable development to the corporate strategy and governance levels and pioneering a model that "integrating righteousness with profit". The Company develops and integrates a value chain that spans investment banking, asset management and wealth management, advancing the deep synergy of a three-in-one approach. The Company continuously explores innovation in financing instruments such as bonds and asset securitization, leading the development in FICC, investment banking, asset management, and asset custody services. All subsidiaries are deeply integrated into the Group's strategic system. They focus on main businesses, specialize in professional fields, complement each other's functions and develop distinctively, thereby forming a modern, comprehensive financial service system that spans both domestic and international markets, integrates online and offline services, and covers trust, financial leasing, funds, bank wealth management, consumer finance, futures, asset management, research consulting and digital finance.

Standardized, professional and efficient operational system. The Company continuously improves its corporate governance mechanism of "leadership of the Party Committee, strategic decision-making by the Board of Directors, implementation by the Senior Management, and supervision by the Board of Supervisors in accordance with the law", adheres to strict governance and compliant operations, constantly enhances professional and refined risk management capabilities, and effectively empowers business development while forestalling risks, developing core competency to traverse new economic cycles. The Company advances standardized branch management, systematic marketing and digital operation and launches activities to improve management centering around primary-level employees, basic policies and basic management. These initiatives aim to "reduce the burden on and empower primary-level operations", continuously consolidating the Company's basic management and development foundation. Proactively embracing the digital era, the Company accelerates its digital transformation, reshapes the organizational structure, business processes and business patterns, increases investment in technology resources, implements a plan for tens of thousands of technology talents, deepens the integration of technology, data and business, initiates the development of the distributed core architecture, advances the construction of new cities and renovation of old cities in an orderly way, and promotes the standardization of the five aspects of processes, data, models, development and operations, thereby enhancing its technology empowerment capabilities and entering a new stage of a "Digital Industrial Bank".

Profound cultural heritage for steady and sustained development. The Company steadfastly upholds the mission of sincere service and common growth, pursues the core values of rationality, innovation, human-orientation and shared benefits, promotes fine traditional Chinese culture, and fosters a financial culture with Chinese characteristics. Throughout its long-term development, the Company has formed profound cultural heritage with its own characteristics. It inherits a professional culture of duty performance, an ambitious culture of daring to strive and win, a cooperative culture of practicality and responsibility, and a shared home culture of collaboration. It also holds firm to a banking culture dedicated to robust development, legality, compliance, and customer-centricity. These cultures constitute the common values and behavioral guidelines for the entire Group.

1.3 Corporate profile

1.3.1 Basic information

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.

1.3.2 Legal representative: Lyu Jiajin

1.3.3 Contact persons and details

Secretary of the Board of Directors: Xia Weichun

Representative of securities affairs: Ye Wenxin

Address: Industrial Bank Building, 398 Jiangbin Middle Avenue, Taijiang District, Fuzhou, Fujian Province

Tel: (86)591-87824863

Email: irm@cib.com.cn

1.3.4 Registered address

Registered address: Industrial Bank Building, 398 Jiangbin Middle Avenue, Taijiang District, Fuzhou, Fujian Province

History changes in registered address of the Company:

Date of change	Before change	After change
August 15, 1997	17 Hualin Road, Fuzhou, PRC	154 Hudong Road, Fuzhou, PRC
March 15, 2022	154 Hudong Road, Fuzhou, PRC	Industrial Bank Building, 398 Jiangbin Middle Avenue, Taijiang District, Fuzhou, Fujian Province

Office address: Industrial Bank Building, 398 Jiangbin Middle Avenue, Taijiang District, Fuzhou, Fujian Province

Postal Code: 350014

Website: www.cib.com.cn

1.3.5 Information disclosure and location of filing

Media and websites for disclosure of annual reports: 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

1.3.6 Brief introduction of company securities

Classes of securities	The stock exchange	Abbreviation	Code
A shares	Shanghai Stock Exchange	Industrial Bank	601166
		Xing Ye You 1	360005
Preferred shares	Shanghai Stock Exchange	Xing Ye You 2	360012
		Xing Ye You 3	360032
Convertible corporate bonds	Shanghai Stock Exchange	Industrial convertible bonds	113052

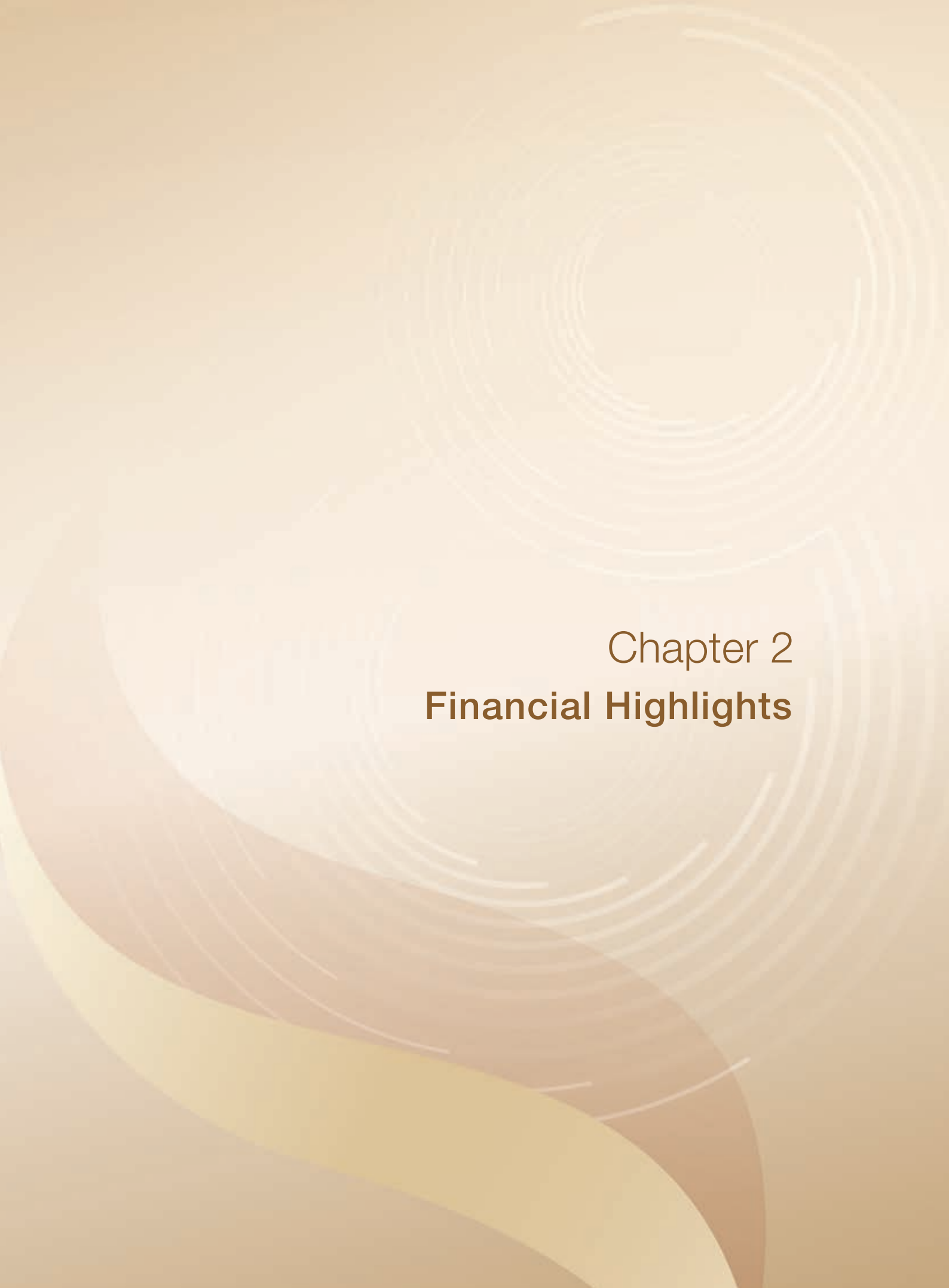
1.3.7 Other related information

Certified public accountants firm engaged by the Company: KPMG Huazhen LLP
 Office address: 8/F, KPMG Tower, Oriental Plaza, 1 Dongchang'an Street, Dongcheng District, Beijing, PRC
 Names of the signing accountants: Wu Zhongming, Pan Sheng

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

1.3.8 Documents Available for Inspection

Financial statements bearing the signatures and seals of the Company's legal representative, president and person in charge of the accounting body.
 Original auditors' report bearing the seal of the accounting firm and personally signed and sealed by certified public accountants.
 All the original documents and announcements publicized by the Company during the reporting period.

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Chapter 2

Financial Highlights

Chapter 2 Financial Highlights

2.1 Main accounting data and financial indicators

Unit: RMB million

Item	2024	2023	Increase/decrease in 2024 compared with 2023 (%)	2022
Operating results				
Operating income	212,226	210,831	0.66	222,374
Net interest income	148,107	146,503	1.09	145,273
Net non-interest income	64,119	64,328	(0.32)	77,101
Operating profit	87,197	84,140	3.63	106,162
Profit before tax	87,120	84,329	3.31	106,221
Net profit attributable to shareholders of the parent company	77,205	77,116	0.12	91,377
Net profit attributable to shareholders of the parent company, after deduction of non-recurring gains and losses	76,772	76,523	0.33	90,996
Net cash flows from operating activities	(237,258)	433,617	Positive in the same period of last year	(344,587)
Per share data (in RMB yuan)				
Basic EPS	3.51	3.51	-	4.20
Diluted EPS	3.23	3.24	(0.31)	3.87
Basic EPS, after deduction of non-recurring gains and losses	3.49	3.48	0.29	4.18
Net cash flow per share from operating activities	(11.42)	20.87	Positive in the same period of last year	(16.59)
Profitability indicators (%)				
Total return on assets	0.75	0.80	Down 0.05 percentage point	1.03
Weighted average ROE	9.89	10.64	Down 0.75 percentage point	13.85
Weighted average ROE, after deduction of non-recurring gains and losses	9.83	10.55	Down 0.72 percentage point	13.79
Net interest spread	1.56	1.66	Down 0.10 percentage point	1.83
Net interest margin	1.82	1.93	Down 0.11 percentage point	2.10
Cost-to-income ratio	29.50	29.97	Down 0.47 percentage point	29.37

Note: 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)".

Unit: RMB million

Item	December 31, 2024	December 31, 2023	Increase/decrease at the end of 2024 compared with the end of 2023 (%)	December 31, 2022
Scale indicators				
Total assets	10,507,898	10,158,326	3.44	9,266,671
Total loans	5,736,610	5,460,935	5.05	4,982,887
Including: Corporate loans	3,441,976	3,164,814	8.76	2,631,413
Personal loans	1,991,100	1,976,372	0.75	1,973,907
Discounted bills	303,534	319,749	(5.07)	377,567
Loan loss provisions	146,183	143,426	1.92	128,834
Including: Loan loss provisions at fair value through other comprehensive income	550	862	(36.19)	2,751
Total liabilities	9,614,287	9,350,607	2.82	8,509,373
Total deposits	5,532,333	5,137,073	7.69	4,736,982
Including: Demand deposits	2,068,250	1,847,206	11.97	1,779,273
Time deposits	2,989,110	2,808,521	6.43	2,608,223
Other deposits	474,973	481,346	(1.32)	349,486
Equity attributable to shareholders of the parent company	881,908	796,224	10.76	746,187
Equity attributable to ordinary shareholders of the parent company	766,106	710,422	7.84	660,385
Per share data (in RMB yuan)				
Net assets per share attributable to ordinary shareholders of the parent company	36.88	34.20	7.84	31.79

2.2 Main quarterly financial data in 2024

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	57,751	55,292	51,174	48,009
Net profit attributable to the shareholders of the listed company	24,336	18,713	19,957	14,199
Net profit attributable to the shareholders of the listed company, after deduction of non-recurring gains and losses	24,183	18,585	19,794	14,210
Net cash flows from operating activities	(12,252)	(276,188)	23,386	27,796

2.3 Items and amounts of non-recurring gains and losses

Unit: RMB million

Item	2024
Gains and losses on the disposal of non-current assets	115
Government grants recognized in profit or loss	661
Other non-operating income and expense, net	(84)
Impact on income tax	(241)
Total	451
Non-recurring gains and losses attributable to shareholders of the parent company	433
Non-recurring gains and losses attributable to minority shareholders	18

2.4 Asset quality indicators

Unit: %

Item	December 31, 2024		December 31, 2023		Increase/decrease at the end of 2024 compared with the end of 2023 (%)	December 31, 2022
NPL ratio	1.07		1.07		Unchanged	1.09
Provision coverage ratio	237.78		245.21		Down 7.43 percentage points	236.44
Provision-to-loan ratio	2.55		2.63		Down 0.08 percentage point	2.59

2.5 Capital adequacy ratio

Unit: RMB million

Main indicator	December 31, 2024		December 31, 2023		December 31, 2022	
	Group	Bank	Group	Bank	Group	Bank
Net capital	1,120,544	1,043,880	1,033,057	960,834	973,833	908,004
Including: Core Tier 1 capital	766,314	714,164	714,764	667,283	662,916	621,255
Additional Tier 1 capital	116,052	115,776	86,089	85,802	86,052	85,802
Tier 2 capital	239,449	235,139	233,463	228,941	226,053	222,074
Deductions	1,272	21,200	1,259	21,192	1,188	21,127
Total risk-weighted assets	7,848,126	7,494,426	7,312,326	6,956,839	6,746,229	6,427,244
Capital adequacy ratio (%)	14.28	13.93	14.13	13.81	14.44	14.13
Tier 1 capital adequacy ratio (%)	11.23	10.79	10.93	10.52	11.08	10.67
Core Tier 1 capital adequacy ratio	9.75	9.25	9.76	9.29	9.81	9.34

Note: The 2024 data in the above table was compiled in accordance with the Rule on Capital Management of Commercial Banks of NFRA as well as its supporting rules.

2.6 Supplementary financial indicators

Unit: %

Main indicator	Standard Value	December 31, 2024	December 31, 2023	December 31, 2022
Liquidity ratio (total in RMB and foreign currencies)	≥25	65.70	54.82	64.45
Including: RMB	≥25	64.75	54.06	63.23
Foreign currency	≥25	81.49	72.83	92.67
Proportion of loans to the largest single borrower	≤10	1.41	1.84	1.95
Proportion of loans to the top ten borrowers	≤50	8.75	12.25	10.65
Migration ratio of pass loans	—	1.54	1.66	1.61
Migration ratio of special mention loans	—	30.46	40.33	27.46
Migration ratio of substandard loans	—	75.85	76.39	73.76
Migration ratio of doubtful loans	—	76.52	84.69	77.96

Notes: 1. The data in the above table was compiled before consolidation and did not include the data of subsidiaries.

2. The data in the above table was calculated based on the data reported to regulatory authorities. Specifically, the loan migration ratios were calculated as follows:

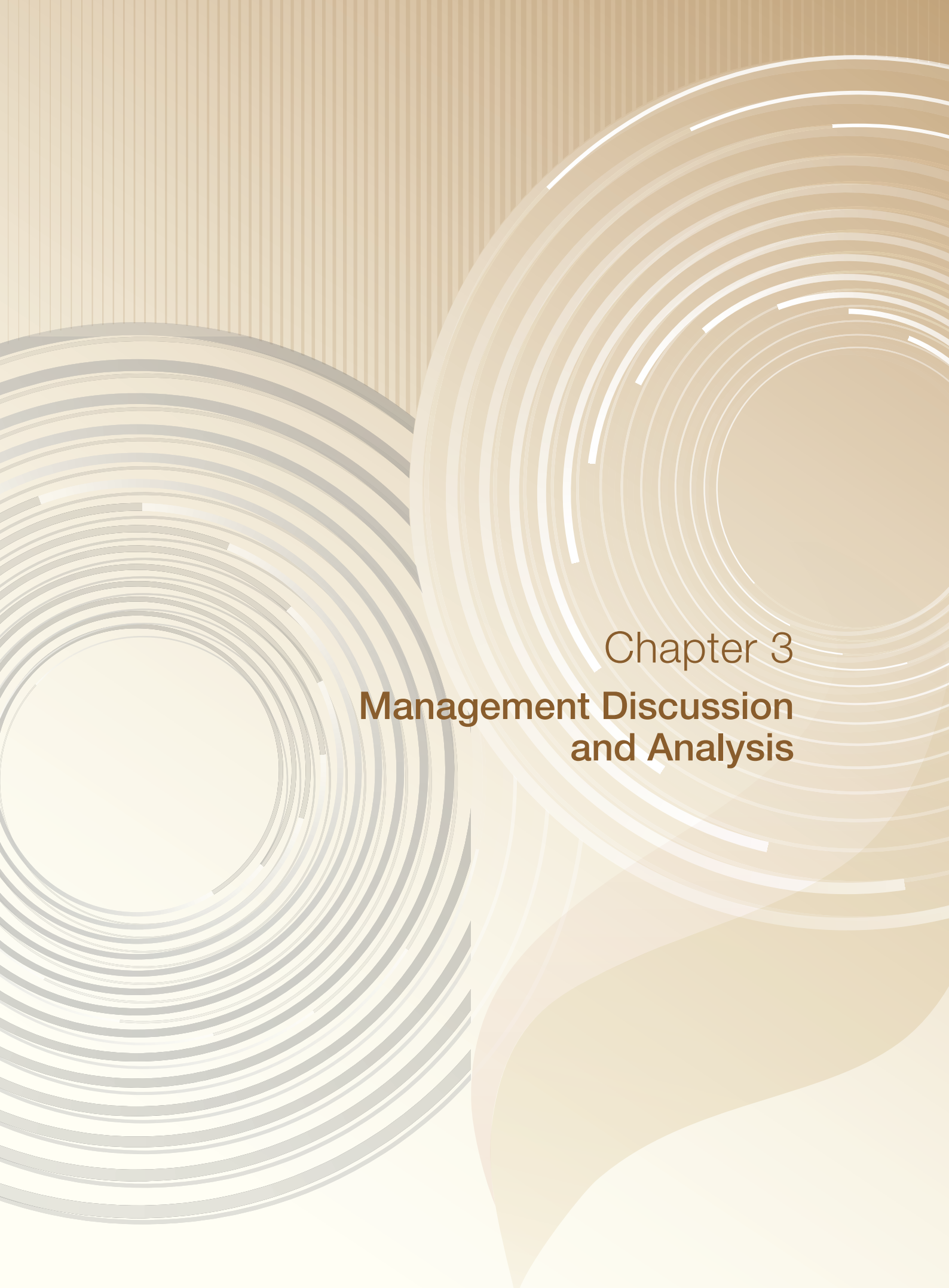
Migration ratio of pass loans: (Amount of pass loans at the beginning of the year that migrated downward + Amount of loans that were pass loans at the beginning of the year and became non-performing loans and were disposed of during the reporting period)/Balance of pass loans at the beginning of the year * 100%.

Migration ratio of special mention loans: (Amount of special mention loans at the beginning of the year that migrated downward + Amount of loans that were special mention loans at the beginning of the year and became non-performing loans and were disposed of during the reporting period)/Balance of special mention loans at the beginning of the year * 100%.

Migration ratio of substandard loans: (Amount of substandard loans at the beginning of the year that migrated downward + Amount of loans that were substandard loans at the beginning of the year and became doubtful and loss loans and were disposed of during the reporting period)/Balance of substandard loans at the beginning of the year * 100%.

Migration ratio of doubtful loans: (Amount of doubtful loans at the beginning of the year that migrated downward + Amount of loans that were doubtful loans at the beginning of the year and became loss loans and were disposed of during the reporting period)/Balance of doubtful loans at the beginning of the year * 100%.

3. The net capital in the proportion of loans to the largest single borrower and proportion of loans to the top ten borrowers at the end of the reporting period complies with relevant standards in the Rule on Capital Management of Commercial Banks, and the data of previous periods remain unchanged.

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Chapter 3

Management Discussion and Analysis

Chapter 3 Management Discussion and Analysis

3.1 Operating performance over the last three years

Over the last three years, the Company has actively transformed the “country’s most fundamental interests” into the “top priority of the Bank”, and accurately identified the overarching trend of the shift from the old triangular cycle of “real estate-infrastructure construction-finance” to the new triangular cycle of “technology-industry-finance”. It was among the first to propose expansion into the “five new arenas”, namely technology finance, inclusive finance, energy finance, auto finance and industrial zone finance, which is highly aligned with the requirements of the 2022 Central Economic Work Conference on promoting a virtuous cycle of “technology-industry-finance” and the requirements of the 2023 Central Financial Work Conference on promoting development of the “five priorities” of the financial sector. Guided by a clear strategy, the Company took the initiative and adopted a proactive strategy to respond to internal and external challenges and maintain the resilience of operation and management, accelerated deployment in the “five priorities” to establish first-mover advantages, and pushing forward high-quality development. Overall, the Company’s operating performance was characterized by “three stables and three improves”.

First, the expansion of scale was kept stable. At the end of 2024, its total assets were kept above the RMB10 trillion threshold, reaching RMB10.51 trillion. Over the last three years, its total assets successively passed the RMB8 trillion, RMB9 trillion and RMB10 trillion marks, increasing by 22.14% from the end of 2021, with an annualized growth of 6.89%. In particular, its loan size and deposit size both topped the RMB5 trillion mark, totalling RMB5.74 trillion and RMB5.53 trillion, and rising by 29.55% and 28.33% from 2021, respectively. Its customer base grew steadily, with the number of corporate banking customers exceeding 1.5 million and retail customers reaching 110 million, up by 41.86% and 39.06% from 2021, respectively.

Second, the operating results were kept stable. In 2024, it realized an operating income of RMB212.226 billion, up by 0.66% year on year, marking the growth turned from negative to positive. Specifically, net interest income was RMB148.107 billion, increasing by 1.67% from 2021, mainly due to the growth of interest-bearing assets and control over the decline of net interest margin; other non-interest net income was RMB40.023 billion, growing by 21.74% from 2021, and its proportion to operating income increased by 4 percentage points from 2021 to 18.86%, mainly driven by increased investment returns as a result of the Company’s better utilization of its strengths in the financial market.

Third, the asset quality was kept stable. At the end of 2024, the Group’s NPL ratio was 1.07%, down by 0.03 percentage point from 2021, indicating generally stable asset quality. In 2024, the provision for impairment losses was RMB60.189 billion, down by 10.18% from 2021, with a provision coverage ratio of 237.78%, maintaining sound risk offset ability. The Company intensified recovery of written-off loans, collecting RMB14.471 billion in written-off loans throughout the year, representing a 14.44% increase compared to 2021.

Total assets

 **RMB10.51 trillion**
Increased by **22.14%**
in 3 years

Operating income

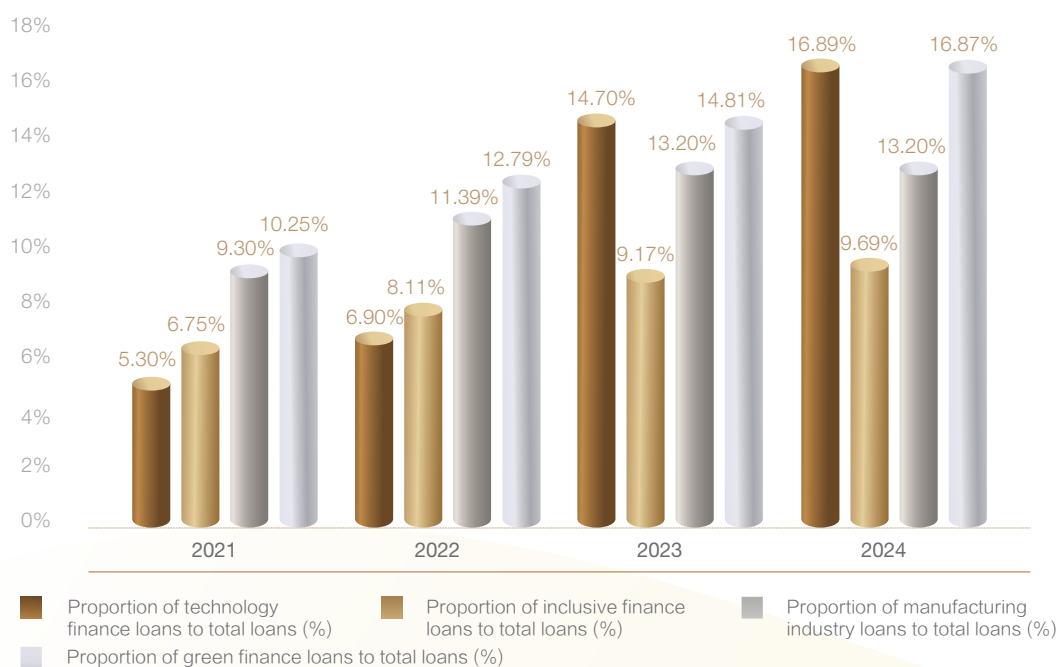
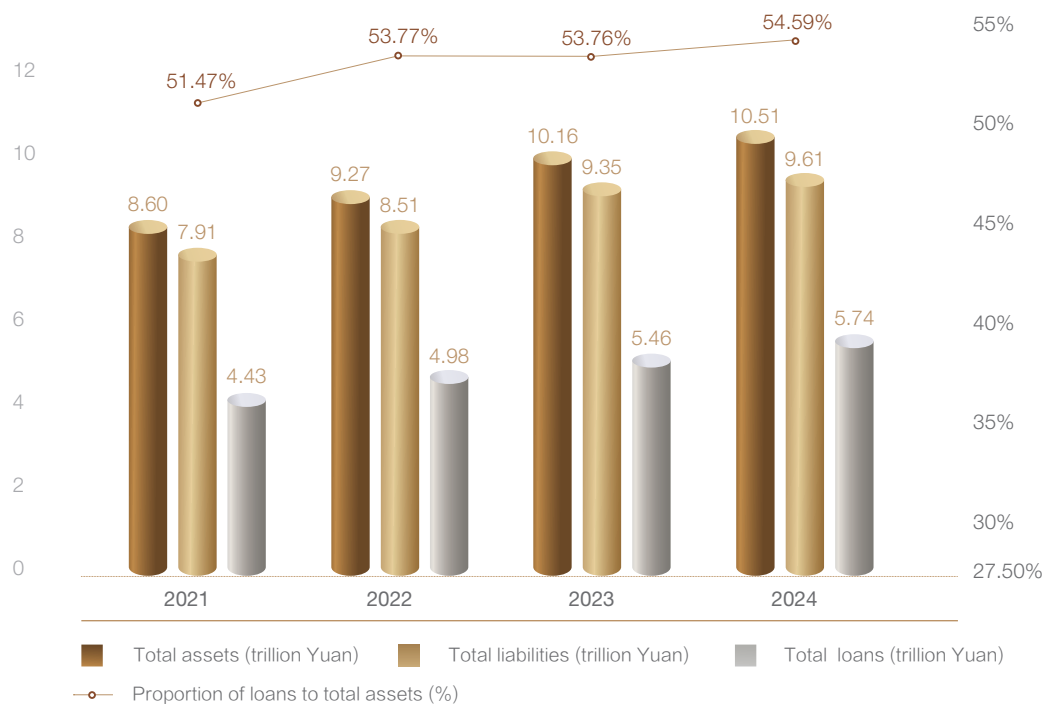
 **RMB212.226 billion**
Growth turned from negative to positive

NPL ratio

 **1.07%**
Down by **0.03 percentage point**
in 3 years

Fourth, the asset structure continued to improve. At the end of 2024, the proportion of the Group's loans to total assets went up by 3.12 percentage points from the end of 2021 to 54.59%. Among them, the proportion of manufacturing loans to total loans increased by 3.90 percentage points from the end of 2021 to 13.20%, one of the highest among joint-stock commercial banks. Among the "five priorities", the proportion of technology finance, green finance and inclusive finance loans to total loans grew to 16.89%, 16.87% and 9.69%, respectively. At the end of 2024, outstanding retail loans totalled RMB1.99 trillion, representing a growth of 5.91% from the end of 2021.

Continuous optimization of assets structure



Fifth, the liability structure continued to improve. At the end of 2024, the proportion of the Group's deposits to total liabilities rose by 3.03 percentage points from the end of 2021 to 57.54%. The deposit interest payment rate fell by 24 bps from 2021, an average level in the industry. Among them, retail deposits increased by RMB0.77 trillion from the end of 2021 to RMB1.57 trillion, with the proportion to total deposits expanding by 9.88 percentage points from the end of 2021 to 28.35%, and ranking the 2nd among joint-stock commercial banks in terms of size. The retail deposit interest payment rate declined by 14 bps from 2021. Corporate banking deposits grew by RMB0.45 trillion to RMB3.96 trillion, and the interest payment rate decreased by 29 bps from 2021.

Corporate deposits interest payment rate



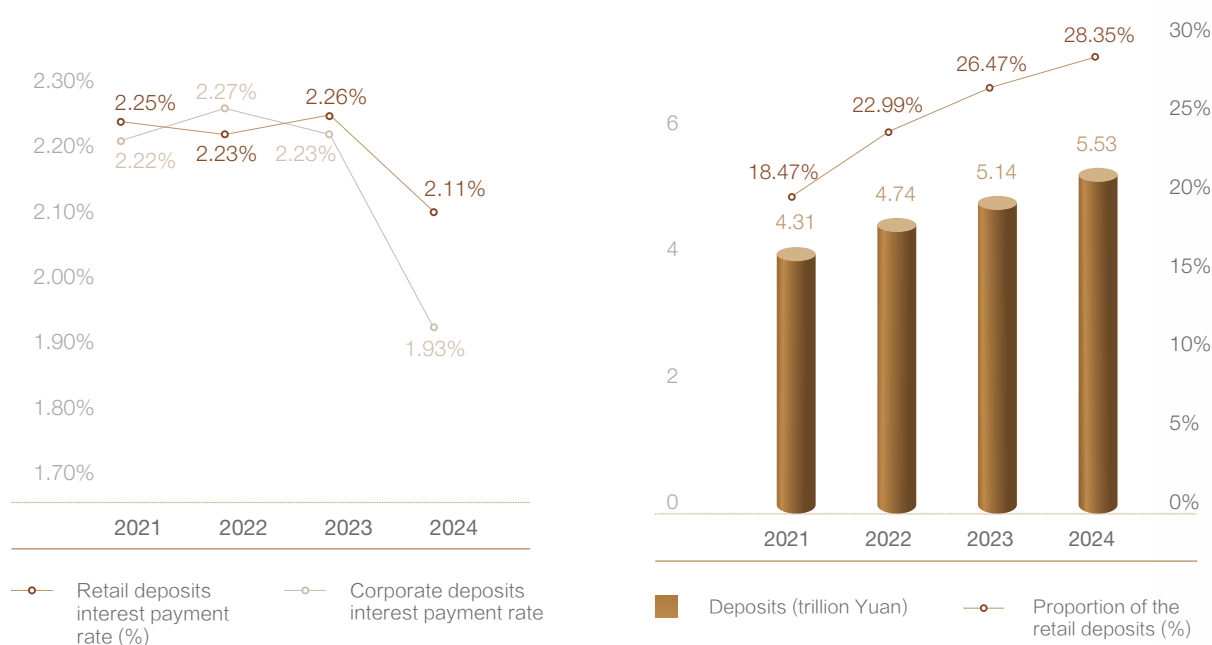
Fell by **29** bps in 3 years

Retail deposits interest payment rate



Fell by **14** bps in 3 years

Continuous optimization of liability structure



Sixth, featured businesses continued to improve. The Company continued to polish its “three business cards”, known as green banking, wealth management banking and investment banking, and sped up digital transformation. At the end of 2024, the financing balance of the Group’s green finance business increased by 58.18% from RMB1.39 trillion at the end of 2021 to RMB2.19 trillion, with a CAGR of 16.52%. In particular, the financing balance in the field of carbon reduction grew by 94.51%, with a CAGR of 24.83%. The AUM of retail business (including third-party custody market value) expanded by 42.74% from RMB3.58 trillion to RMB5.11 trillion, with a CAGR of 12.59%. The AUM of wealth management business grew by 21.95% from RMB1.79 trillion to RMB2.18 trillion, with a CAGR of 6.84%. The FPA of large investment banking business rose by 21.45% from RMB3.73 trillion from the end of 2021 to RMB4.53 trillion, with a CAGR of 6.69%. Over the last three years, the proportion of the Group’s technological input to operating income improved by 1.07 percentage points to 3.95%. The Company worked to build a “1+5+N” Digital Industrial Bank service system, with the monthly active users (MAU) of mobile banking growing by 70.43%; the number of Industrial Inclusion certified users increased from 3,005 to 73,994, addressing RMB395.502 billion in financing demands since the platform was put into operation; the number of customers of Industrial Steward increased by 58.72%; the registered customers of Qianda Money Manager recorded a growth of 66.41%; the MAU of Industrial Living grew by 58.02%; the sales size of institutions in the Bank-to-Bank Platform increased by 1,435.62% from RMB43.5 billion to RMB667.994 billion.

Financing balance of
green finance

RMB**2.19** trillion
Increased by **58.18%**
in 3 years

AUM of retail business

RMB**5.11** trillion
Increased by **42.74%**
in 3 years

FPA of large investment
banking

RMB**4.53** trillion
Increased by **21.45%**
in 3 years

3.2 Industrial updates and development trends during the reporting period

2024 marked the 75th anniversary of the founding of the PRC and a critical year for China to fulfil the objectives and tasks set in its 14th Five-Year Plan. Despite mounting external pressure and growing internal difficulties, China’s economy delivered satisfactory performance characterized by both stability and progress. China’s banking industry actively responded to the complex internal and external environment and industrial pressure, and maintained certain resilience in operation through transformation and adjustment.

Globally, the landscape was marked by turbulence and changes. In the political field, the “super election year” was reshaping the international order, while the Russia-Ukraine conflict and Middle East wars continued to escalate, causing frequent occurrence of geopolitical risks. In the economic field, trade protectionism was on the rise, hindering global economic circulation and elevating supply chain decoupling risks. Major economies shifted monetary policies, while global debts continued to climb, adding risks to the international financial market. With the Eurozone’s economy remaining sluggish and the world economy lacking the momentum of growth, the risk of economic downturn loomed even larger.

Domestically, China’s economy faced difficulties head-on. In terms of challenges, China’s economic growth was dampened by pains associated with the replacement of old growth drivers with new ones, insufficient effective demand, operation difficulties confronting some enterprises, pressures on employment and income growth for the public, persistently elevated risk exposures, the deepening of external adverse impacts, among other headwinds. In 2024, China’s economy saw a strong start at first and then moderation and a rebound, performing well in the first quarter yet facing growing pressure in the second and third quarters. In terms of opportunities, at the critical moment, the CPC Central Committee with Comrade Xi Jinping at its core responded calmly and took a combination of measures. The Third Plenary Session of the 20th Central Committee of the CPC held in July defined the further deepening of reform on all fronts as the fundamental driving force for Chinese modernization. The meeting of the Political Bureau of the Central Committee convened on September 26 made plans for multiple areas, including finance, money, consumption, investment, real estate and the capital market. The implementation of a package of incremental policies has effectively boosted social confidence and led to a notable economic recovery. In terms of achievements, in 2024, China’s GDP surpassed the RMB130 trillion mark for the first time, increasing by 5% year on year and fulfilling the target set at the beginning of the year. It is expected to contribute about 30% to global economic growth, remaining the major engine of world economy. New quality productive forces continuously presented new growth points. The added values of high-tech manufacturing recorded a year-on-year growth of 8.9%; the proportion of the output value of state-level green factories to the total output value of manufacturing increased by 2 percentage points. The economy was increasingly marked by innovation, green transition and quality strengthening. China’s manufacturing scale has remained the largest in the world for 15 consecutive years. Foreign trade was increasingly

represented by high-tech and high-value-added products. The total value of imports and exports of goods increased by 5% year on year to RMB43.85 trillion, hitting a new historical high. Exports of innovative high-tech products, such as electric vehicles, 3D printers and industrial robots, were sped up. With the implementation of the new “nine-point guidelines” and the “1+N” policy system for the capital market, the capital market maintained stable operation on the whole, with growing appeal to various types of investors.

China's banking industry worked to maintain resilience. The growing complexity and uncertainty of the external environment were a test for the operation and management capabilities of banks. **In terms of interest rates**, in 2024, to support continued economic recovery, 1-year and 5-year loan prime rates were cut by 35 bps and 60 bps respectively. This, coupled with the reduction of interest rates on existing housing loans, driving the further narrowing of the net interest margin of the banking industry to a historical low of 1.52%. To stabilize the net interest margin of banks, the regulatory authorities took steps such as regulating “manual interest supplement”, refining the pricing management for interbank deposits, and guiding the reduction of listed deposit rates, effectively lowering the cost of banking liabilities and slowing the narrowing of net interest margin. **In terms of credit**, affected by factors including insufficient effective demand, revitalization of existing assets, and policies such as “avoiding false data” and “preventing idle fund circulation”, the growth of banking credit slowed down. To urge banks to improve the quality and level of serving the real economy, the National Financial Regulatory Administration issued the Guiding Opinions for the Banking and Insurance Industries to Effectively Support the “Five Priorities” of the Financial Sector, offering guidance for financial institutions to serve the fostering of new quality productive forces and the development of the “five priorities” with high quality. **In terms of intermediate business income**, affected by factors such as the “product filing and operational compliance alignment” policy in the insurance industry and the reform of public fund fees, the banking industry saw a trend of decline in the net income from handling fees and commissions. To stabilize intermediate business income, the banking industry proactively grasped the opportunities arising from implementation of incremental policy package, focused on investment banking, asset management, and wealth management businesses in the capital market, and seized the opportunity of consumption recovery to accelerate the development of consumption scenarios. **In terms of risks**, although the risks associated with real estate, local government debts, and small and medium-sized banks were gradually resolved or mitigated, the pressure still persisted. The risks associated with some enterprises and residents were released faster and transferred to banks. To stabilize the asset quality, the banking industry continuously improved the risk management system and stepped up the collection and resolution of non-performing assets, keeping asset quality generally stable. **In terms of supervision**, financial regulation was increasingly tightened, required to adopt a tougher “teeth-and-thorns” approach. The Rules on Capital Management of Commercial Banks implemented on January 1 raised the bar for the fine management of banking capital. The Compliance Management Measures for Financial Institutions issued in December set higher standards for the compliance management of banks. **In terms of fintech**, the banking industry is in a period of digital and intelligent transformation, with the increasingly extensive application of fintech. There are both challenges and opportunities facing efforts such as building a science-based collaborative operation system across online, offline and remote channels, effectively improving the accessibility and competitiveness of financial services, reasonably using AI and other disruptive technologies, and accurately measuring the input and output of technologies. **In terms of achievements**, in the face of the complex economic environment and industrial changes, the banking industry remained committed to the goal of building China into a financial powerhouse, seized the opportunities arising from incremental policies, and maintained certain operational resilience by advancing organizational reforms, optimizing the business structure, accelerating transformation and development, and strengthening risk prevention. **The total assets recorded growth.** At the end of 2024, the total assets of banking financial institutions were RMB444.6 trillion, representing an increase of 6.5% from the end of the previous year. Among them, outstanding RMB loans to the real economy amounted to RMB252.53 trillion, up by 7.2% year on year. **The loan structure was optimized.** In 2024, outstanding medium – and long-term loans to the manufacturing industry increased by 11.9% year on year; outstanding loans to the specialized and sophisticated technology enterprises producing unique and novel products grew by 13.0% year on year; outstanding green loans rose by 21.7% year on year; and outstanding inclusive loans to micro and small enterprises expanded by 14.6% year on year. The growths of the above loans were all higher than the growth of all loans in the same period. **Risk resistance was stabilized.** The NPL ratio was 1.50%, a decrease of 0.09 percentage points from the end of the previous year, and the provision coverage ratio was 211.19%, an increase of 6.05 percentage points from the end of the previous year. The liquidity coverage ratio was 154.73%, an increase of 3.13 percentage points from the end of the previous year. The net stable funding ratio was 128.02%, and the liquidity ratio was 76.74%. **Digital transformation was advanced.** The banking industry pressed ahead with digital transformation, upgraded infrastructures, and prompted AI and big data application, gradually forming an intelligent and scenario-based financial service ecosystem.



3.3 Strategy implementation

During the reporting period, guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Company led high-quality development with high-quality Party building, completed elections for the new Board of Directors and the new Board of Supervisors, and scientifically assessed the economic situations at home and abroad and the development trends of the banking industry. It maintained strategic focus, identified objectives and gaps, clearly defined the priorities of work, and sped up transformation and development. It leveraged internal operational certainty to navigate external uncertainties, and achieved effective improvement of quality and reasonable growth of quantity.

First, the Company scientifically assessed the situation and maintained strategic focus. It proactively addressed risks and challenges, seized strategic opportunities, planned according to the situation and acted in line with the trend. While consistently

implementing the “1234” strategy, it continuously enriched the connotation of the strategy. It put forward “Three Business Cards”, “Five New Arenas”, and “Digital Industrial Bank” with foresight, which were highly aligned with the “five priorities” proposed at the Central Financial Work Conference, and also highly adapted to the requirements for banking transformation in the environment with low interest rate, narrow interest margin, high risks, and tightened regulation. Under the guidance of the strategy, in recent years, the Company has successively carried out reform of institutions and mechanisms to enhance organizational vitality, strengthened team building to ensure the Bank is run by experts, and comprehensively promoted digital transformation to explore new models. These efforts have enabled the Company to continuously break new ground amid difficulties and challenges and gain a first-mover advantage in the key areas of the “five priorities”. **Second, the Company worked to build a value bank and enhance five major capabilities.** Based on the basic operation logic of commercial banks, the Company proceeded from the current situation and made long-term plans, proposing to build a value bank recognized by the market and with the characteristics of Industrial Bank. Meanwhile, it drove deep into the relationship among scale, structure, efficiency and quality, took a quality-first and efficiency-oriented approach, and regarded strong profitability, deep customer cooperation, low risk cost, balanced business structure and distinct business characteristics as the five major characteristics of a value bank. Through introspection with a resolute attitude, it identified gaps and weaknesses in the five dimensions, explored the directions of business improvement and the key areas of resource input, and implemented strategies more decisive to improving operation quality and efficiency. Also, by drawing on the experience of overseas banks in dealing with the “low interest rate and interest margin” situation, it took enhancing the “five major capabilities” in strategy execution, customer service, investment trading, comprehensive risk control, and management propulsion as the focus of work, creating values through professionalism and navigating cycles by enhancing capabilities. **Third, the Company gave play to its advantages in differentiated operations, and effectively promoted the development of the “five priorities” of the financial sector.** It proactively transformed the “country’s most fundamental interests” into the “top priority of the Bank”, focused on the main direction of the transition of real economy, and continuously strengthened the services for mainstream industries and customers as a mainstream bank. On the one hand, it deepened operations across regions and industries, enhanced the capabilities to serve industries, fully leveraged its advantages in differentiated operations, and combined and advanced the efforts to promote the “five priorities” and the initiatives to polish the “three business cards”, deploy presence in the “five new arenas” and build the “Digital Industrial Bank”. On the other hand, it sharpened its edges in commercial banking and investment banking with support from research, risk management, technology and collaboration, to better meet the increasingly diversified demands of mainstream customer groups for financial services in the economic transformation. Meanwhile, the Company promoted the integration of corporate banking and retail banking businesses, driving retail banking through corporate banking and pulling corporate banking with retail banking, thus forming a stronger synergy among corporate banking, retail banking and interbank businesses for coordinated, linked and integrated development.



During the reporting period, the Company ranked 16th among the world's top 1000 banks in terms of Tier 1 capital, rising by one spot from the previous year, and firmly remaining on the Fortune 500 list. It was honored with the "Bank of the Year in China 2023" award by The Banker magazine based in the UK, and was awarded the "National May 1 Labor Certificate" by the All-China Federation of Trade Unions. Its MSCI ESG rating was upgraded from AA to AAA, making it the only bank granted the highest rating in China's banking industry for six consecutive years. Also, it has been named an "Advanced Unit in Green Bank Evaluation" by the China Banking Association for five consecutive times.

3.3.1 Value bank development advanced steadily

During the reporting period, the Company actively responded to the operating environment characterized by low interest rate, narrow interest margin, high risks, and tightened regulation, earnestly aligned with and transmitted the incremental policies, gave priority to preventing and defusing risks, and rose to the challenges head-on, achieving commendable results.

3.3.1.1 Profitability remained stable

During the reporting period, the Company achieved positive growth in both operating income and net profits. It recorded an operating income of RMB212.226 billion, up by 0.66% year on year. To be specific, net interest income grew by 1.09% year on year, mainly driven by the steady growth of the daily average size of interest-bearing assets and the control over the decline of net interest margin; net non-interest income decreased by 0.32% year on year, mainly due to the drop in the net income from handling fees caused by regulatory policies including the "product filing and operational compliance alignment" policy. Meanwhile, by expanding the scope of centralized procurement, unifying the management of operation expenses at institutions, among other measures to reasonably control general and routine expenditures, operating and administrative expenses fell by 0.65% year on year, and the cost-to-income ratio decreased by 0.47 percentage points. On such a basis, the Company realized RMB147.386 billion in profits before provision, up by 1.42% year on year. The net profits attributable to shareholders of the parent company totaled RMB77.205 billion, up by 0.12% year on year. During the reporting period, the impact of the new rules on capital regulation was effectively reduced through measures such as asset restructuring and data governance. At the end of the reporting period, the Group's Core Tier 1 capital adequacy ratio was 9.75%, basically flat with the end of the previous year.

Operating income

RMB212.226 billion



Up by **0.66%** year on year

Net profits attributable to shareholders of the parent company

RMB77.205 billion



Up by **0.12%** year on year

Group's Core Tier 1 capital adequacy ratio



9.75%

3.3.1.2 Customer base was further reinforced

During the reporting period, the Company achieved improvements in both the number and quality of customers.

At the end of the reporting period, the number of retail customers totalled 110 million, up by 8.77% from the end of the previous year. Among them, VIP customers and private banking customers respectively grew by 8.78% and 11.36% in number. **Corporate banking customers** numbered 1.5355 million, up by 9.57% from the end of the previous year. Among them, the number of potential and high-potential customers and value customers in corporate banking business grew by 14.41% and 14.04%, respectively. The coverage rate of cooperation with major types of **interbank customers** remained above 95%.

3.3.1.3 Asset quality was generally stable

During the reporting period, the Company fully seized the opportunities brought by incremental policies and prudently resolved the risks in key areas, keeping asset quality generally stable. At the end of the reporting period, the **NPL ratio** was 1.07%, flat with the end of the previous year; the **special mention loan ratio** was 1.71%, increasing by 0.16 percentage points from the end of the previous year, primarily a result of the elevated risks associated with retail loans. The **provision for impairment** was RMB60.189 billion, down by 1.62% year on year. The **provision coverage ratio** was 237.78%, a level within a reasonable range, and indicating relatively strong risk offset ability. The Company intensified recovery of written-off loans, collecting RMB14.471 billion in written-off loans throughout the year, representing a 1.75% increase year on year.

3.3.1.4 Assets and liability structure continued to improve

During the reporting period, the Company continued to improve the assets and liability structure, and worked to stabilize interest margins. On the liability side, it took measures for implementing the self-discipline mechanism, advancing the "Network Weaving Project", and expanding into scenario finance, etc. The deposit interest payment rate was 1.98%, a year-on-year decrease of 26 bps that was one of the lowest levels among joint-stock commercial banks of the same type. On the asset side, the Company continued to align its asset allocation with the structure of the national economy. The increases of technology loans, green loans and inclusive loans respectively accounted for 60.23%, 57.63% and 19.94% of the increases of all loans (excluding bills). The yield rate of corporate loans (excluding bills) was 3.96%, one of the highest levels among joint-stock commercial banks of the same type. Through efforts on both liability and asset sides, the net interest margin reached 1.82%, a year-on-year decrease of 11 bps, outperforming the expectation at the beginning of the year.

Number of retail customers

110 million
8.77%

Coverage rate of cooperation with major types of interbank customers

>95%

Number of corporate banking customers

1.5355 million
9.57%

NPL ratio

1.07%
Flat with the end of the previous year

Provision for impairment

RMB**60.189** billion
1.62%

Provision coverage ratio

237.78%

Deposit interest payment rate

1.98%
26 bps

Net interest margin

1.82%
11 bps

Proportion of the increase of technology loans, green loans, inclusive loans to the increase of all loans (excluding bills)

60.23%, **57.63%**, **19.94%**

3.3.1.5 Featured businesses achieved sound development

During the reporting period, the Company maintained its differentiated competitive advantages in the fields of green finance, wealth management, and investment banking.

The financing balance of green finance reached RMB2.19 trillion, up by 15.88% from the end of the previous year. The balance of green loans under the PBOC's statistical standards was RMB967.931 billion, increasing by 19.64% from the end of the previous year, and ranking first among joint-stock commercial banks. The AUM in retail banking reached RMB5.11 trillion, an increase of 6.68% from the end of the previous year. The daily average size of AUM in corporate banking and wealth management businesses was RMB433.594 billion, up by 16.42% from the end of the previous year. The sales size of institutions in the Bank-to-Bank Platform was RMB667.994 billion, up by 82.34% from the end of the previous year. The size of FPA in the large investment banking business was RMB4.53 trillion, up by RMB145.1 billion from the end of the previous year.

3.3.2 Five major capabilities steadily improved

During the reporting period, the Company continued to improve five core capabilities, including "strategy execution, customer service, investment trading, comprehensive risk control, and management propulsion", supported the development of a value bank, and strove to navigate the low interest rate cycle by improving core competence.

3.3.2.1 Enhancing the capabilities for strategy execution

The Company focused on the goal of "light assets, light capital and high efficiency", reshaped the model for value creation, shifted from the "high-yield asset – high-cost liability" portfolio to the "low-cost liability – stable-yield asset" portfolio, and worked to strengthen liabilities and optimize assets and achieve comprehensive benefits by providing customers with quality services.

First, the Company strengthened liabilities. Upholding the principle of "basing the Bank on deposits" and following the logic of "customers – accounts – settlement", the Company developed businesses such as corporate settlement accounts, payroll agency, acquiring, quick payment, and social security cards by promoting the "Network Weaving Project" and expanding into scenario finance, and made consistent efforts to expand settlement deposits. Meanwhile, the Company actively implemented the self-regulatory mechanism for interest rate pricing, strengthened the governance of manual interest supplementation, and lowered the listed deposit rates, achieving the targets of stabilizing the size of deposits and reducing the cost of deposits. As at the end of the reporting period, the balance of various deposits was RMB5.53 trillion, increasing by 7.69% from the end of the previous year, and ranking 2nd among joint-stock commercial banks in terms of scale. Among them, the balance of **corporate banking deposits** increased by RMB187.013 billion from the end of the previous year, and the interest payment rate was 1.93%, a year-on-year decrease of 30 bps; the balance of **retail deposits** increased by RMB208.247 billion from the end of the previous year, and the interest payment rate was 2.11%, a year-on-year decrease of 15 bps. The balance of retail settlement deposits associated with payroll agency and acquiring customer groups accounted for 37.50% of the total retail settlement deposits, an increase of 0.72 percentage point year on year. The size of **low-cost "clearing and settlement + deposit and custody" funds in the inter-bank business** exceeded RMB800 billion, an increase of 20%, and the proportion to inter-bank liabilities increased by 6 percentage points.

Financing balance of green finance

 RMB**2.19** trillion
15.88%

Balance of green loans under the PBOC's statistical standards

 RMB**967.931** billion
19.64%

AUM in retail banking

 RMB**5.11** trillion
6.68%

Daily average size of AUM in corporate banking and wealth management businesses

 RMB**433.594** billion
16.42%

Sales size of institutions in the Bank-to-Bank Platform

 RMB**667.994** billion
82.34%

Size of FPA in the large investment banking business

 RMB**4.53** trillion
RMB**145.1** billion

Balance of various deposits

 RMB**5.53** trillion
7.69%

Second, the Company optimized assets. It coordinated the support for the “five priorities” of the financial sector and the expansion into the “five new arenas”, continuously deepened operations across regions and industries, and strove to achieve reasonable growth in quantity and continuous optimization of the structure. **In terms of corporate banking**, the Company accelerated the input of assets in key areas such as technology finance, green finance, inclusive finance, and large-scale equipment upgrading, with the loans to the said areas increasing by 20.68%, 19.64%, 10.97% and 41.45% respectively from the end of the previous year. The Company moved faster to advance the formation of a new real estate model, supported local efforts to ensure the delivery of housing project, and provided financing of over RMB10 billion for projects related to ensuring housing delivery, ranking among the top joint-stock commercial banks. **In terms of retail finance**, the Company relied on systematic operation to enhance the development momentum of retail loan business. The retail mortgage loans increased by RMB11.6 billion from the end of the previous year, while the individual business loans and consumer loans (domestic institutions) increased by 8.12% and 13.18% respectively from the end of the previous year.

3.3.2.2 Enhancing the capabilities for customer service

The Company focused on implementing the customer-centric concept and enhanced professional customer services. Through measures such as improving the stratified and classified customer management system, enhancing the operating efficiency of platforms, creating key scenario ecosystems, and optimizing product strategies, the Company aimed to enhance customer experience and deepen the ties with customers.

First, the Company drove the systematic building of retail business. It took solid steps to ensure stratified and classified customer management, and enhanced the comprehensive values of retail customers through management of the customer journey from customer acquisitions and engagement to upselling and retention. It incorporated the Digital Operation Department into the retail segment, and basically established a customer management model of “digital operation + account management operation”. For long-tail customers, the Company promoted the upgrade of customers to higher-value tiers through platforms such as enterprise WeChat account and mobile banking. For VIP customers, the Company advanced the 10,000 Wealth Management Customer Plan, and strengthened the account management for VIP customers. For private banking customers, the Company promoted the model of centralized management of customers and teams, advanced the development of direct-sales private banking centers, and improved capabilities to manage private banking customers. On such a basis, the Company established and implemented three important systems respectively for digital operation, the integration of hall service and marketing operation, and the centralized management of retail credit; and completed and piloted the smart retail operation and smart decision-making projects. During the reporting period, 871.4 thousand long-tail customers of the Company were upgraded to VIP customers; the number of gold, platinum, and black gold customers upgraded to private banking customers increased by 3.59 percentage points year on year, and the downgrade and churn rate of VIP customers decreased by 2.20 percentage points year on year. As at the end of the reporting period, the number of customers with a monthly daily average AUM of over RMB50,000 increased by 7.08%.

Loans to key areas such as technology finance, green finance, inclusive finance, and large-scale equipment upgrading

 20.68%, 19.64%, 10.97%, 41.45%

Individual business loans, consumer loans (domestic institutions)

 8.12%, 13.18%

Long-tail customers

 871.4 thousand
to VIP customers

Second, the Company deepened the stratified and classified management of corporate banking customers. Focusing on “opening accounts for qualified customers, facilitating account opening, and managing accounts effectively”, the Company strengthened the building of basic customer groups, improved the differentiated management and service capabilities for various key customer groups, and promoted the steady growth of customer size, improvement of customer quality, and optimization of customer structure. Centering around the equity chain, capital chain and supply chain, the Company advanced sandbox simulations, and acquired more new high-quality customers and tapped their potential. Focusing on “function-oriented jobs, digital functionality and standardized processes”, the Company recreated the processes for opening corporate accounts and signing agreements on basic products to improve the efficiency of over-the-counter services. Leveraging the corporate WeChat account for corporate banking business, the Company enhanced the quality and efficiency of digital operation in customer outreach and traffic diversion, customer insight, mass operation, and process management. The Company deepened the integrated operation of the industrial chain ecosystem of strategic customers, strengthened the management of institutional customers, and carried out chain marketing of fiscal funds. It also drove speedier and more efficient online inclusive financing services for small and micro customers across regions, industries and scenarios, and accelerated the establishment of a standardized management model for long-tail customers without loans across online and offline channels. As at the end of the reporting period, the Company had 358.1 thousand potential and high-potential customers, accounting for 23.32% of the total, which was nearly 1 percentage point higher than that at the end of the previous year. By connecting corporate banking and retail banking businesses, the Company acquired 2.5604 million new retail customers in payroll agency business, an increase of 11.31% from the end of the previous year.

Third, the Company strengthened refined management of inter-bank customers. It continuously improved the “three rates”, took solid steps to further honor its “four main roles”, and enhanced the precision and depth of services for inter-bank customers. **In terms of improving the “three rates”,** the Company focused on increasing the “customer coverage rate, product use rate and operating income growth rate”, and acquired 1,864 inter-bank value customers, with the coverage rate of products among inter-bank value customers improving to 74%. **In terms of the “four main roles”, as a main settlement bank,** the Company actively advanced the “Network Weaving Project”, with the trading volume across major financial exchanges steadily climbing, and the proportion of “clearing and settlement + deposit and custody” funds continuing to rise. **As a main custodian,** the Company integrated the investment and sales resources inside and outside the Group to expand the scale of custody business. **As a main trading counterparty,** the Company actively developed inter-bank deposit, inter-bank lending and other fund businesses, as well as financial market trading businesses such as inter-bank FICC product trading and bill trading. **As a main investment bank,** the Company fully leveraged the advantages of the inter-bank ecosystem, and promoted the integration of “investment, underwriting, sales and custody”, with the underwriting volume of financial bonds ranking 4th in the industry and 1st among joint-stock commercial banks. **In terms of coordinated operations,** the Company conducted marketing among the customers and employees of customers through internal mobilization and external cooperation, actively guided inter-bank funds to support the development of corporate banking and retail banking businesses, and strengthened the synergy for the high-quality development of the Group. In terms of the collaboration on retail banking, the inter-bank business line drove the daily average scale of the funds of third-party depository customers to RMB144.8 billion, a year-on-year increase of 14%. In terms of the collaboration on corporate banking, the Company handled RMB1.15 trillion in bill discounting, a year-on-year increase of 21%, generating over RMB86 billion in corporate deposit inflows.

New retail customers in payroll agency business acquired by connecting corporate banking and retail banking businesses

 **2.5604 million**
11.31%

In terms of the collaboration on retail banking, the inter-bank business line drove the daily average scale of the funds of third-party depository customers to

 **RMB144.8 billion**
14%

In terms of the collaboration on corporate banking, total amount handled in bill discounting is

 **RMB1.15 trillion**
21%

Generating in corporate deposit inflows

>RMB86 billion

3.3.2.3 Enhancing the capabilities for investment trading

Leveraging its advantages in financial market operations, the Company created a smooth value chain linking comprehensive investment banking, comprehensive asset management and comprehensive wealth management through a “research-decision-execution” mechanism, to satisfy the diverse financing needs of the real economy and customer demands for wealth management. By optimizing on-balance-sheet operations, strengthening off-balance-sheet capabilities, and expanding intermediate business income, the Company diversified the sources of non-interest income.

First, the Company advanced the integration of research, decision and execution. It established a decision-making mechanism composed of three pillars, namely the Asset and Liability Committee, the Fixed Income Quarterly Strategy Meeting, and the Investment Trading Agile Team Meeting. It consistently advanced the integration of research, decision and execution, enhanced predictive capabilities, and improved trading proficiency across short, medium, and long-term market cycles. **In terms of the bond banking business,** relying on the “research, investment, underwriting, sales and custody” system, the Company enhanced the capabilities for bond underwriting, investment, and market-making transactions, and drove the development of the custody business to improve comprehensive income. It seized the opportunities in the bond market with high-frequency and low-volatility businesses to obtain spread income. It grasped the opportunities in the USD interest rate cut phase, and actively optimized the structure of asset portfolios to improve income. **In terms of FICC,** the Company continuously improved the FICC business system across the entire market, all customer groups, the whole chain and the whole ecosystem, created an FICC trading ecosystem, and maintained leadership in market-making operations in the fields of bonds, interest rates, exchange rates and precious metals, etc. For enterprises going global, the Company continuously provided a package of FICC service solutions for exchange rate and interest rate hedging throughout the process, covering forwards, options, swaps, and foreign currency interest rate swaps, etc.

Second, the Company promoted the integrated development of comprehensive investment banking, comprehensive asset management and comprehensive wealth management. It established the Strategic Work Group for Wealth and Asset Management to advance the integrated development of comprehensive investment banking, comprehensive asset management, and comprehensive wealth management. **In terms of investment banking,** the FPA of transformed investment banking business reached RMB3.06 trillion, an increase of 14.1% from the end of the previous year. To be specific, underwritten non-financial bonds grew by 20.92% year on year, ranking 2nd in the market; M&A financing increased by 26.22% year on year, with the financing balance rising to the first place among joint-stock commercial banks; syndicated loans increased by 37.45% year on year, with the financing balance climbing to the second place among joint-stock commercial banks. **In terms of asset management,** CIB Wealth Management products recorded a year-on-year growth of 2.91% in daily average AUM, with the AUM remaining the 2nd in the market and the comprehensive wealth management capabilities topping the PYStandard’s list of national wealth management institutions for 28 consecutive quarters, and achieved a year-on-year growth of 2.60% in the income from new wealth management products. CIB Fund Management recorded a growth of 32.70% from the end of the previous year in the AUM of public funds, among which the AUM of non-monetary funds increased by 15.23% from the end of the previous year. China Industrial International Trust saw the existing size of business grow by 107.68% from the end of the previous year, among which the size of wealth management service trust increased by 100.96% from the end of the previous year and the size of asset management trust business grew by 268.02% from the end of the previous year. **In terms of wealth management,** the sales volume of funds and insurance agency businesses increased by 105.82% and 14.56% respectively year on year. **In terms of asset custody,** the Company fully seized the opportunity of the rapid development of ETF. By promoting custody with investment and driving custody with sales, it achieved a custody business income of RMB3.588 billion, a year-on-year increase of 1.09%, a sharp contrast to the general decline across the industry.

FPA of transformed investment banking business

 **RMB3.06 trillion**
14.1%

Underwritten non-financial bonds

 **20.92%**

M&A financing

 **26.22%**

Syndicated loans

 **37.45%**

Daily average AUM of CIB Wealth Management products

 **2.91%**

AUM of public funds of CIB Fund Management

 **32.70%**

Sales volume of funds and insurance agency businesses

 **105.82%, 14.56%**

Custody business income

 **RMB3.588 billion**
1.09%

Case 1

Enhancing macro investment research capabilities, decision-making efficiency and trading capabilities, and promoting the high-quality development of financial market operations

In recent years, price fluctuations have significantly amplified across major markets and major asset classes. As a cross-border and cross-market product, precious metals exhibit particularly pronounced price volatility, requiring participants to have stronger investment trading capabilities. Therefore, Industrial Bank established an integrated operation model of “research-decision-execution” based on the fast decision-making mechanism of the investment trading agile team, to enhance its overall trading capabilities. On the one hand, it continued to enrich trading strategies, and flexibly employed various hedging instruments to mitigate portfolio volatility risks; on the other hand, it strengthened digital transformation, driving improvements of comprehensive research capabilities and investment trading efficiency through technology.

Take the precious metals business of the Capital Operation Center for example. In terms of investment trading, the Capital Operation Center established the Macro Strategy Team in collaboration with CIB Research and CIB Fintech Research Academy, and built macro analysis and multi-dimensional strategy research models to explore a multi-strategy trading mode. It promoted investment trading empowered by fintech. Relying on the intelligent trading platform, it introduced advanced technologies such as machine learning and foundation models to upgrade systems and strategies, and enhanced trading efficiency through algorithmic and factor mining. It conducted market analysis by combining fundamentals and technical aspects, and exercised strategy management through portfolio management and risk control, effectively seizing the fluctuations in the gold market, and achieving rapid growths in both the trading volume and operating income of the precious metals business. During the reporting period, the operating income soared by 100% year on year.

In terms of customer services, leveraging its professional expertise, on the basis of improving its market-making trading capabilities, the Company strengthened trading empowerment and quotation to customers, served wealth management customers and enterprises along the gold industry chain, and provided customers with products aligned with their wealth allocation and risk management demands, such as gold accumulation plans and gold hedging products, helping customers achieve the preservation and appreciation of wealth, and supporting the coordinated development of upstream and downstream customers across the gold industry chain. During the reporting period, the number of retail customers surged by 310 thousand.

While trading in the precious metals market and providing services to customers, Industrial Bank continued to consolidate its position as a leading market maker, fulfilled its responsibilities as a market maker, and promoted the stable and robust development of the precious metals market. It won awards including the Excellent Financial Member of the Shanghai Gold Exchange, Best Pricing Trading Member of the Year, Best Quotation Trading Institution of the Year, and Best Competitive Bidding Liquidity Provider Member of the Year, as well as the recognition from the PBOC, the State Administration of Foreign Exchange, the Fujian Provincial Department of Commerce, among other competent authorities.

3.3.2.4 Enhancing the capabilities for comprehensive risk control

Upholding the concept of “managing risks before conducting business”, the Company improved the professionalism of risk management, strengthened the integration of risk management and business, built a risk management system that balances control and flexibility, and ensured risk prevention and resolution in key areas to seek benefits from risk management.

First, the Company took solid steps as ever to ensure comprehensive risk management. It established the concept of “managing risks before conducting business”, empowered the high-

quality development of business through risk management, and ensured “full understanding of business model”, “effective control of risks” and “proficiency in business”. It built a research empowerment mechanism of “research + business + risk”. By holding Asset and Liability Management Committee meetings, it conducted in-depth analysis of the risks and opportunities facing a segment each month, and maintained high-frequency tracking of new segments and dynamic adjustment of operations accordingly. It established a “chain chief system” headed by frontline professionals, driving the coordinated expansion of the businesses across the “five new arenas”

and the integration of risks. It promoted the digital transformation of risk control, accelerated the upgrading and iteration of the "technology flow" evaluation system, and improved the capabilities for professional management in new segments. Meanwhile, it upheld a unified risk appetite threshold, incorporated subsidiaries into the Group's comprehensive risk management system, and established a group-wide risk appetite management mechanism. It implemented fine management of the credit authorization policy. With the focus on key areas, key branches and key projects, it optimized the risk prevention and credit authorization strategies for large credit exposure customers by taking a "customer-by-customer" approach to improve the quality of cooperation with large customers; and adopted a "city-by-city" approach to provide differentiated credit support for the industries with significant advantages in markets, resources and technologies, etc. within the jurisdiction of branches, and better align the branches' business with regional economic structure.

Second, the Company firmly advanced the resolution of risks in key areas. It fully leveraged bank leader supervision and the agile team mechanisms to effectively promote the resolution of risks in key areas. **In the real estate sector,** the Company actively implemented the policy package designed to stabilize the real estate market and reverse the downturn, to help the real estate sector resolve risks and achieve transformation and development. As at the end of the reporting period, the balance of corporate real estate financing was RMB745.185 billion, an increase of RMB55.039 billion from the end of the previous year, mainly due to increased support for industrial parks and urban renewal, among others. The non-performing asset ratio was 3.89%, an increase of 0.85 percentage point from the end of the previous year. This was mainly because the Company strengthened the risk assessment of existing projects: for some real estate projects that found challenging to meet the conditions for housing delivery in the short term, the Company lowered their risk ratings, recorded adequate impairment losses in time, and urged the project operators to accelerate risk disposal. The provision ratio for corporate real estate financing was 4.99%, and the overall risk was controllable. **In terms of local government debts,** the Company conducted in-depth investigations on the resolution of government debt risks. In accordance with the latest debt resolution policies, it tailored risk resolution measures for existing projects according to debt types, branches and expected risk losses. It actively sought debt resolution resources, and promoted the resolution of risks in an orderly manner by means such as "including, replacing and reducing as many risk exposures as possible and resolving risks through restructuring". During the reporting period, the risk exposure of business was reduced by RMB39 billion through the replacement by special bonds, and about RMB1.9 billion of impairment was reversed. As at the end of the reporting period, the balance of local government financing platform debts was RMB104.347 billion (including actual and contingent credit, bond investment, proprietary and wealth management fund investment, etc.), a decrease of RMB57.244 billion from the end of the previous year; the balance of non-performing assets was RMB4.083 billion, an increase of RMB11 million from the end of the previous year; the non-performing asset ratio was 3.91%, an increase of 1.39 percentage points from the end of the previous year. The increase of non-performing debts across financing platforms slowed down, and the existing amount was small, with the impact on the overall asset quality of the Company under control. **In terms of credit cards,** the Company drove the agile iteration and optimization of risk control models and strategies, covering key decision-making links in the whole process, and making the digital risk control system more complete. It continuously optimized the structure of new cardholders, refined management during the loan period, and enhanced the coordination between the Head Office and branches on debt collection. The control of risks associated with both new card and existing card holders produced increasingly better results, and the increase of non-performing loans was effectively curbed. As at the end of the reporting period, the NPL ratio of credit cards was 3.64%, and the overdue rate was 6.32%, down by 0.29 percentage points and 0.43 percentage points respectively from the end of the previous year; the collection amount of non-performing loans increased by 15.67% year on year. **In terms of retail loans,** affected by macro factors, the banking industry saw rising risks associated with retail credit business during the reporting period. The Company actively responded to market changes and risk challenges, comprehensively improved the effectiveness of control over personal loan risks, proactively strengthened the control over the whole process from pre-loan approval, loan review and monitoring to post-loan collection, pressed ahead with the building of the system of "centralized operation, centralized approval, centralized monitoring and centralized collection", and accelerated the optimization and upgrading of models and strategies, digital applications, systems and mechanisms, professional teams, and collateral management. As a result, the overall asset quality remained stable and was at a sound level in the industry, and the NPL ratios of some products increased slightly. Specifically, the NPL ratio of personal mortgage loans was 0.60%, an increase of 0.04 percentage point from the end of the previous year; the NPL ratio of personal business loans was 0.80%, an increase of 0.01 percentage point from the end of the previous year; the NPL ratio of personal consumer loans (domestic and excluding subsidiaries) was 1.62%, a decrease of 0.08 percentage point from the end of the previous year.

Balance of corporate real estate financing

RMB745.185 billion



RMB55.039 billion

Mainly due to increased support for industrial parks and urban renewal

Balance of local government financing platform debts

RMB104.347 billion



RMB57.244 billion

NPL ratio of credit cards

3.64%

Overdue rate

6.32%



0.29 percentage point and

0.43 percentage point

Case 2

Empowering Huahua Credit Card and building differentiated market advantages

Currently, the credit card market sees growing competition, with consumer demands increasingly diversified and personalized, the penetration of digital payment undermining the emotional bonds between credit cards and customers, and traditional product models encountering bottlenecks in increasing customer stickiness. As a response, Industrial Bank actively promoted the transformation and upgrading of credit card business, explored innovative development models, and launched the "Variable Giant Panda Base Hehua Credit Card" (hereinafter referred to as the "Huahua Credit Card") jointly with the Chengdu Research Base of Giant Panda Breeding in March 2024 to raise its brand influence.

Take the Chengdu Branch of Industrial Bank for example. Relying on the strong appeal of its IP, the Chengdu Branch went beyond the traditional marketing model, and used "Hehua" as a bridge to attract target customer groups. By deepening the operation of the "Hehua" IP and expanding its influence, the Chengdu Branch developed a closed business loop from customer acquisition to conversion, providing strong support for the growth of its credit card business. **In terms of customer acquisition**, the Chengdu Branch precisely targeted the "Hehua" fans group and the new generation of consumers. It set up the "Hehua Room" in high-traffic areas such as the Chengdu Research Base of Giant Panda Breeding and Chengdu East Railway Station as fixed spots for customer acquisition and brand promotion. While raising its brand influence, the move also expanded the business traveler and high-quality family customer groups. As at the end of the reporting period, the Chengdu Branch acquired 110,000 customers through the "Huahua Credit Card", among whom young users under 35 years old accounted for 45.80%, 10 percentage points higher than those of other card types. **In terms of customer engagement**, in light of the characteristics of young customers, such as high willingness to spend, strong emotional connections with brands, and active online presence, the Chengdu Branch proactively expanded into local consumption scenarios, conducting in-depth cooperation with leading enterprises in industries such as culture and tourism, retail, and e-commerce. It launched a series of exclusive campaigns based on the "Hehua" IP, including "Join Huahua in a Gourmet Trip" and "Huahua Invites You to Movies", which helped boost the word of mouth and trading volume of the credit card. During the reporting period, the Chengdu Branch recorded a steady growth of the overall trading volume of credit cards. Specifically, the proportion of online trading volume was 44.73%, an increase of 6 percentage points year on year; the card cancellation rate dropped to 7%, significantly lower than other card types. Meanwhile, the Chengdu Branch cooperated with the Chengdu Research Base of Giant Panda Breeding to launch the "Love 'Industrial Bank' Panda Donation Plan" for the protection of giant pandas and other rare animals. As at the end of the reporting period, the amount of online points donation reached RMB800,000, involving 60,000 donors. The "Huahua Credit Card" successfully promoted the optimization of the credit card business in both the scenario ecosystem and the emotional connection with customers, and innovatively formed an "emotional consumption closed loop". By continuously refining the customer acquisition model, deepening localized benefit operation, consistently optimizing the customer structure, and driving the increase in the proportion of high-quality customers, during the reporting period, the Chengdu Branch achieved a year-on-year decrease of 21% in newly occurred non-performing loans, and a pre-tax profit of RMB239 million, which sustained a year-on-year growth.

So far, the total number of issued "Huahua Credit Card" has exceeded 1 million. Going ahead, Industrial Bank will continue to deepen the innovation of the credit card business, diversify payment scenarios and life consumption services around the "Hehua" IP, further optimize customer experience, and enhance its market competitiveness to drive the high-quality development of the credit card business across the Bank.



Love panda donation program, please join us!

3.3.2.5 Enhancing the capabilities for management propulsion

With the focus on burden reduction, empowerment and efficiency enhancement, through measures such as comprehensive digital transformation, promoting the “Community-level Improvement” as well as “Tri-Transformation” (standardization of management, systematization of marketing and digitalization of operation), deepening system and mechanism reforms, and building a high-quality talent team, the Company aimed to optimize operations for scalability and refine management for profitability.

First, digital transformation efficiently empowered business development. The digital operation system was integrated and optimized. Functions such as remote operation, user experience, platform building and digital operation, which were previously in the charge of the Retail Platform Department, were transferred to the Digital Operation Department. The Company expanded the boundaries of digital operation responsibilities; enhanced the capabilities of managing various types of customers, especially long-tail customers; strengthened the guidance for customers to increase operations through online channels; and drove the conversion from MAU (Monthly Active Users) to FAU (Financially Active Users, those who log in quarterly and conduct substantial transactions). **The digital operation platform achieved remarkable results.** The number of MAUs of mobile banking increased by 18.26% year on year; the number of Industrial Steward customers grew by 10.56% year on year; the number of registered customers of Industrial Living rose by 14.59% year on year; the number of registered users of Qianda Money Manager increased by 9.10% year on year; the number of registered users of Industrial Inclusion surged by 115.81% from the end of the previous year; and sales size of institutions in the Bank-to-Bank Platform increased by 82% from the end of the previous year. **The digital risk control system was upgraded,** covering operations in the entire process from due diligence to special assets operation, which significantly improved the work efficiency of employees and the quality of risk control.

Second, the “Three Community-Level Improvement” and “Tri-Transformation” produced more remarkable results in reducing the burden on and empowering community-level institutions. The “Three Community-Level Improvement” highlighted risk prevention, concentrating on empowering community-level employees, community-level systems, and community-level management. Centering around five aspects, including “deepening the development of community-level culture”, “strengthening the management of community-level teams”, “improving community-level systems”, “empowering community-level operation and management”, and “conducting special governance in key areas”, the Head Office and branches worked together to reduce the burden on community-level institutions by optimizing processes, ensuring unimpeded mechanisms, and changing work styles, etc., and took practical measures for foundation reinforcement and empowerment in the aspects such as strengthening professional support and service guarantees. **The “Tri-Transformation” highlighted promoting development.** The Company continuously deepened standardization of management, systematization of marketing and digitalization of operation. The four infrastructures, namely the “Wuhushan” Forum, the Sub-branch Ledger, the Sub-branch Evaluation, and the “Tri-Transformation” Guide, operated in coordination. The “Wuhushan” Forum initially unleashed its role as a publicity platform; the positioning of Sub-branch Ledger in integrating the “Tri-Transformation” was established; the Sub-branch Evaluation became a stage for community-level institutions to strive for better performance; and the “Tri-Transformation” Guide provided clear guidance for customer service and operation & management.

Third, the Company comprehensively deepened the reforms of front, middle, and back offices. It consolidated the achievements of previous reforms, summarized the practical experience of the reforms, and solidified the effective practices at the institutional level to consolidate the reform results. It continued to build a customer-centric operation system, refined the stratified and classified management of customer groups in retail, corporate banking, and interbank businesses, and improved the consumer protection mechanism. **The Company promoted the reform of the current system,** systematically assessed the defects of the current systems and mechanisms, and identified the weak links for targeted improvement. In terms of business, the Company adjusted the organizational system for technology finance and accelerated the development of technology-focused sub-branches; it strengthened the overall planning for international business, and made clear the management responsibilities; it improved the top-level decision-making system for wealth and asset management businesses. In terms of support, the Company facilitated the institutional building for technology R&D, operation and maintenance, architecture, security, quality, and innovation, etc., strengthened the concentration of functions, and focused on advancing the digital transformation; it continued to build the “1+5+N” Digital Industrial Bank system, and intensified the integrated operation across online and offline channels; it reformed the risk management system, and firmly guarded against systemic risks. **The Company explored the building of a new-type operation system,** piloted the system and mechanism for the remote management of the basic customer groups, drove the transformation of customer service centers into remote management centers, and improved the quality and efficiency of managing basic customer groups; it improved the upgrade system for the key strategic customer groups, expanded the pilot scope for the direct operation of private banking, and enhanced the services for key customer groups; it introduced new modes for integrated operation across departments and business lines, built a scenario ecosystem integration team, and drove integrated operation to deliver practical results.

Fourth, the Company continued to strengthen the building of talent teams. Adhering to running the Bank by experts, the Company continuously intensified the introduction of leading talents, brought in more young talents to the leadership pipeline, and stepped up development of existing human resources. The Company continuously advanced the exchange and rotation of cadres and talents between the Head Office and branches, between the parent company and subsidiary companies, between eastern and western regions, and between northern and southern regions, to enhance the transmission of corporate strategies and business tactics and the improvement of professional capabilities. The Company deepened the implementation of systems such as “open recruitment for leadership” and “horse racing” for major tasks, and assessed cadres in the implementation of major bank-wide strategies such as the “Xing Feiyue” competition. The Company improved the assessment system for cadres and talents, and promoted the fostering of an employment orientation and political environment where the able performers are promoted, the excellent performers are rewarded, the incapable performers are demoted, and the poor performers are eliminated. The Company vigorously promoted the financial culture with Chinese characteristics, and actively fostered the home culture, innovation culture, clean culture, and engineer culture with the characteristics of Industrial Bank, to educate employees and invigorate the Bank with culture, and continuously improve the purity, professionalism, and competitiveness of the team.

Case 3**Elevating the services and risk management at sub-branches to a new level through “Three Community-Level Improvement” and “Tri-Transformation”**

In order to strengthen the development of sub-branches, improve community-level management, and ensure the effective transmission and implementation of the strategies of the Head Office, Industrial Bank has comprehensively kickstarted the “Tri-Transformation” project for sub-branches since 2023. Focusing on “standardization of management, systematization of marketing and digitalization of operation”, the Company continuously improved the management capabilities and operation quality and efficiency of sub-branches, and promoted the continuous and steady expansion of customer groups. Since 2024, the Company has implemented the “Three Community-Level Improvement” campaign targeting community-level employees, community-level systems and community-level management, continuously refining the outlet, employee behavior, compliance and institution management at sub-branches. In accordance with the strategic plan of the Head Office, all sub-branches, based on local market conditions and their own business structure, quickly implemented the “Three Community-Level Improvement” and “Tri-Transformation” campaigns. Take the Beijing Branch of Industrial Bank for example:

Promoting “Tri-Transformation” to facilitate transformation and upgrading

Since 2023, in accordance with the Head Office’s strategic requirements of “navigating the business cycle and driving transformation and upgrading”, the Beijing Branch has taken fostering the management propulsion as the main force driving operation and development, and achieved remarkable results in the “Tri-Transformation” of sub-branches. **In terms of management standardization**, it raised the awareness of sub-branch managers, and made it clear that sub-branch managers should be able to “understand operation, excel in management, and lead teams”; it improved the operation and management system, and enhanced the standards for daily management and risk management, among other work. **In terms of marketing systematization**, it clearly identified customer profiles and demands, and specified the daily, weekly and monthly objectives and customer service strategies for cadres and employees at all levels in the corporate banking line, retail banking line, and financial market line, to ensure the timelier provision of higher-quality services to customers. In terms of operation digitization, it pressed ahead with the development of scenarios and online marketing, achieved the integrated operation across online and offline channels, provided more targeted services for customers, and effectively reduced operation costs; it continuously facilitated the integrated services of the business halls and improved the digital level to enhance customer experience and the production capacity of outlets.

By launching the “Tri-Transformation” at sub-branches, the Beijing Branch witnessed significant improvements in the production capacity per employee and per outlet. During the reporting period, the per capita operating income of corporate banking customer managers at the Beijing Branch grew by 16% compared with the previous year, and the per capita daily corporate banking deposits increased by 12% compared with the previous year; the per capita number of quarterly converted loans granted by retail customer managers surged by 167% compared with the previous year, and the loan amount increased by 58% compared with the previous year; the per capita monthly credit card issuance of the credit card team increased by 38%.

Optimizing the “Three Community-Level Improvement” to accelerate high-quality development

In 2024, the Beijing Branch implemented the “Three Community-Level Improvement” strategy of the Head Office, and achieved remarkable results in risk and compliance management through a series of innovative measures. **With “reducing the burden on and empowering community-level institutions” as the main theme**, it abolished 130 existing regulatory documents, with an institutional streamlining rate of 16.8%, effectively reducing the burden on community-level institutions. Focusing on key areas such as technology finance and green finance, it formulated an annual list of key systems, sorted out 47 key business systems, and strengthened the supervision over and assessment of system implementation. **With scientific publicity and implementation as the starting point**, it adhered to stratified, classified and refined publicity and implementation, carried out campaigns such as the “Risk and Compliance Training Camp” for community-level employees and the “Prevention of Duty-related Crimes” training for middle-level cadres, and specified the required compliance training hours for employees in different positions. **With multi-dimensional screening as the focus**, it extended the scope of abnormal behavior screening to cover the rotation of employees in important positions, daily attendance, and management of office premises, addressed problems in time, and guarded against violations. By strengthening the “Three Community-Level Improvement” at sub-branches, it created a high-pressure atmosphere characterized by strict investigation and strong accountability, and further raised the awareness of all employees to “hold the discipline in awe and respect and follow principles”.

Next, Industrial Bank will adhere to advancing the “Tri-Transformation” and “Three Community-Level Improvement” at sub-branches in an integrated manner, further standardize community-level work, reduce the pressure on community-level institutions, enhance the effectiveness of the transmission and implementation of the Head Office’s strategies, and elevate the community-level services, operations and risk management to new heights.

3.3.3 Integrating the efforts to promote the “five priorities” of the financial sector with the initiatives to polish the “three business cards”, expand into the “five new arenas”, and build “Digital Industrial Bank”

During the reporting period, the Company transformed the “country’s most fundamental interests” into the “top priority of the Bank”. Fully leveraging its differentiated advantages, the Company integrated the efforts to promote the “five priorities” of the financial sector with the initiatives to polish the “three business cards”, expand into the “five new arenas”, and build “Digital Industrial Bank”. It provided high-quality products and services to high-quality customer groups, and used high-quality customer groups to drive the optimization and adjustment of the Bank’s customer structure, asset structure and liability structure. Meanwhile, it continuously deepened implementation of the “region + industry” strategy, sharpened its edges in commercial banking and investment banking, and promoted the integration of corporate banking and retail banking businesses, comprehensively enhancing its capabilities in serving industries, and accelerating the expansion into new segments.

3.3.3.1 Strengthening technology finance

During the reporting period, focusing on the virtuous cycle of “technology – industry – finance”, the Company strengthened technology finance based on its strengths. It built the “1+20+150” operation and management system for technology finance, improved the “six major” supports for technology finance, and comprehensively enhanced the service capabilities of technology finance to empower the development of new quality productive forces.

The Company strengthened technology finance based on its strengths. As at the end of the reporting period, the Company collaborated with 324.5 thousand technology finance customers, an increase of 14.15% from the end of the previous year. The financing balance of technology finance was RMB1.74 trillion, an increase of 17.82% from the end of the previous year. The balance of technology finance loans was RMB968.916 billion, an increase of 20.68% from the end of the previous year; the NPL ratio of loans was 0.77%, lower than the average level of corporate banking loans, indicating the asset quality was kept at a sound level. Specifically, with a “**green + technology**” approach, the Company built a green product system and scaled up technology finance services, serving 29,605 technology finance customers, with a financing balance of RMB670.5 billion, an increase of 12.80% from the end of the previous year. With an “**investment banking + technology**” approach, the Company built a whole-lifecycle investment banking product and service system dominated by debt, equity and alternative investment, serving 1,520 technology finance customers, and recording RMB571.146 billion in outstanding FPA in large investment banking businesses, an increase of 43.76% from the end of the previous year. With a “**park + technology**” approach, the Company fostered new quality productive forces and the technology finance ecosystem chain in the park scenario, serving 127.3 thousand technology finance customers, with a financing balance of RMB924 billion, an increase of 18.47% from the end of the previous year. With an “**energy + technology**” approach, the Company increased support for strategic emerging fields such as new energy, energy conservation and environmental protection, and empowered the transformation and upgrading of the traditional energy industry, serving 31 thousand technology finance customers, with a financing balance of RMB492.449 billion, an increase of 27.95% from the end of the previous year. With a “**auto + technology**” approach, the Company promoted the electrification and intelligent upgrading of the auto industry, strengthened cooperation with mainstream auto enterprises, and continuously extended the coverage of financial services, serving 13 thousand technology finance customers, with a financing balance of RMB224.83 billion, an increase of 10.29% from the end of the previous year.

Technology finance customers

324.5 thousand
14.15%

Financing balance of technology finance

RMB1.74 trillion
17.82%

Balance of technology finance loans

RMB968.916 billion
20.68%



Green + Technology

Serving technology finance customers

29,605

Financing balance

RMB670.5 billion
12.80%



Investment banking + Technology

Serving technology finance customers

1,520

Balance of FPA in large investment banking businesses

RMB571.146 billion
43.76%

The Company built the “1+20+150” operation and management system for technology finance. At the Head Office level, a leading group for technology finance work was established. At the branch level, 20 key technology finance branches and 150 sub-branches focusing on technology finance were designated, forming a dedicated technology finance team. Moreover, the Company deepened implementation of the “region + industry” strategy. Focusing on new quality productive forces, it planned business related to technology enterprises based on the resource endowments of various regions, and focused on expanding customer groups of two types, i.e., leading enterprises in strategic emerging industries and the specialized and sophisticated technology enterprises producing unique and novel products. As at the end of the reporting period, the Company covered 68.5%, 64.8% and 43.5% of national technological innovation & demonstration enterprises, single champions in manufacturing, and specialized and sophisticated technology enterprises producing unique and novel products known as “little giants”, respectively, an increase of 1.9%, 4.1% and 0.6% from the end of the previous year.

The Company improved the “six major” supports for technology finance. It continuously improved the systems of “ecosystem partners, professional research, products and services, risk strategies, assessment and evaluation, and technological support” for technology finance. Specifically, in terms of ecosystem partners, the Company created a “technology finance ecosystem”. With the policy chain, innovation chain, capital chain, industrial chain, and talent chain at the core, it successfully connected with more than 30,000 ecosystem partners including governments, universities, parks, investment institutions, law firms, associations, and service agencies, held more than 60 special campaigns, and established the reputation of the campaign brand “Progressing with Industrial Bank”. In terms of professional research, leveraging its advantages of integrating research, business and risks, the Company enhanced the understanding of the technology industry, continuously strengthened the collaboration of CIB Research and business departments and risk management departments, and developed the “comprehensive knowledge of industries”, “full understanding of customers” and “effective control over risks”. More than 50 special reports on the technology industry, regional technology industry overviews, and evaluation reports on the technology industries of key regions were released on a cumulative basis. In terms of products and services, the Company gave play to its advantages in the “commercial banking + investment banking” model, connected with the technology finance ecosystem, and formed a “1+4+N” product and service system, providing comprehensive financial support for tech enterprises that covered the whole lifecycle, featured all-element development, and laid equal emphasis on direct and indirect financing, and empowering the development of technology finance with differentiated service advantages. In terms of risk review, based on the characteristics of tech enterprises including light assets, heavy R&D investment and high growth, the Company continuously upgraded the technology flow evaluation model to version 5.0, developed an enterprise profile focused on the technological strength of the enterprises, and increased the introduction of differentiated support policies for key customers in the tech sector. During the reporting period, RMB1.11 trillion of credit was approved and RMB393.036 billion was granted through the technology flow evaluation model, with a balance of RMB255.854 billion. In terms of assessment and evaluation, the Company added technology finance assessment indicators, allocated additional financial resources to drive the transformation of sub-branches towards technology finance-focused ones and promote related businesses, and guided the building of satisfactory assets in key technology finance fields such as strategic emerging industries across the Bank. In terms of technological support, the Company provided support for the collaboration between the Head Office and branches to serve technology finance customers through the use of scenario ecosystem platforms and digital tools.



Park + Technology

Serving technology finance customers

127.3 thousand

Financing balance

RMB924 billion
18.47%



Energy + Technology

Serving technology finance customers

31 thousand

Financing balance

RMB492.449 billion
27.95%



Auto + Technology

Serving technology finance customers

13 thousand

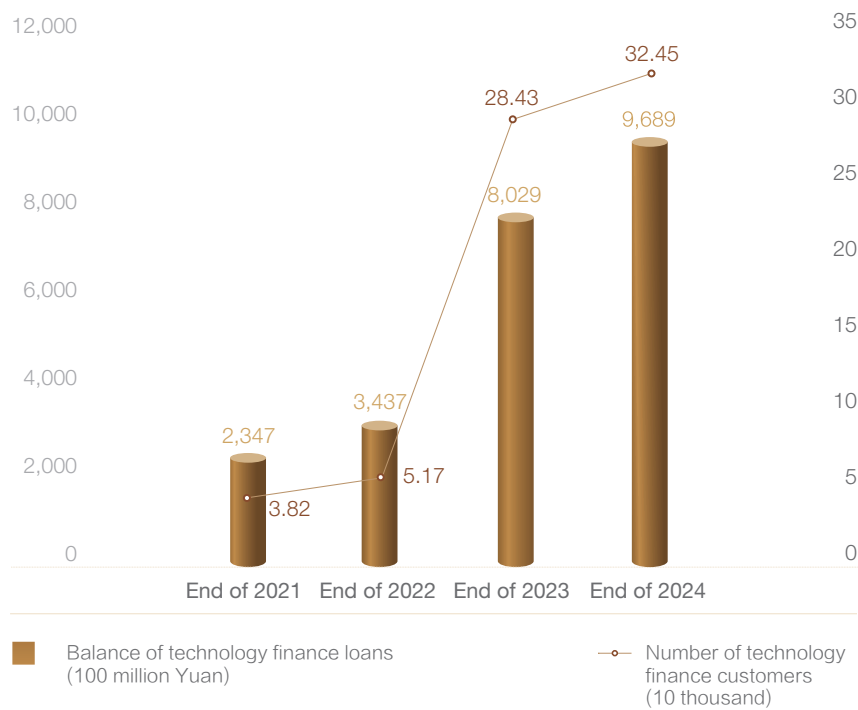
Financing balance

RMB224.83 billion
10.29%

Cooperation coverage with national technological innovation & demonstration enterprises, single champions in manufacturing, and specialized and sophisticated technology enterprises producing unique and novel products known as “little giants”



68.5%, 64.8%, 43.5%



Case 4

Promoting the development of technology finance by integrating commercial banking and investment banking businesses and empowering US-listed private Chinese companies to reshape their values and grow stronger

In recent years, due to geopolitical games, tougher overseas regulations and fluctuations in the capital market, the valuation of Chinese companies listed on the US stock exchanges has been under persistent pressure, resulting in a strong demand for re-valuation among these Chinese companies listed in the US. A certain technology group, as a leading domestic provider of automation and information technology solutions, operates both at home and abroad. Its core products in the industrial automation business, the distributed control system (DCS) and the railway transport automation control system (for high-speed railways and intercity railways), both stay at the forefront in terms of domestic market shares. Dampened by the depressed valuation of US stocks, the enterprise's stock price has been fluctuating in the range of USD10-20 for long, with its P/E ratio far lower than that of its competitors listed in the A-share market. To re-evaluate its value and build a more reasonable industrial collaboration ecosystem, the enterprise intended to be privatized. The Beijing Branch of Industrial Bank keenly captured the enterprise's needs. Relying on the "commercial banking + investment banking" 2.0 strategy, it tailored a whole-process privatization solution for the enterprise, empowering the enterprise to navigate the difficulties and seize the opportunities in the complex capital market environment.

Coordinating efforts to build a technology finance service matrix. The project involved a complex transaction structure and needed to meet the compliance standards of both US and Chinese regulators, facing many challenges while being advanced. The Beijing Branch gave full play to the professional advantages of its "commercial banking + investment banking" model, integrated internal and external resources, and collaborated with the Investment Banking Department of the Head Office, the Hong Kong Branch, CIB Research, and external law firms to establish a special task force, forming a service matrix featuring coordination among the front, middle and back offices and linkage between domestic and overseas regions, which was highly recognized by the buyer. **First, the agile and secure cross-border linkage.** Relying on its international financial service experience and geographical advantages, the Hong Kong Branch closely cooperated with the Beijing Branch, achieving real-time information sharing and efficient business coordination between domestic and overseas regions, opening up the channels for cross-border capital flows and business connection, and ensuring the compliant and rapid progress of cross-border business. **Second, the intelligent and efficient response system.** By using big data and AI, among other means, the Beijing Branch tracked the transaction progress in real time, accurately monitored cross-border funds, and ensured the security of funds. Leveraging the intelligent risk assessment and decision-making support system, it ensured that the project advanced smoothly with risks brought under control. Through the technology finance service platform, it provided whole-process financial support for the enterprise's R&D input and intellectual property rights conversion, etc. **Third, the capabilities to provide services for the whole M&A chain.** In addition to funding the M&A project for the enterprise, it also leveraged the industry research capabilities of CIB Research, providing technical judgment and risk warning for the project, and assisting the enterprise in making scientific decisions during the privatization process. Also, from perspectives including the development trends of the technology industry and the paths of technological innovation, it provided suggestions on the strategic planning of industrial collaboration and technological innovation for the enterprise after privatization. In July 2024, the Beijing Branch granted M&A loans worth about RMB7.5 billion to the enterprise. The project marked the first bidding-type privatization business in the market that involved no management participation and was initiated by an external buyer group, creating a new model for empowering the return of US-listed Chinese companies through technology finance.

Deepening cooperation and diversifying services under the "commercial banking + investment banking" model. Through the privatization project, the Company drove the technology finance services through both commercial banking and investment banking, and realized diversified cooperation with customers. As at the end of the reporting period, the two parties had carried out extensive cooperation in M&A loans, traditional deposits and loans, supply chain finance, foreign exchange transactions, and payroll agency, driving an increase of nearly RMB4 billion in liabilities and providing payroll agency services for more than 4,000 people. In addition, the Beijing Branch actively explored the path of linking corporate banking and retail banking businesses, and customized a financial service solution for the employees of the enterprise, such as entrepreneurship loans for technology talents and exclusive wealth management products for high-caliber talents, further expanding the service channels.

The project served as a replicable model for Industrial Bank to empower tech enterprises in going global, cross-border M&A and other businesses. During the reporting period, Industrial Bank granted RMB190.762 billion of loans to M&A business, with the balance reaching RMB246.085 billion at the end of the reporting period and ranking first among joint-stock commercial banks. It actively seized major projects in the market, financing the biggest market-oriented M&A project (Yingde Gases) in China, the biggest M&A project in the home furnishing industry (Kuka) and the biggest privatization project of a Hong Kong-listed company in the healthcare field (Sciclone Pharmaceuticals), etc., which continuously enhanced its market influence.

Case 5

Leveraging the “Xingsu Loan” online financing product to promote sci-tech innovation, inclusive finance and industrial zone finance

In recent years, with the focus on sci-tech innovation, Anhui Province has accelerated the fostering of the industries functioning as new drivers of economy, unleashing a wave of development for early-stage tech startups. How to help sci-tech innovation enterprises settle in parks and conduct operation has become an urgent problem to be addressed by the government. The Hefei Branch of Industrial Bank made promoting the “Xingsu Loan”, an online financing tool, a key move to improve the quality and efficiency of services for sci-tech innovation customers. Focusing on the investment promotion of industrial parks, it helped enterprises carry out production and operation in the parks, realizing the coordinated development of technology finance, inclusive finance, and industrial zone finance, and effectively driving the linkage between corporate banking and retail banking businesses.

In a certain science park, the Hefei Branch addressed customer needs in three aspects: First, it met the fixed asset financing needs of the tenant enterprises in the park. Few products targeting the financing needs of enterprises, especially micro and small enterprises, for fixed asset acquisition were available in the local market. The “Xingsu Loan (exclusive for asset purchase)” not only delivered scenario-based services, but also enabled online loan application and approval, effectively addressing the difficult and slow access to funds for small and micro enterprises. Second, the Hefei Branch satisfied the demand of the park developer for rapid investment return. Its loan disbursement to the developer via entrusted payment helped accelerate the recovery of sales proceeds for the developer. Third, it drove the implementation of the government’s investment promotion policies. The Hefei Branch dispatched financial commissioners to the administrative committee of the park, focusing on promoting the “Xingsu Loan” product series, and addressing the diverse financing needs of micro and small enterprises and sci-tech innovation enterprises. That not only assisted the government in investment promotion, but also achieved targeted customer acquisition through the intelligent use of products. Since the Hefei Branch established cooperation with the park, it has acquired more than 60 customers via various channels, and cumulatively granted “Xingsu Loan (exclusive for asset purchase)” to 33 customers, with no non-performing loans ever generated.

The Hefei Branch pioneered the “Science Park Synergy” model, moving beyond the traditional scattered approach to inclusive loan expansion. It centered on the industrial park scenario, and preemptively expanded into the sci-tech industries highlighted by the government in investment promotion. By combining precision marketing with intelligent risk control, it improved marketing efficiency and risk control levels. Meanwhile, it strengthened the linkage among commercial banking, investment banking and private banking, cooperated with tenant enterprises through competitive credit products, and provided financial service solutions integrating payroll agency, credit cards, and equity investment fund deposit, delivering benefits for both itself and the tenant enterprises through all-round financial cooperation. In terms of retail business, through the “Xingsu Loan (exclusive for asset purchase)”, it acquired more than 150 corporate customers in the park for payroll agency services, issuing more than 700 payroll cards, and over 80 deposit cards of gold level and above to senior and middle-level managers of the tenant enterprises, strengthening the cooperation stickiness through the linkage between corporate banking and retail banking businesses. In terms of wealth management, by ensuring standard marketing for “five types of funds”, including the customers’ registered capital, settlement funds, government subsidies, equity investment, and raised funds, it expanded the boundaries of cooperation, driving an increase of nearly RMB300 million in the AUM of various wealth management businesses, achieving shared growth with enterprises.

As at the end of the reporting period, the “Xingsu Loan (exclusive for asset purchase)” of Industrial Bank recorded a balance of RMB5.848 billion, with over RMB7 billion granted in total, serving 1,428 small and micro enterprises in more than 300 industrial parks across the country.

3.3.3.2 Optimizing green finance business

During the reporting period, the Company thoroughly implemented the concept of green development, leveraged its strengths to optimize the green finance business, continuously improved the green finance service system, strengthened brand building to raise its influence at home and abroad, drove the upgrading and development of green finance, and contributed to the building of a beautiful China.

Leveraging its strengths to optimize the green finance business. As at the end of the reporting period, the Company cooperated with 71.8 thousand green finance customers, an increase of 23.14% from the end of the previous year. The financing balance of green finance was RMB2.19 trillion, an increase of 15.88% from the end of the previous year. The balance of green loans totaled RMB967.931 billion, an increase of 19.64% from the end of the previous year; the NPL ratio of green loans was 0.41%, lower than the average level of corporate banking loans, and indicating sound asset quality. Data shows, the green projects funded by the green loans under the PBOC's statistical standards could annually save 10.4972 million tons of standard coal, cut 25.2441 million tons of carbon dioxide emissions, and reduce consumption of 10.8619 million tons of water, delivering sound economic, environmental and social benefits. Specifically, with a **"investment banking + green"** approach, the Company built a green investment banking service system and scaled up green financial services, serving 479 green finance customers, and granting RMB156.266 billion in the green investment banking business. With a **"park + green"** approach, it drove the deeper and sounder development of industrial zone finance ecosystem, providing "intelligence + financing" services for the construction of low-carbon and zero-carbon parks, and promoting the green transformation and upgrading of industries. It served 24,597 green finance customers, with a financing balance of RMB700.567 billion, an increase of 26.02% from the end of the previous year. With an **"energy + green"** approach, it increased support for areas including clean and renewable energy and clean utilization of coal, empowering the low-carbon transformation of the energy structure. It served 22,309 green finance customers, with a financing balance of RMB479.9 billion, an increase of 22.64% from the end of the previous year. With an **"auto + green"** approach, it established a financial service system for the transition to new energy vehicles, and increased green finance services particularly for the mainstream new energy vehicle manufacturers, competitive self-owned auto brands accelerating the transition to new energy vehicles, and supporting auto parts manufacturers at home. It served 1,917 green finance customers, with a financing balance of RMB183.216 billion, an increase of 18.3% from the end of the previous year.



Green finance customers

71.8 thousand
23.14%

Financing balance of green finance

RMB2.19 trillion
15.88%

Balance of green loans

RMB967.931 billion
19.64%



Investment banking + Green

Serving green finance customers

479

Green investment banking business

RMB156.266 billion



Park + Green

Serving green finance customers

24,597

Financing balance

RMB700.567 billion
26.02%



Energy + Green

Serving green finance customers

22,309

Financing balance

RMB479.9 billion
22.64%

Continuously improving the green financial service system. In terms of the organizational system, the “Strategy and ESG Committee” was established under the Board of Directors; the Green Bank Strategy Promotion Working Group was set up at the Head Office level, consisting of various special task forces; the Green Finance Business Committee, dedicated green finance team, and sub-branches focused on green finance were established at the branch level. **In terms of the business system,** the Company deepened the “region + industry” strategy, identified the key industries, key regions and key markets for green and low-carbon development in combination with policy guidance and regional characteristics, and drove the operations through special initiatives. It also clearly specified the responsibilities of the Head Office and branches, marketing guidelines, and business plans. During the reporting period, the balance of green financing in the “carbon reduction” field increased by 19.40% to RMB1.27 trillion, and the balance of green financing in the “pollution reduction” field grew by 16.15% to RMB487.251 billion. The balance of financing for the green and low-carbon transformation of high-carbon industries was RMB192.739 billion, an increase of 45.85% from the end of the previous year. The financing balance of green finance serving the Yangtze River Basin was RMB921.525 billion, and the financing balance of green finance serving the Yellow River Basin was RMB408.986 billion. To date, the Company has achieved strategic cooperation with all the domestic green finance reform and innovation pilot zones; and signed strategic cooperation agreements with the governments in more than 20 areas designated for climate investment & financing and carbon peaking pilot projects. **In terms of the product system,** it leveraged the diversified advantages of the Group, focused on innovation leadership, and continuously improved the green financial product and service system at three levels of “the Group’s diverse products + professional products for carbon peaking and carbon neutrality services + solutions for key industries”. During the reporting period, the Company held a release conference for its upgraded green finance product system jointly with Xinhuanet.com. Centering on the financial service logic of “financing, investment, fundraising, and attracting investment”, it announced the latest green financial product system with “green commercial banking + green investment banking + green retail banking” at the core and supplemented by “green leasing + green trust + green fund”. The Company sped up carbon accounting for financial assets, established a carbon footprint management system, and actively strove for the qualification to participate in carbon trading, with the number of granted carbon reduction-linked loans and sustainability-linked loans increasing by 94.50% from the end of the previous year and the financing size growing by 325.71% from the end of the previous year. **In terms of the research system,** the Company further empowered business with research, and continuously improved the green finance research system integrating policy research, industry research and risk research. It collaborated with CIB Research and CIB Carbon Finance Research Institute, and mobilized professional talents at the Head Office and branches, to promote the orderly operation of the green finance research system. **In terms of the talent system,** the Company took both internal and external resources into account, and pressed ahead with the building of a green finance talent system consisting of “10 leading figures, 100 experts, 1,000 professional talents, and 10,000 applied talents”. **In terms of the collaboration system and policy system,** the Company strengthened implementation, focused on the key aspects of green finance, established and continuously improved the group-wide green finance collaboration system. It further optimized the assessment and evaluation, resource allocation, credit authorization, and inspection and supervision of green finance, to support the high-quality development of green finance.



Auto + Green

Serving green finance customers

1,917

Financing balance

RMB183.216 billion

18.3%

Financing balance in “carbon reduction” field

RMB1.27 trillion

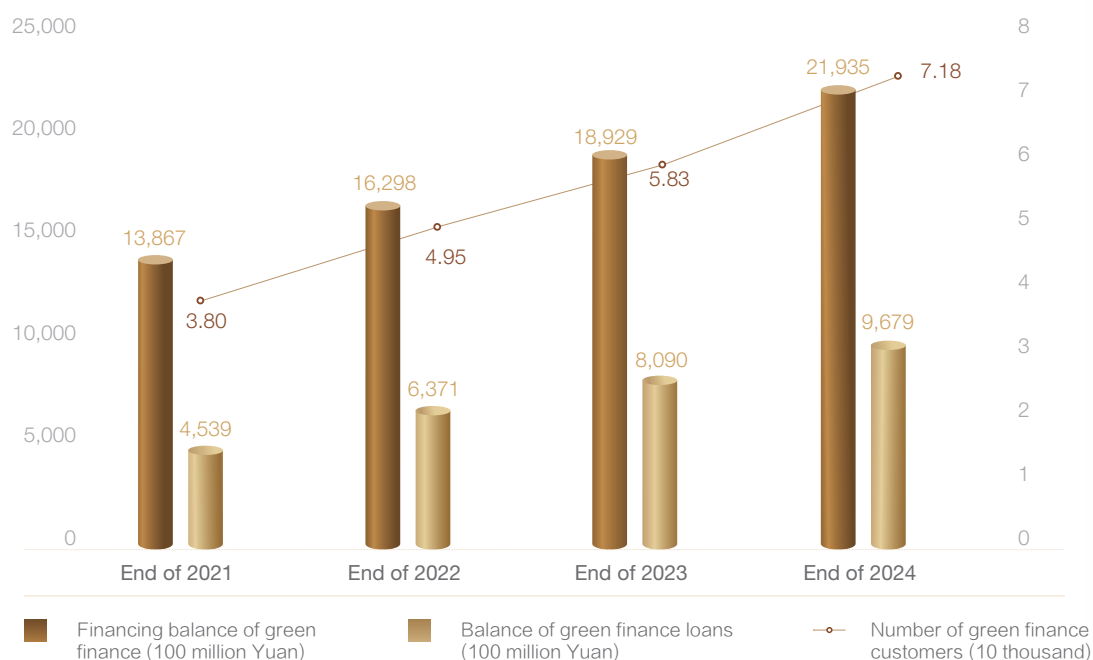
19.40%

Financing balance in “pollution reduction” field

RMB487.251 billion

16.15%

Strengthening brand building to raise its influence at home and abroad. By relying on its remarkable expertise as a green bank, the Company has won widespread acclaim from all sectors of society in terms of green finance and ESG. Its MSCI ESG rating was upgraded from AA to AAA, making it the only bank at home honored with the highest rating for six consecutive years. It was named as an “Advanced Unit in Green Bank Evaluation” by the China Banking Association for the fifth consecutive time. It won 17 national or other important awards, including the Third Prize of PBOC’s Fintech Development Award, the IFF Global Green Finance Innovation Award, and the GIP Outstanding Contribution Award.



Case 6

Activating carbon assets and promoting the innovation and development of carbon finance jointly with enterprises

Amid the intensification of global climate change and the further advancement towards China's carbon peaking and carbon neutrality goals, the green and low-carbon transition across the society has become a major force driving high-quality development and the modernization featuring harmony between humanity and the nature. The transition has raised the bar for industrial restructuring, energy system upgrading, and technological innovation breakthroughs, while creating new scenarios for financial institutions to play their role in resource allocation. As a pioneer in green finance, Industrial Bank, based on its own positioning and competitiveness, has actively supported the development of national and regional carbon trading markets, and innovatively launched diversified, professional and refined comprehensive carbon financial services based on enterprise demands for carbon assets, carbon sinks and carbon transactions, so as to provide high-quality financial supply for the comprehensive green transition of the economy and society and the building of a beautiful China, and offer strong support for peaking and neutralizing carbon emissions.

The Wuhan Branch grants China's first loan linked to the "ChinaCRC -Industrial Bank National Carbon Market Carbon Emission Quota Spot Pledge Price Index"

The national carbon trading system, composed of the national carbon market and the national voluntary greenhouse gas emission reduction trading market, is of great significance for mobilizing all sectors of society to transition towards green and low-carbon development. Enterprises participating in carbon trading often face problems such as the lack of market price reference for carbon allowances and the difficulty in activating carbon assets. This not only makes it difficult for enterprises to access funds, but also dampens the activity of the carbon market. As a response, Industrial Bank, in collaboration with the national carbon emission permit registration institution (China Carbon Emissions Registration and Clearing Co., Ltd.), has developed the "ChinaCRC -Industrial Bank National Carbon Market Carbon Emission Allowance Spot Pledge Price Index", to reflect the overall level and changing trend of the spot pledge valuation of carbon emission allowances in the national carbon market, and provided diversified and integrated carbon financial services such as carbon asset pledge loans and carbon sink pledge loans, to effectively support enterprises in implementing low-carbon transition strategies. In addition, the index also serves as a pricing basis for carbon financial businesses, further promoting the positive interplay between carbon emission reduction and the development of the carbon market.

Take the Wuhan Branch of Industrial Bank for example. The Wuhan Branch successfully granted China's first loan linked to the "ChinaCRC -Industrial Bank National Carbon Market Carbon Emission Allowance Spot Pledge Price Index", which totaled RMB10 million. The financed enterprise is a regionally leading enterprise in Huangshi City that uses scrap aluminum to produce aluminum profiles and has been put on the list of enterprises with carbon emission permits in Hubei Province. With reference to the carbon emission allowance price index, the Wuhan Branch provided financing support to the enterprise specifically for the purchase of carbon allowances, helping the enterprise seize the opportunities brought by carbon price fluctuations and maximize asset value through carbon trading when seeing a shortage or surplus of carbon allowances.

The Shenzhen Branch launches the first innovative carbon sink financing project for mangrove protection

Relying on its deep expertise accumulated in the field of carbon finance, Industrial Bank creatively designed a "Blue Carbon" financial service solution. "Blue carbon" means marine carbon sink, or the sequestration of carbon dioxide in the marine ecosystem. It is an important way to achieve carbon neutrality through carbon sink enhancement. During the reporting period, the Shenzhen Branch of Industrial Bank launched the first carbon sink pledge financing project for mangrove protection in Shenzhen, successfully activating more than 3,800 tons of carbon sinks. This solution filled the last link of the "blue carbon" trading chain, realizing a complete closed loop from development and confirmation of permits to trading and application, motivating enterprises to participate in mangrove protection and carbon sink development, promoting the effective utilization and value appreciation of carbon sink resources, and driving the transformation of ecological resources into ecological capital and ecological dividends.

During the reporting period, Industrial Bank implemented 23 carbon asset pledge financing projects that involved RMB2.543 billion in total, to provide strong support for enterprises' low-carbon transition through diversified financial tools, and deliver both economic and environmental benefits.



Case 7

ESG-based “finance + non-finance” integrated services

In recent years, China has continuously improved the policy system for carbon peaking and carbon neutrality. As a key area where energy conservation and carbon reduction are needed, the chemical industry faces the risks of significant changes in the industrial structure, raw material structure and energy structure under the pressure of carbon reduction. Meanwhile, as the ESG investment concept is increasingly incorporated into mainstream investment strategies, the capital market pays great attention to the ESG-related performance of enterprises, making the green and low-carbon transition an inevitable choice for chemical enterprises. Take a certain energy joint-stock company which is a leading private enterprise in China's petrochemical field for example. It started with liquefied petroleum gas (LPG) trading, and now stays ahead globally by LPG trading volume. In 2023, for more business opportunities and lower overseas financing costs, its overseas subsidiaries needed to provide a sustainability report during overseas operations and financing. Since it neither established a systematic ESG management framework nor disclosed ESG information, it could not respond to the ESG issues that its stakeholders were concerned about in an effective and timely manner.

Learning about the enterprise's needs, the Suzhou Branch of Industrial Bank promptly established a task force. By collaborating with the Head Office and CIB Research, and adopting the one-stop nationwide service model, it provided the enterprise with a systematic sustainability management solution in a timely, flexible, and efficient manner. **First**, it assisted the enterprise in building an ESG management framework, evaluating and screening ESG issues, and determining materiality issues. **Second**, it visited the enterprise's production base for interviews and research, to achieve two-way communication of ESG information. **Third**, it benchmarked against the excellent practices of domestic and foreign peers and established an ESG information disclosure framework. **Fourth**, it prepared an ESG information disclosure report with reference to internationally leading practices and the latest regulatory guidelines, and developed a proposal on how to improve ESG strategic management. **Fifth**, it provided supporting financial service products to help the enterprise further enhance the quality and efficiency of ESG management.

By providing the “finance + non-finance” integrated ESG services, the Suzhou Branch effectively eliminated the ESG barrier facing the enterprise. **First, the enterprise's ESG management capabilities improved steadily.** Thanks to two consecutive years of consulting and management services provided by the Suzhou Branch, the enterprise gained deeper understanding of domestic and international sustainability information disclosure rules, identified materiality ESG issues, and gradually established an ESG management framework. **Second, the enterprise's comprehensive financing cost decreased significantly.** The enterprise's Wind ESG rating was upgraded from BB to BBB, and its industrial ranking soared from the 86th place out of 118 to the 8th place out of 112. Its improving ESG performance effectively lowered its financing cost.

The project earned the Suzhou Branch high recognition from the enterprise, and resulted in deeper bilateral cooperation. As at the end of the reporting period, the daily average deposit of the enterprise at the Suzhou Branch in both domestic and foreign currencies was RMB432 million, an increase of 19.81% from the end of the previous year; the financing amount was RMB2.033 billion, an increase of 65.87% from the end of the previous year. This drove a significantly growth in the operating income of the Suzhou Branch.

Based on its expertise and service experience related to the project, the Head Office of Industrial Bank headed the formulation of the ESG Integrated Service Solution to provide enterprises with one-stop “finance + non-finance” ESG services. The Company has gradually forged an influential brand of integrated financial services, and carried out cooperation with many listed companies on ESG management. It will remain guided by the sustainability concept of “integrating righteousness with profit” and “seeking profit through righteousness”, promote the green development of the economy and drive win-win outcomes for both itself and enterprises.

3.3.3.3 Driving inclusive finance business with solid efforts

During the reporting period, the Company adhered to the concept of an open bank and leveraged its strengths to drive inclusive finance with solid efforts. Under the main theme of “putting products online and digitalizing scenarios”, it continuously refined the “Industrial Bank Inclusive Finance” platform, introduced new inclusive scenarios and products, optimized financial services for rural revitalization, and drove the high-quality development of inclusive finance.

Leveraging its strengths to drive inclusive finance with solid efforts. As at the end of the reporting period, the balance of inclusive loans to small and micro enterprises was RMB555.932 billion, an increase of 10.97% from the end of the previous year, and the NPL ratio was 1.09%. The Company actively facilitated the implementation of the financing coordination mechanism in support of small and micro enterprises, and granted over RMB90 billion in loans. The Company had 2,097 outlets, an increase of 12 from the end of the previous year, including 1,105 comprehensive sub-branches, an increase of 21 from the end of the previous year, and 827 community sub-branches, a decrease of 9 from the end of the previous year. During the reporting period, the average interest rate on newly issued inclusive loans to small and micro enterprises was 3.53%; the number of small and micro enterprises receiving inclusive loans was 255.2 thousand, an increase of 10.03% from the end of the previous year. Specifically, with an **“industrial park + inclusive finance”** approach, the Company, based on the industrial park ecosystem, served 27.8 thousand inclusive finance customers, and recorded RMB119.115 billion in loan balance, an increase of 28.31% from the end of the previous year. With a **“technology + inclusive finance”** approach, the Company targeted the new quality productive forces, and served technology-focused small and micro enterprises at an earlier stage and of a smaller size.

Continuously optimizing the inclusive finance service system. In terms of policy support, the Company set up a special credit process for small and micro enterprises different from that for large and medium enterprises, and launched a green loan channel to improve service efficiency; it refined the loan renewal model, and improved the features of loan renewal products, to enhance the financing services for small and micro enterprises; it offered certain subsidies for inclusive loans to small and micro enterprises to boost the enthusiasm of frontline staff for marketing and outreach; it included the inclusive loan indicators into the assessment system, and defined special assessment indicators for inclusive loans to small and micro enterprises, to give full play to the guiding role of assessment and support the high-quality development of inclusive finance. **In terms of the product system,** the Company enhanced both online and offline products. It continuously enriched the “Xingsu Loan” product system, pushed the products online, and gradually built an online financing product system of “Xingsu Loan”, consisting of “Xingsu Loan (exclusive for tax loans)”, “Xingsu Loan (exclusive for asset pledge)”, “Xingsu Loan (exclusive for black gold private banking customers)”, etc., to further improve the availability and accessibility of inclusive loans for small and micro enterprises. The Company accelerated the development of various scenarios in an all-round way, and promoted the digitalization of scenarios. It fully considered the transaction modes and settlement characteristics of the industrial chains and supply chains in various regions, focused on core corporate customers and key industries, and explored new scenarios and new business forms. Through scenario integration and data introduction, it collected trading data such as capital flows, material flows and information flows, painted precise customer profiles, actively met the differentiated financial needs of small and micro enterprises on the chain, and continuously improved the alignment between capital supply and economic activities. It kept up with market orientation, and drove the continuous iteration of offline products. It upgraded the “Industrial Plant Loan”, to address the financing needs of physical enterprises for the purchase and construction of plants; it

Balance of inclusive loans to small and micro enterprises

 RMB**555.932** billion
10.97%

Number of small and micro enterprises receiving inclusive loans

 **255.2** thousand
10.03%

 Industrial park + Inclusive

Serving inclusive finance customers

27.8 thousand

Loan balance

 RMB**119.115** billion
28.31%

Registered users of “Industrial Inclusive” platform

 **384.5** thousand
115.81%

Since its inception, the platform has cumulatively met financing needs of

 RMB**395.502** billion
46.91%

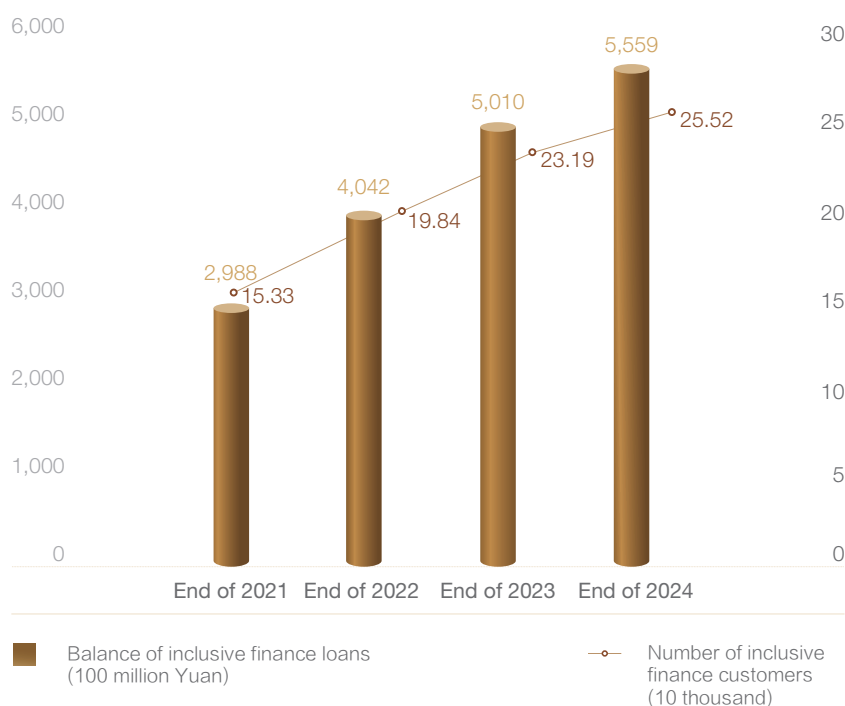
promoted the “Lianlian Loan” for small and micro enterprises to effectively reduce the financial costs of enterprises. As at the end of the reporting period, the balance of competitive products both online and offline, such as the “Industrial Plant Loan”, “Lianlian Loan” and “Xingsu Loan (exclusive for credit enhancement)”, and “R&D Loan for Tech Enterprises”, exceeded RMB73 billion, strongly supporting the development of small and micro enterprises. **In terms of platform development**, the Company refined the “Industrial Bank Inclusive Finance” platform by adopting the model of “standardized and scenario-based operation + key branches”, to build the platform into an important channel for customer acquisition in the inclusive finance business. As at the end of the reporting period, the “Industrial Bank Inclusive Finance” platform had 384.5 thousand registered users, an increase of 206.3 thousand, or 115.81%, from the end of the previous year; since its inception, the platform has cumulatively met financing needs of RMB395.502 billion, an increase of RMB126.286 billion, or 46.91%, from the end of the previous year. **In terms of serving rural revitalization**, the Company leveraged the financial commissioner mechanism and fintech means to develop featured financial services for rural revitalization focused on the development of specialized market scenarios, national geographical indications, and the integrated development of urban and rural areas. Using financial commissioners, IoT and satellites, the Company bridged the last-mile gap in rural financial service, effectively empowering rural revitalization. As at the end of the reporting period, the balance of agriculture-related loans under the new statistical standards was RMB539.467 billion, an increase of 11.55% from the end of the previous year; the balance of inclusive agriculture-related loans was RMB69.419 billion, an increase of 23.78% from the end of the previous year.

Balance of agriculture-related loans under the new statistical standards

RMB539.467 billion
11.55%

Balance of inclusive agriculture-related loans

RMB69.419 billion
23.78%



Case 8

Empowering merchant financing in agricultural product wholesale markets with technology and promoting the development of inclusive finance

Agricultural product wholesale and retail markets are crucial to the circulation of agricultural products. Most merchants are self-employed individuals. Operating on a small scale and lacking effective guarantee, they face difficulty and high cost in financing, and expect banks to provide convenient and efficient financing products to empower their business development. Therefore, Industrial Bank built an online financing platform, and launched the online financing product "Industrial Business Flash Loan (exclusive for agricultural product wholesale and retail markets)" specifically for merchants in agricultural product wholesale markets.

Take the Jinan Branch of Industrial Bank for example. Leveraging this product, the Jinan Branch actively advanced the access to agricultural product wholesale and retail markets. Through in-depth cooperation with market operators, it selected high-quality customers in the markets to ensure precise reach of targets. With their information imported into the Jinan Branch's whitelist, the merchants with financing needs could directly apply for loans via the mobile banking app on their own. Based on credit instead of guarantee, the loans were approved and granted online, greatly improving the service efficiency and customer satisfaction. As at the end of the reporting period, the "Industrial Business Flash Loan (exclusive for agricultural product wholesale and retail markets)" had been implemented in 13 agricultural product wholesale markets across Shandong Province, benefiting 98 merchants, and recording a business balance of RMB74 million, a surge of 270% from the end of the previous year. At the same time, the Jinan Branch further expanded the coverage of cooperation with key agricultural product wholesale markets in the province, accessing 29 agricultural product wholesale markets within its jurisdiction, and providing comprehensive financial services such as acquiring and wealth management for merchants to meet their needs for settlement and wealth preservation and appreciation. To date, the loan customers have driven the annual trading volume of effective acquiring to RMB20.6076 million, including 28 retail customers at the core level and above and nine at the VIP level and above, and recording a daily average comprehensive financial asset of RMB5.5777 million. In addition, through the linkage of corporate banking and retail banking businesses, the Jinan Branch provided financing services such as operating property loans for the operators of two agricultural product wholesale markets, approving RMB670 million of credit exposure and granting RMB261 million of loans in total. While meeting the financing needs of the market operators, it also enhanced customer stickiness.

The successful operation of the "Industrial Business Flash Loan (exclusive for agricultural product wholesale and retail markets)" helped Industrial Bank build a stable customer base of SMEs in agricultural product wholesale and retail markets. Also, it effectively addressed the pain points of difficult, expensive and slow access to funds in the field of agricultural product circulation, reflects the deep empowerment of financial institutions to the real economy, demonstrates Industrial Bank's performance of social responsibility by acting on the rural revitalization strategy, and injects sustainable financial momentum into the endeavors to keep the main channels of agricultural product circulation accessible and safeguard people's livelihood. As at the end of the reporting period, the outstanding "Industrial Business Flash Loan (exclusive for agricultural product wholesale and retail markets)" was RMB3.293 billion, increasing by 101.59% from the end of the previous year, and providing personal business loan services to more than 3,200 customers.

Case 9

Exploration and practice of digital risk assessment in inclusive finance business

Among the upstream and downstream partners of a leading trading company, many small and micro enterprises face difficult and slow access to funds. On the one hand, due to the widespread lack of collaterals and opaque financial information among small and micro enterprises, there is a significant information asymmetry between banks and these enterprises, making risk assessment particularly challenging for banks. On the other hand, enterprises rely mainly on traditional offline channels for financing services, which involves lengthy application and review processes, with the financing efficiency too low to meet their needs of business development.

Based on long-term exploration and practice, Industrial Bank gathered data from multiple external sources, leveraged its algorithmic strength, and pioneered the “3+N+X” standardized risk assessment system for inclusive finance featuring multi-source integration, multi-model combination and multi-level collaboration. Relying on the system, Industrial Bank built a solution package for the upstream and downstream of trading enterprises to achieve fast online financing. While precisely preventing and controlling risks, it also expanded the coverage of financial services, enhanced the availability and timeliness of loans for small and micro enterprises, and promoted the high-quality development of inclusive finance. With this innovative solution, Industrial Bank successfully helped five downstream customers of the trading enterprise obtain financing of RMB14 million. To date, no non-performing loans have occurred in the financing business based on the model.

The solution moved the inclusive finance business model from offline to online, providing customers with convenient and efficient financing solutions and rapidly boosting the coverage and efficiency of inclusive finance services. As at the end of the reporting period, the solution recorded over RMB200 billion of loans granted in total, effectively improving the financing efficiency of enterprises and driving the cost reduction and efficiency improvement of banks. The solution stood out from the works presented by 120 teams from all over the country in the national final of the 2024 “Data Elements ×” Competition jointly sponsored by ministries and commissions including the National Data Administration, and won the third prize for financial services. Industrial Bank was the only joint-stock commercial bank winning the award.

Relying on the online financing system for inclusive finance business, Industrial Bank established a mechanism linking corporate banking and retail banking businesses and effectively drove their coordinated development. The project helped provide more targeted and efficient financial services for private enterprises, optimized the allocation of financial resources, and offered timely support for the real economy. Industrial Bank continued to fulfill its mission of serving people’s livelihood and empowering common prosperity, providing strong financial support for the high-quality development of the economy.

3.3.3.4 Deepening pension finance business

During the reporting period, in active response to the national strategy for addressing population aging, the Company leveraged its strengths to deepen pension finance business, and released the “365” Action Plan of Industrial Bank for Pension finance, to promote the coordinated development of the three major segments of pension finance, i.e., pension fund finance, pension service finance, and pension industry finance.

Leveraging its strengths to deepen pension finance business. As at the end of the reporting period, the Company recorded 6.2745 million personal pension accounts, ranking high in the industry. The accounts of customers aged 50 and above numbered 27.1036 million, an increase of 12.03% from the end of the previous year; the comprehensive financial assets exceeded RMB1.87 trillion, an increase of 8.09% from the end of the previous year. The total balance of financing serving the pension industry was RMB104.703 billion, an increase of 10.56% from the end of the previous year. Thirteen business institutions of the Company were named the national “Civilized Unit for Respecting the Elderly”, staying at the forefront among commercial banks. With a “wealth + pension” approach, the Company introduced and promoted businesses including personal pension products, commercial pension products, and pension annuity insurance, to advance the development of the third pillar of the pension system. It continuously increased the investment options of pension accounts, and enriched pension tools for retail customers, to improve the customer experience with pension financial services.

Number of personal pension accounts

6.2745 million

Number of accounts of customers aged 50 and above

27.1036 million
12.03%

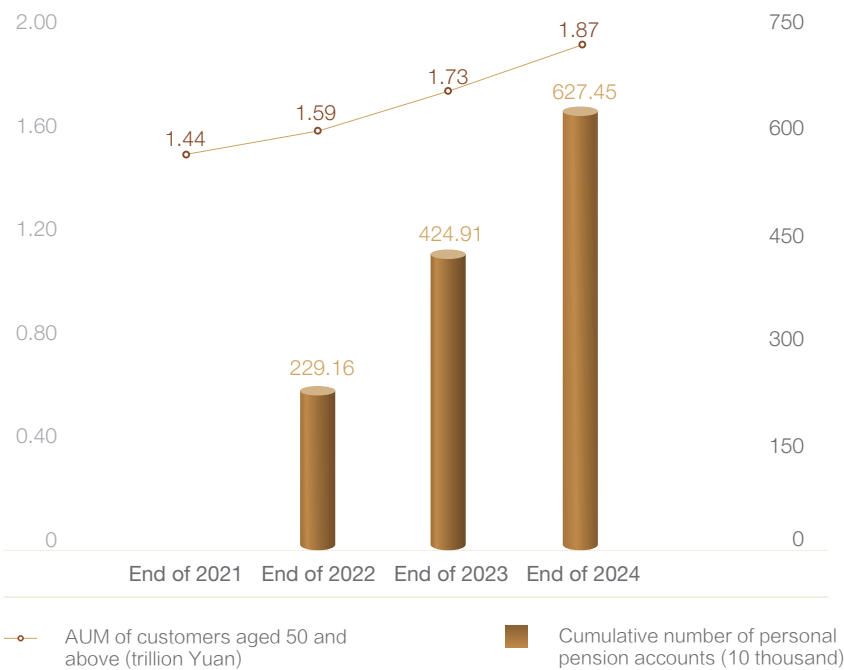
Comprehensive financial assets exceeded

RMB1.87 trillion
8.09%

Total balance of financing serving the pension industry

RMB104.703 billion
10.56%

Driving the coordinated development of the three major segments of pension finance. The Company consolidated the “three pillars” of pension fund finance in all aspects. Relying on nationwide institutions, it worked to obtain more qualifications for issuing financial social security cards, actively developed compensation & benefit-like annuity business, and continuously promoted the development of personal pension business. During the reporting period, the Company saw eight more branches obtain the qualifications for issuing social security cards, and launched an innovative online personal pension investment consulting service, with the number of personal pension products remaining at the forefront of the industry. **The Company kickstarted the building of the pension service finance system in an all-round way.** Centering on the entire lifecycle of customers, it identified the different needs at the pre-retirement and retirement stages, and comprehensively advanced the building of a retail customer service system covering accounts, strategies, services, outlets, teams and platforms. It launched smart pension accounts, established a “123+” pension wealth management system, and refined “finance + non-finance” value-added services. It set up 85 pension finance service centers across the country, implemented a pension finance talent cultivation plan, set up the first team of pension finance planners, and built exchange platforms jointly with industrial peers to expand its brand influence. **The Company fully supported the development of pension industry finance.** It initially established a six-in-one pension industry finance system, and strengthened comprehensive capabilities in six aspects, i.e., research, assessment, talent, products, scenarios and brands. It deepened cooperation with the focus on key regions. For example, it hosted the Pension Industry Finance Development Conference in Guangxi, and deepened pension industry finance services on all fronts through strategic cooperation with local governments.



Case 10**Facilitating the high-quality development of regional pension finance**

According to the data from the Chongqing Municipal Bureau of Statistics, as at the end of 2023, local population aged 60 and above accounted for 24.00%, making Chongqing one of the provinces (municipalities under the central government) with the highest degree of aging in the country. Amid the accelerated ageing of the society, the Chongqing Branch of Industrial Bank actively implemented the Head Office's strategy for the development of pension finance, and worked to build a closed-loop ecosystem that incorporates pension fund finance, pension service finance and pension industry finance in light of local conditions, to explore an innovative path for the integration of financial services and social values.

The Chongqing Branch laid the foundation for the development of pension fund finance. Upholding a strategy integrating accounts, scenarios and services, the Chongqing Branch, with the personal pension account as an entry-level product for pension finance, further provided value-added services such as wealth management planning for customers, and supported the pre-retirees in pension savings and wealth management planning. As at the end of the reporting period, the Chongqing Branch recorded nearly 200,000 personal pension accounts with over RMB60 million in deposits, and 10 of its outlets were certified as "Social Security – Banking Cooperation Outlets" by the local human resources and social security authority. Through customer profiles, it identified the differentiated needs of "active elderly people" and "fragile elderly people", laying the foundation for subsequent service extensions.

The Chongqing Branch reshaped the service paradigm for pension service finance. Relying on the "Anyu Life" brand, the Chongqing Branch created a localized distinct service system of "Anyu + Social Security". **First**, a pension finance section was launched in its online mini program "Xingxianghui", featuring enlarged font size and simplified operation process. Meanwhile, the "Anyu" hotline 023-88602222 was opened to the public, providing services such as around-the-clock anti-fraud guidance and mobile phone usage consultation to bridge the digital divide for the elderly customers. **Second**, it set up seven pension finance service centers and 31 pension financial service stations offline, which were equipped with 131 pension finance planners to strengthen elderly-friendly financial services. In collaboration with the Chongqing Municipal Civil Affairs Bureau, the Chongqing Anti-Fraud Center, and the Chongqing Banking Association, among others, it carried out themed campaigns, such as the "Industrial Bank Cup" Elderly Care Skill Competition, the "Unite as One to Combat Frauds Targeting Elders" original video competition for elderly customers to prevent and recognize frauds, Anyu Haircutting, Wealth Management and Physiotherapy, and the Elderly University Garden Party, attracting engagement by more than 10,000 customers, and effectively bridging the "last mile" gap of financial services. **Third**, it expanded the application scenarios of the third-generation social security cards. In cooperation with over 20 community canteens, over 200 fresh food supermarkets and over 1,000 featured noodle restaurants, it continuously carried out the "spend to get discount" campaign, embedded financial services into high-frequency consumption scenarios such as the "vegetable basket" and the "rice bag". More than 5,000 people joined the "spend to get discount" campaign, driving an increase of more than 1,200 acquiring merchants and an increase of more than RMB40 million in low-cost deposits. Through the scenario finance + consumption incentive model, the Chongqing Branch built the social security cards into a tie connecting financial services and people's livelihood needs.

The Chongqing Branch fostered growth momentum for pension industry finance. On the industrial side, in order to address the pain points of the elderly care industry, such as a long financing cycle, fragmented assets and difficulty in risk control, the Chongqing Branch established a service system featuring customer-by-customer strategy, green approval channel and whole-lifecycle products and services for key customers. As at the end of the reporting period, the Chongqing Branch recorded RMB3.543 billion in the balance of financing for the elderly care industry, an increase of 48.42% from the end of the previous year, and RMB2.679 billion in the balance of on-balance-sheet loans, an increase of 123.43% from the end of the previous year.

The Chongqing Branch actively promoted the integration of pension finance business and people's livelihood services, successfully building the "Anyu + Social Security" service model that had demonstration effects and can be replicated across the Bank. Pushed by the Head Office, many branches explored distinctive pension finance service models based on local resources, achieving coordinated development of pension finance services, establishing extensive social influence, and setting a benchmark for financial enterprises to serve national strategies and fulfill social responsibilities.

Case 11

Launching Anyu School, an “elderly university at your doorstep” Pioneering a new model of “finance + elderly education”

With the acceleration of population aging, the demand of elderly customers for quality education and convenient learning is growing. However, due to classroom shortages, elderly universities find it hard to expand coverage of the services and for people secure a seat in an elderly university. As a response, the Chengdu Branch of Industrial Bank innovatively launched Anyu School, an “elderly university at your doorstep”, pioneering a new model of pension finance services for customers.

First, the Chengdu Branch cooperated with the Chengdu University for the Elderly to address the short supply of classrooms. Under the cooperation, it offered its own spaces for free and established the “Anyu School”, turning wealth management managers into class advisors, and providing convenient educational services for elderly customers. Meanwhile, the school provided differentiated benefits such as tuition fee exemptions or reductions for Chengdu Branch’s customers. The cooperation pioneered a new model of “finance + elderly education”, driving the student conversion rate to 70%, among whom 60% were VIP customers. **Second, the Chengdu Branch expanded customer acquisition channels through the elderly university.** After learning that elderly universities generally expect students to apply and demonstrate what they learn, the Chengdu Branch integrated “learning at an old age” and “enjoying life at an old age”, and launched a large-scale elderly talent show themed “Anyu Dream Show” jointly with the Elderly University Association. Thanks to the promotion by major media such as Sichuan TV, elderly art groups across Sichuan took active part in the show. As a result, the event connected more than 20 elderly universities, engaged 15,000 elderly people, and directly drove an increase of 12,700 customers. The Chengdu Branch expanded the coverage of its services from elderly students to elderly art groups. **Third, the Chengdu Branch extended service scenarios by multiple means.** It integrated the faculty of the elderly university, set up “Anyu School” in 120 community sub-branch outlets, and introduced the “Anyu School” into elderly care complexes and various types of elderly groups, providing personalized teaching services. Within one year, 700 teaching activities were carried out, covering more than 10,000 customers. At the same time, the Chengdu Branch opened the door to cooperating with more elderly universities in Sichuan: by co-establishing an elderly university campus, the Deyang Branch added the feature of campus access control to the Industrial Bank card, with more than 80% of the elderly university students converted into Industrial Bank’s customers; through batch payment of the tuition subsidies for elderly universities as an agent of the government, a total of 5,000 new debit cards were opened at four elderly universities in Mianyang and Pidu.

The Chengdu Branch won customer trust through sincere services. Through the deep integration of financial resources and educational services, the Chengdu Branch achieved precise reach and in-depth management of the elderly customer group, enhanced the market influence and social reputation of the “Anyu Life” brand, and forged a sustainable ecosystem for the coordinated development of finance and education. As at the end of the reporting period, the Chengdu Branch served more than 1 million elderly customers in total, and managed comprehensive financial assets exceeding RMB55 billion.



3.3.3.5 Promoting Digital Finance Business

During the reporting period, the Company adhered to the strategy of “Reinvigorating the Bank through Technology”, taking serving the real economy as its fundamental purpose, and integrating “Digital Industrial Bank” with digital finance. It consolidated the information technology foundation, improved the digital operation level, promoted higher quality and efficiency of financial services, drove the development of “five priorities” of the financial sector, and facilitated digital industrialization and industrial digitalization.

Consolidating the information technology foundation. Upholding the “enterprise-level” concept and the “standardized” method, the Company deepened the integrated development of Digital Industrial Bank and digital finance. It pressed ahead with the reform of the science and technology institutions and mechanisms, and strengthened the unified management of science and technology. It maintained stable investment in science and technology, focused on the introduction of high-level talents in key fields such as AI and cloud native, strengthened the integration of business and technology, built a training system for technology application-oriented talents, and fostered a cultural atmosphere for all employees to learn, use and understand technology. It hosted the “Xinghuo Technology Forum”, attracting more than 20,000 participants. The “Xinghuo • Liaoyuan” Innovation Marathon Competition has become a core event in the financial track of the Digital China Summit • Digital China Innovation Contest, providing new ideas and solutions for the virtuous cycle of “technology – industry – finance”. The Company strengthened the governance of the enterprise-level architecture, advancing the pilot project of the collaboration between the Head Office and branches on enterprise architecture, releasing nearly 80 enterprise-level

architecture component capabilities, and driving the upgrading of the distributed core business system and the old architecture system to the enterprise-level architecture. The Company continuously optimized the innovation mechanism, with the large language models achieving remarkable results in more than 70 scenarios such as risk control and investment research, and successfully incubating and promoting a number of digital-physical integration applications, such as the “Xing Xiao’er” bond trading robot. The Company advanced the whole-process data governance and enterprise-level data service capabilities, managing more than 10,000 data indicators, and handling an average of more than 10.5 million service requests per day. The Company kickstarted construction of the data center in Guian New Area based on the standards for green data centers, forming a multi-place, multi-center and multi-active computing power layout.

Improving digital operation. Through organizational reforms, the architecture of a digital operation system initially took shape. Based on the centralized digital operation capabilities of the Head Office, the Company built a digital marketing middle office, explored the remote operation mode with mobile banking and the five major online platforms as the main channels, and achieved intelligent and efficient online operation centering on the data-driven strategy. Its mobile banking recorded 62.7885 million effective customers, an increase of 11.97% from the end of the previous year. Its enterprise WeChat account served 9.68 million customers, and a total of 67.11 million service requests were handled remotely. Remote digital operation saw 150 marketing scenarios built, reaching 69.3875 million customers in total. The AUM of retail business increased by RMB109.83 billion, and 2.0371 million retail customers across different tiers were upgraded to higher ones.



Empowering financial services for higher quality and efficiency. In terms of fintech, the Company upgraded the “technology flow” evaluation system to enhance the accessibility of financing for tech enterprises. It introduced patent value evaluation data, and promoted the online IPR pledge evaluation system, saving evaluation costs while improving service efficiency.

In terms of green finance, through the integration of digital and intelligent operation and green development, the Company drove the green and low-carbon transition of key industries. It independently developed the “Carbon Peaking and Carbon Neutrality Platform”, opening “carbon accounts” for 16.8 thousand corporate customers and 2.4573 million retail customers. Based on the corporate carbon accounts, it further launched carbon reduction-linked and carbon asset-pledged projects, providing effective support for carbon finance innovation and carbon asset trading. In addition, the Company stepped up services for public utilities such as water conservancy and water affairs, gas supply, and centralized heating. Through direct bank-enterprise connections, WeChat, Alipay and other channels, the Company carried out withholding and payment services, expanding the scenarios of green finance services.

In terms of inclusive finance, relying on the “Smart Market System”, the Company built a variety of service models for governments, businesses and consumers. As at the end of the reporting period, the Smart Market System had been implemented in 173 professional markets, connecting to 400 agricultural product wholesale markets, and recording over RMB22 billion in outstanding financing balance across all scenarios. The Company introduced the satellite remote sensing monitoring project to 18 branches in 14 provinces. Leveraging IoT and AI technologies, it developed a digital supervision platform for biological assets, achieving remote monitoring of the indicators of living collaterals, significantly improving the post-loan monitoring capability and effectively activating the biological assets of breeding enterprises. The digital supervision platform was honored with the Digital Intelligence Baijing Award in the Artificial Intelligence Track of the 2024 Digital China Innovation Contest, and listed as an “Excellent Case of Financial Services for Rural Revitalization in the Financial Sector”. **In terms of pension finance,** the Company built the pension finance section and personal pension section in mobile banking into the main channels to provide customers with online services, serving 8.4337 million customers in the year. It kept online elderly-friendly service channels unimpeded, with the “Anyu Edition” of mobile banking and the customer service hotline 95561 serving 2.7154 million customers in the year, helping elderly consumers bridge the digital divide.



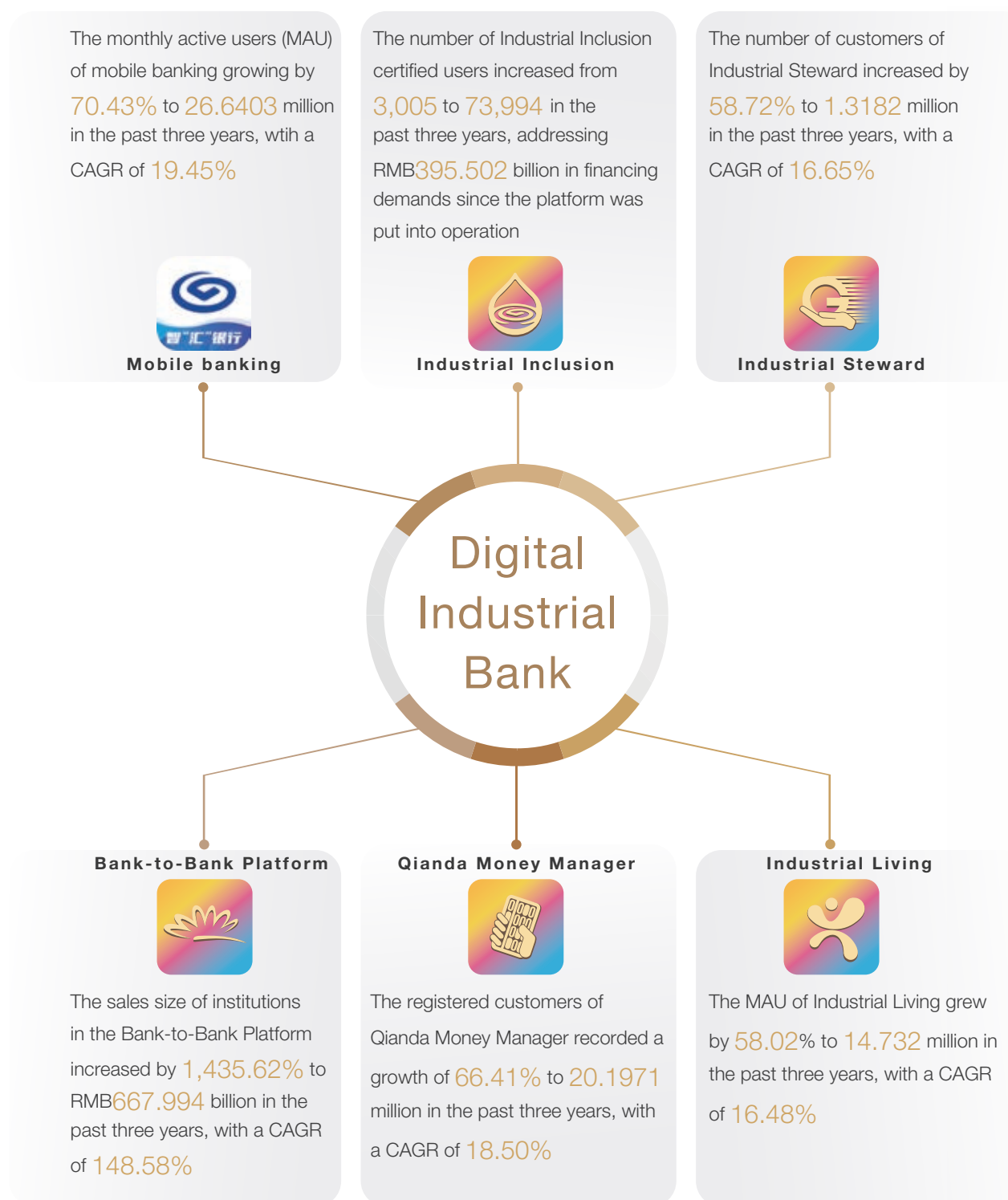
Independently developed the “Carbon Peaking and Carbon Neutrality Platform”, for **16.8** thousand corporate customers and **2.4573** million retail customers opening “carbon accounts”



Smart Market System had been implemented in **173** professional markets, connecting to **400** agricultural product wholesale markets, and recording over RMB**22** billion in outstanding financing balance across all scenarios. Introduced the satellite remote sensing monitoring project to **18** branches in **14** provinces.



The pension finance section and personal pension section in mobile banking serving **8.4337** million customers in the year; the “Anyu Edition” of mobile banking and the customer service hotline 95561 serving **2.7154** million customers in the year



Case 12

Empowering the withholding and payment business through technology to consolidate the anchor for retail business

The retail withholding and payment business serves as a major channel for banks to obtain settlement deposits. With the increasing upgrading of customer demands, there is an urgent need for enhancing the retail withholding and payment system in terms of performance, features and service experience. After systematically analyzing the business requirements, the Retail Banking Department of the Head Office of Industrial Bank took the lead in kickstarting the initiative to optimize the withholding and payment services.

First, it renovated the system architecture. It completed the IT upgrading of the unified withholding and payment system, optimizing core features including contract signing, withholding and payment. **Second, it boosted the quality of customer services.** It upgraded the withholding and payment components with the “enterprise-level and standardized” methodology, improving the system’s scalability, and enhancing branches’ capability to connect with customers through standardized access and exit services. It upgraded the payment & billing system, improving the closed-loop online journey of payment for retail customers and bookkeeping and collection for corporate customers.

In 2024, Industrial Bank put into use its independently developed unified withholding and payment system in an all-round way. Besides comprehensively improving security, the system increased the batch withholding efficiency by about 50%. While building stronger independent R&D capabilities, the Company created more value for the society and customers and effectively fulfilled its social responsibilities. The Company took interception and refusal steps for suspected telecommunication frauds and money laundering crimes, intercepting a total of 2,016 fraud-related transactions during the reporting period. To meet basic livelihood needs, the Company provided strong support to the payment and settlement of public utility services closely related to people’s lives. As at the end of the reporting period, the withholding and payment business of Industrial Bank covered 30 payment scenarios, meeting the needs of governments, state-owned enterprises & public institutions and private enterprises for collection, serving both corporate and individual customers, and recording tens of millions of transactions and tens of billions of yuan in settlement amounts annually. During the reporting period, the settlement amounts drove an increase of more than RMB30 billion in low-cost deposits.

Leveraging the opportunity, Industrial Bank worked to improve its capability in strategy execution. It continuously increased input in the field of fintech, and achieved initial results in the digital transformation of its retail business. **First, it advanced the development of scenario finance.** Through the open bank platform, it connected with platforms such as Industrial Living, Education Cloud Platform, and Smart Canteen. On the basis of the needs of branches, it expanded into high-frequency mainstream payment and settlement scenarios such as clothing, food, housing, transportation, tourism, shopping, entertainment, healthcare, education, and government services, gradually opening up the path of converting scenario ecosystem traffic into financial values. **Second, it established a mechanism linking withholding and payment businesses.** Collaboration was conducted between the Head Office and branches and between corporate banking and retail banking business lines to work out the best possible solution for the project. The branches drove implementation of the solution, continuously improving the efficiency of response to customer demands and the quality and efficiency of services.

Case 13**The “Xinghuo • Liaoyuan” Innovation Marathon Competition: A practice and exploration of digital financial innovation**

In order to implement the national innovation-driven development strategy and accelerate digital transformation, Industrial Bank cooperated with the Fujian Provincial Federation of Trade Unions and the Communist Youth League Fujian Provincial Committee to host the “Xinghuo • Liaoyuan” Innovation Marathon Competition. Highlighting the key aspects and pain points in the development of the financial sector through the competition mechanism, the event marked an important practice of Industrial Bank in promoting digital transformation. Moreover, using the competition as a medium, the Company aimed to forge an open, innovative and interactive ecosystem with win-win outcomes, deepen exchanges and cooperation among banks, governments and enterprises, and among industry, university and research institutions, and provide digital transformation solutions for collaborative innovation, cross-border cooperation, and commercialization of achievements in various fields.

Through the “Xinghuo Community” and its official website, the competition saw the whole process from registration and evaluation to achievement promotion moved online. Over the last three years, 2,047 innovation project proposals, 728 solutions and 6,576 creative ideas about demands have been solicited through bank-wide competition, covering business areas such as scenario ecosystem and smart operation; 1,685 project proposals in the fields of fintech, ESG, etc. have been solicited through open competition from across the society, attracting widespread attention.

More than 450 excellent project proposals were selected through the competition, many of which earned external recognition. Among them, the “Xing Xiao'er” iDeal – AI Bond Trading Robot project won the second prize of the 2023 Fintech Development Award of the PBOC. The “Technology Flow Credit Control and Management Mode 3.0” was rated as a first-class financial innovation project of the year in Fujian Province. “Sui Xing Xie”, an intelligent generation solution for suspected money laundering case files, was honored with the 15th Fintech Innovation Award by the Financial Computerizing. Many excellent projects proposed either internally or externally stood out, and more than half of them were incubated, implemented and scaled up.

Take the “Carbon Peaking and Carbon Neutrality Platform” project for example. As an account used to record carbon footprints, carbon emission allowance boundaries, and carbon reduction contributions, the carbon account is an important tool for achieving the “carbon peaking and carbon neutrality” strategic goals. However, market participants often encounter problems, such as the difficulty in green finance innovation on the bank side, the difficulty in low-carbon transformation on the enterprise side, and the lack of motivation for low-carbon practices on the individual side. Leveraging cutting-edge technologies including big data, cloud native and IoT, the Company built a bank-wide unified carbon factor database module, a digital system of corporate carbon accounts and carbon accounting models for 24 key industries on the “Carbon Peaking and Carbon Neutrality Platform”, effectively improving the capability to create carbon finance products and the comprehensive service value of carbon finance, and expanding the depth of carbon financial services. As at the end of the reporting period, the platform recorded a total of 16.8 thousand corporate carbon accounts, an increase of 15 thousand from the end of the previous year, and supported 33 branches in granting 379 carbon emission reduction-linked loans that involved a financing amount of RMB15.842 billion. Since its launch, the platform has earned widespread recognition. The project of “Development and Practice of the Green Finance 1+N System Based on the Carbon Peaking and Carbon Neutrality Platform” of Industrial Bank won the third prize of the 2023 Fintech Development Award of the PBOC.

For its creativity and influence, the “Xinghuo • Liaoyuan” Innovation Marathon Competition was successively honored with the title of “Strengthening Enterprise with Talents Initiative – Brand Learning Project” by the Training magazine and the silver award of the 9th Enterprise Learning Design Competition by CSTD. It has been included in the Digital China Innovation Contest by the Organizing Committee of the Digital China Summit for three consecutive years. As a core event in the financial field, it has become a major platform and window for the exchanges on financial innovation.

3.4 Discussion on and analysis of future development

3.4.1 Industry landscape and trends

2025 is the final year for completing China's 14th Five-Year Plan. The banking industry will fully implement the guiding principles of the 20th National Congress of the CPC as well as the second and third plenary sessions of the 20th Central Committee of the CPC, and follow relevant arrangements of the Central Economic Work Conference and the Central Financial Work Conference, etc. It will stay committed to the goal of "building China into a financial powerhouse", actively respond to the changes in internal and external situations, seize development opportunities and meet challenges head-on, so as to achieve high-quality development.

Internationally, the global economy has withstood the compounded shocks of political, economic and war events. However, dampened by weak investment, sluggish productivity growth and elevated debts, among other factors, the global economic growth remains below its historical average, and low-speed growth may become the norm. The US presidential election was completed, but the uncertainties resulted from the US policy shift may exacerbate the turmoil in the global situation. **Domestically**, the adverse impacts of the changing external environment may intensify. However, the drivers and long-term positive trajectory of China's economy, featuring a solid foundation, multiple comparative advantages, strong resilience and great potential, remain unchanged, so does the overarching trend of high-quality development. China will seek progress amid stability while promoting stability through progress, uphold fundamental principles while promoting innovation, establish the new before breaking the old, pursue systematic integration and collaboration, enrich and improve the policy toolkit, implement a more proactive fiscal policy and a moderately loose monetary policy, prevent risks, expand demand, and stabilize expectations, to drive the continuous recovery and growth of the economy. The incremental policy package introduced in 2024 had a positive impact in the economic field, effectively boosting social expectations, fueling a significant recovery in the stock market, and facilitating the gradual stabilization of the real estate market.

In terms of opportunities, the rapid rise of the real industries represented by advanced manufacturing, the accelerated fostering of new quality productive forces, the replacement of old drivers of growth with new ones, and the gradual formation of a new development paradigm dominated by domestic circulation provide broad room for the high-quality development of commercial banks. The Central Economic Work Conference clearly defined key tasks including launching a special initiative to boost consumption, leading the development of new quality productive forces with sci-tech innovation, expanding high-standard opening up, coordinating the promotion of new-type urbanization and all-around rural revitalization, strengthening the implementation of regional strategies, and promoting carbon reduction, pollution control, green expansion and economic growth in a coordinated manner. This creates more opportunities for banks in fields such as consumer finance, fintech, international business, inclusive finance, regional development, and green finance. DeepSeek, a large language model characterized by open source, low cost and high efficiency, became officially operational, injecting new impetus into the digital transformation of the banking industry, and triggering a new surge in business model innovation. With the rapid development of humanoid robot technology, the banking industry sees more possibilities to improve service efficiency, reduce operating costs and build new service models. As China adopts a more proactive fiscal policy, incremental government bonds will play an important role in stabilizing the economy, promoting development and bolstering confidence. The "6+4+2" debt resolution package will create favorable conditions for reducing local government debt pressure, strengthening local development momentum, and easing the pressure on banking asset quality. **In terms of challenges**, as the net interest margin is narrowing with the continued decline of market interest rates, banking profitability remains under pressure. Risks related to real estate and local government debts are still at a high level, while the risks associated with some enterprises and residents are being released faster, posing challenges to the asset quality of the banking industry. In addition, amid the fintech boom, the banking industry, while expediting digital transformation and enhancing its technical capabilities, is exposed to risks and challenges in model management, data security, and privacy protection.

3.4.2 The Company's development strategy and tactics

In 2025, the Company will remain guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, uphold the overarching principle of seeking progress while maintaining stability, stay committed to the goal of becoming a value bank, and take reform as the crucial step to resolve problems. It will speed up digital transformation, strictly guard against risks, and comprehensively enhance the “five major capabilities” including strategy execution, customer service, investment trading, comprehensive risk control, and management propulsion. It will consolidate the fundamentals, expand into new arenas, polish the “three business cards”, promote the development of the “five priorities” of the financial sector, focus on the primary task of pursuing high-quality development, and drive the coordinated, linked and integrated development of the three major business lines, namely corporate banking, retail banking and interbank businesses. It will use the certainty of its own work to deal with the uncertainties of the external environment, strive to be at the forefront, and lay a solid foundation for a good start of the 15th Five-Year Plan period, so as to contribute the strength of Industrial Bank to Chinese modernization.

First, stabilizing growth and optimizing the structure. The Company will make all-out efforts to promote the development of the “five priorities” of the financial sector, advance the integrated development of the “five priorities” of the financial sector and the “five new arenas”, and drive the replacement of old drivers of growth with new ones. It will consolidate and optimize the fundamentals, further deepen operations across regions and industries, enhance the competitiveness of its “commercial banking + investment banking” model, steadily carry out asset building for the comprehensive retail business, and continuously optimize the asset structure, to form an asset pattern aligned with China's economic structure.

Second, expanding the scale and lowering the cost. The Company will ensure effective customer management, focus on accounts and settlement, and press ahead with network building. It will take solid steps to promote scenario finance, and accelerate the formation of a comprehensive operation model across “finance + non-finance” chains. It will further optimize the product strategy, and improve the product supply system and cross-selling system based on customer needs. It will actively expand low-cost liabilities, and firmly establish the business philosophy of basing banking operation on liabilities.

Third, strengthening asset management and optimizing wealth management. The Company will strengthen the operation pattern featuring coordination among comprehensive investment banking, comprehensive asset management, and comprehensive wealth management, take a real economy-oriented approach, enhance asset organization capability, create a value cycle across the chain from financing to investment, and provide customers with a variety of products, to meet customers' demands for on-balance-sheet and off-balance-sheet financing and wealth management, and further polish its business card as a wealth management bank.

Fourth, refining institutions and strengthening compliance. The Company will make preparations for worst-case scenarios, and comprehensively strengthen risk management to ensure steady and sustainable development. It will refine the risk management system, clearly define the responsibilities throughout the process of risk prevention and control, step up the resolution and disposal of risks in key areas, intensify the response to new types of risks, and effectively control risk costs. It will improve the compliance management system, fortify the fence of compliance, and elevate compliance operation to a new height.

Fifth, strengthening overall planning and driving improvement. The Company will improve the effectiveness of strategy execution, tighten the overall management of business lines, and support the branches in key regions in growing bigger and stronger. It will enhance technological support, and ensure continued efforts in key tasks such as driving benefits through digital operation and exploring the future through new technologies. It will strengthen the cultivation and selection of technological talents, and provide talent support for digital transformation. It will continuously reduce management costs, and improve the returns of input. It will strengthen the concept of capital-intensive operation, improve the quality and efficiency of capital management, advance the “Three Community-Level Improvement” and “Tri-Transformation” in depth, continuously intensify basic work, and go all out to create a fine management system.

3.4.3 The Company's business plan and outlook in 2025

3.4.3.1 Outlook on net interest income

In 2025, China will implement a moderately loose monetary policy. Amid the reduction of required reserve ratio and interest rates, the Company's net interest margin will narrow as the loan rates drop, and will find it is challenging to achieve the steady growth of net interest income. Under the background, the Company will continue to uphold the overarching principle of seeking progress while maintaining stability, persistently build its characteristics as a value bank, effectively stabilize the asset income, vigorously improve the quality of liabilities, and promote aggregate balance, structural optimization and quality improvement, so as to keep the net interest margin still at a level above the market average.

On the asset side, the Company will effectively align with the national credit policy orientation and the requirements for its transformation and development, continuously optimize the structure of financial supply, enhance the capability to prevent and resolve risks, step up high-quality credit supply, and maintain the reasonable growth of quantity. In terms of the corporate banking business, the Company will strengthen the awareness of market benchmarking, expand into the mainstream market and serve mainstream customers based on regional conditions, and ensure credit supply to be better aligned with the regional economic structure and main funding needs. It will deepen the integration of risks and businesses, tap the potential opportunities in new models and new fields, and improve the capabilities of business institutions in building assets in new arenas. In terms of the retail banking business, the Company will seize the trend of recovering demand for housing financing, focus on key regions, and support the supply of mortgage loans through multiple measures to stabilize the fundamentals of personal loans. It will reinforce the foundation in product design, process control, and model strategy, etc., continuously expand high-quality customer groups in core financial scenarios, and further build up the development momentum of credit business.

On the liability side, the Company will firmly establish the awareness of basing banking operation on liabilities, place greater emphasis on customer management and the expansion of low-cost deposits, and take reducing liability costs as the key to controlling the decline of the interest margin. First, it will improve product functions and service experience around accounts and settlement, press ahead with the "Network Weaving Project", and drive the growth of low-cost funds by enhancing service capabilities, improving customer stickiness, and deepening cooperation. Second, it will follow the requirements of the interest rate self-discipline mechanism, strengthen deposit pricing management based on the classification of products, and ensure effective reset of the costs of existing long-term deposits upon maturity. Third, it will leverage the loose monetary and financial environment, reasonably employ market-oriented financing tools, preemptively adjust and optimize the liability absorption strategy, and advance the issuance of financial bonds as appropriate to supplement medium – and long-term low-cost funds.

3.4.3.2 Outlook on net income from handling fees and commissions

In 2025, the Company will stay focused on customers' demands for financial services, strengthen the synergy of comprehensive investment banking, comprehensive asset management, and comprehensive wealth management, speed up the development of the financial ecosystem, enhance the capabilities in wealth management, improve the capabilities in digital service operation, and drive the growth of the Group's net income from handling fees and commissions.

In terms of wealth management, the Company will continuously deepen the building of a stratified and classified customer marketing system. It will strengthen the integrated capabilities of investment, research and sales, step up product innovation, continuously optimize and enrich the supply of wealth management products, and effectively improve customers' asset allocation capabilities. It will accelerate the upgrading of "Qianda Money Manager", and build "Qianda Money Manager" into the main online operation platform for wealth management business. **In terms of investment banking**, the Company will focus on investment underwriting, investment-loan linkage, private investment and investment research, and build a more efficient mechanism for collaborated operation. While consolidating its strengths in bond underwriting business, the Company will advance product innovation, and enhance its service capabilities and competitiveness in areas such as REITs business, syndicated financing, M&A financing, capital markets, and equity investment, and seize the opportunities in the new arenas. It will strengthen its matchmaking capabilities as an investment

bank, pursue mutually beneficial cooperation with banking peers, insurance companies and securities companies to acquire more projects, achieve product complementarity, and accelerate asset sales and circulation. **In terms of custody business**, the Company will continue to accelerate the building of the mainstream business ecosystem, and form a complete ETF product chain covering sales, custody, investment, trading, and market making. It will strengthen the synergy with sales, investment banking, and the Group's asset management, align closely with national priorities, further enrich the product lineup, expand the range of offerings, especially index products such as ETFs, and enhance the contribution to values.

In terms of corporate banking settlement, in line with the strategic layout of international business, the Company will concentrate on the financial services integrating deposits, loans, remittances and exchanges in international business, and rapidly increase the contribution of international business to total income. It will advance the reengineering of the process for corporate account opening and product contract signing, enhance the customer experience with the electronic channels of Industrial Steward and digital operation capabilities, and vigorously drive the development of the treasury management business. It will fully leverage the advantages of key products such as bills, certificates and letters to provide integrated financial services for upstream and downstream partners as well as large, medium and small customers. It will optimize the payment and settlement product matrix and strengthen cross-selling, to improve customer service capabilities and product innovation capabilities, and help corporate banking customers consolidate their foundation. **In terms of fund business**, the Company will continuously build itself into a comprehensive operator and service provider in the financial market, and improve the investment, trading and customer service systems. It will optimize the investment portfolio, tap into high-quality assets with controllable risks, and drive the diversification of assets in both domestic and foreign currencies in an orderly manner. It will strengthen strategic trading, improve the strategy library, and enhance agile trading capabilities. It will further advance the building of the FICC business system, build an interbank network, improve the quality of customer service, increase the support for the real economy, and meet the growing demands of customers for wealth management and the needs of import and export customers for foreign exchange hedging. It will expand overseas and cross-border businesses, enhance services for going-global enterprises, and increase income related to cross-border finance. **In terms of bank card business**, the Company will strengthen the building of the "Network Weaving Project" with the focus on accounts and transactions, take the settlement accounts as the key to connecting payroll agency, merchant acquiring and express payment, and boost the customer acquisition efficiency and customer engagement momentum in scenario finance, so as to increase the trading volume. It will carry out multi-channel upgrading of the cross-border payroll agency business to further reinforce and sharpen its leading edge in cross-border payroll service. It will accelerate the building of the cross-border wealth management connect platform, and optimize the features of the "Global Life" DIY cards and related user experience. It will continuously improve the cooperation on the foreign-related online scenarios of "Xingdong Global" and the ecological scenarios of overseas study finance, and drive the rapid growth of the foreign exchange settlement volume and the number of active foreign-related customers. It will further optimize the customer structure of credit cards, strengthen whole-lifecycle management, refine the product and benefits system, increase the proportion of high-quality customer groups such as young customers, and step up the building of vertical ecological scenarios, so as to drive the recovery of consumer transactions.

3.4.3.3 Outlook on Asset Quality

In 2025, the Company will firmly adhere to the bottom-line mindset, deepen the reform of the risk management institutions and mechanism, and clearly define the responsibilities throughout the risk prevention and control process. Meanwhile, it will make forward-looking predictions, and strengthen the concentration management of regions, industries, and customers. It will refine management of the entire credit process, and effectively control the quality of investment and financing assets across the Group. It will conduct re-inspections of key products, and strengthen product management with a customer-centric approach. It will establish a working mechanism featuring coordination between Head Office leaders' supervision and agile teams, and make further use of policy tools to drive the resolution and disposal of risks in key areas.

In terms of the real estate sector, the Company will resolutely implement the decisions and plans made by the central government to halt real estate downturn and stabilize the market. First, it will strictly observe the requirements of the urban real estate financing coordination mechanism, ensure financial services for housing delivery, and meet the reasonable financing needs of high-quality real estate enterprises. Second, following the overall strategy of "controlling the aggregate, adjusting the structure and optimizing the stock", it will strengthen the selection and evaluation of businesses with projects at the core, select projects with comparative advantages in resources and clear rental and sales prospects, and actively participate in the "Three Major Projects" (government-subsidized housing, urban village renovation and dual-use public infrastructure that can

accommodate emergency needs), rental housing and industrial zone finance, to support the building of a new model for real estate development. Third, it will continuously improve the working mechanism featuring coordination between Head Office leaders' supervision and agile teams, give full play to the professional capabilities of the agile teams in real estate risk prevention and control through reasonable authorization and optimized personnel allocation, and employ policy tools such as the urban real estate financing coordination mechanism and the acquisition of existing commercial housing, to promote the resumption of projects, revitalize the value of real estate properties, and resolves the risks involved in the real estate business.

In terms of local government financing platforms, the Company will remain guided by the principles of compliance and market-oriented operation, and properly combine the transformation and development of new businesses with the resolution of existing risks. On the one hand, it will drive the transformation and development of new businesses based on the principles of market-oriented and law-based operation, seize the business opportunities brought by proactive fiscal policies, give full play to its strength in the "commercial banking + investment banking" model, strongly support the financing platforms or transformed entities with market-based operation models and sustained operating income, serve the high-quality development of regional economy, and consolidate its relationship with governments to create a better environment for various institutional businesses. On the other hand, it will continue to maintain a tough stance on the risk control of existing businesses, further improve the working mechanism featuring coordination between Head Office leaders' supervision and agile teams, seize the opportunity brought by the increased support from the central government for debt resolution, and advance the resolution of existing risks through targeted measures. For distressed areas, it will strive for debt resolution resources such as special bond refinancing programs, and make the best use of debt resolution policies to support the resolution of local government debt risks and safeguard its legitimate rights. For developed areas, it will optimize business policies, stabilize the aggregate while optimizing the structure, and reduce the impact of debt resolution on the Company's operations.

In terms of credit cards, the Company will deepen the system where the business is driven by both the Head Office and branches. On the one hand, with a customer-centric approach, it will reshape the customer structure, product structure and asset structure, further transform the development model of the credit card business, and improve the quality of business development. On the other hand, it will refine the whole-process risk control system, update risk control models, enhance the quality of new credit supply, strengthen mid-loan fine management and post-loan collection, and continuously reduce new non-performing loans.

3.5 Financial statement analysis

As at the end of the reporting period, the total assets of the Company reached RMB10,507,898 million, representing an increase of 3.44% compared with the end of the previous year; the balance of local and foreign currency deposit was RMB5,532,333 million, representing an increase of 7.69% compared with the end of the previous year; the balance of local and foreign currency loan reached RMB5,736,610 million, representing an increase of 5.05% compared with the end of the previous year; total assets of overseas branches of the Company amounted to RMB246,760 million, accounting for 2.35% of total assets.

During the reporting period, the operating income of the Company recorded RMB212,226 million, representing a year-on-year increase of 0.66%, of which net interest income was RMB148,107 million, representing a year-on-year increase of 1.09%. Net profit attributable to shareholders of the parent company reached RMB77,205 million, representing a year-on-year increase of 0.12%. Weighted average ROE was 9.89%, representing a year-on-year decrease of 0.75 percentage points. Total return on assets reached 0.75%, representing a year-on-year decrease of 0.05 percentage points. Cost-to-income ratio was 29.50%, representing a year-on-year decrease of 0.47 percentage points.

As at the end of the reporting period, the balance of the Company's NPLs stood at RMB61,477 million, representing an increase of RMB2,986 million compared with the end of the previous year. The NPL ratio was 1.07%, keeping flat with the end of the previous year. During the reporting period, impairment losses on assets amounted to RMB60,189 million; the provision-to-loan ratio was 2.55% at the end of the reporting period, representing a decrease of 0.08 percentage point compared with the end of the previous year; and the provision coverage ratio was 237.78%, representing a decrease of 7.43 percentage points compared with the end of the previous year.

3.5.1 Analysis of the income statement

During the reporting period, the Company achieved steady and sound growth in various businesses, with steady growth in interest-bearing assets and costs of liabilities under effective control. Affected by the decline in return on assets, net interest margin decreased by 11 basis points and net interest income increased slightly year-on-year. Affected by such factors as new regulations on insurance and reduction of fund management fee rates, net non-interest income decreased by 0.32% year-on-year. With effective expense control, the Company maintained a reasonable cost-to-income ratio. The Company attached importance to asset quality and fully set aside impairment losses. Net profit attributable to shareholders of the parent company reached RMB77,205 million, a year-on-year increase of 0.12%.

Unit: RMB million

Item	2024	2023
Operating income	212,226	210,831
Net interest income	148,107	146,503
Net non-interest income	64,119	64,328
Business tax and surcharges	(2,229)	(2,319)
Operating and administrative expenses	(62,203)	(62,608)
Impairment loss	(60,189)	(61,178)
Other operating costs	(408)	(586)
Net non-operating income and expense	(77)	189
Profit before tax	87,120	84,329
Income tax	(9,629)	(6,675)
Net profit	77,491	77,654
Profit and loss of minority shareholders	286	538
Net profit attributable to shareholders of the parent company	77,205	77,116

3.5.1.1 Net interest income

During the reporting period, the net interest income of the Company was RMB148,107 million, up RMB1,604 million or 1.09% from the previous year.

Unit: RMB million

Item	2024		2023	
	Amount	Percentage (%)	Amount	Percentage (%)
Interest income				
Interest income on corporate and personal loans	232,151	67.52	232,228	66.53
Interest income on discounted bills	4,004	1.16	4,053	1.16
Interest income on investment	76,218	22.17	81,450	23.33
Interest income on due from the Central Bank	5,346	1.55	5,795	1.66
Interest income on placements with banks and other financial institutions	12,787	3.72	13,592	3.89
Interest income on reverse repurchase agreements	4,877	1.42	3,781	1.08
Interest income on deposits with banks and other financial institutions	3,216	0.94	3,023	0.87
Interest income on financing lease	5,048	1.47	4,976	1.43
Other interest income	188	0.05	181	0.05
Subtotal of interest income	343,835	100	349,079	100
Interest expense				
Interest expense on borrowings from the Central Bank	4,998	2.55	5,043	2.49
Interest expense on deposits	103,728	53.00	112,909	55.74
Interest expense on bonds issuance	29,618	15.13	30,210	14.91
Interest expense on deposits in and placements from banks and other financial institutions	45,146	23.07	40,222	19.86
Interest expense on placements from banks and other financial institutions	9,183	4.69	9,460	4.67
Interest expense on repurchase agreements	2,620	1.34	3,875	1.91
Other interest expenses	435	0.22	857	0.42
Subtotal of interest expense	195,728	100	202,576	100
Net interest income	148,107		146,503	

The net interest spread was 1.56%, representing a year-on-year decrease of 10 basis points. The net interest margin was 1.82%, representing a year-on-year decrease of 11 basis points. The daily average balance, annualized average yield and cost ratio of the Company's asset and liability items are set out as follows:

Unit: RMB million

Item	2024		2023	
	Average balance	Average yield (%)	Average balance	Average yield (%)
Interest-bearing assets				
Corporate and personal loans and advances	5,622,843	4.20	5,166,341	4.57
Based on loan type:				
Corporate loans	3,382,363	3.96	2,941,447	4.21
Personal loans	1,944,544	5.06	1,953,015	5.56
Discounted bills	295,936	1.35	271,879	1.49
Based on loan term:				
General short-term loans	1,646,620	5.33	1,681,609	5.54
Medium and long-term loans	3,680,287	3.92	3,212,853	4.33
Discounted bills	295,936	1.35	271,879	1.49
Investments	2,289,225	3.28	2,292,785	3.50
Borrowings from the Central Bank	341,189	1.57	370,116	1.57
Due from banks and other financial institutions (including financial assets purchased under reverse repurchase agreements)	834,987	2.52	745,845	2.76
Financing lease	122,707	4.11	113,086	4.40
Total	9,210,951	3.72	8,688,173	4.00

Item	2024		2023	
	Average balance	Cost ratio (%)	Average balance	Cost ratio (%)
Interest-bearing liabilities				
Deposits from customers	5,230,014	1.98	5,039,353	2.24
Corporate deposits	3,792,252	1.93	3,807,013	2.23
Demand deposits	1,482,597	0.88	1,595,272	1.25
Time deposits	2,309,654	2.61	2,211,741	2.94
Personal deposits	1,437,762	2.11	1,232,340	2.26
Demand deposits	385,712	0.16	361,138	0.22
Time deposits	1,052,050	2.83	871,202	3.11
Deposits in and placements from banks and other financial institutions (including financial assets sold under repurchase agreements)	2,430,778	2.35	2,278,678	2.37
Borrowings from the Central Bank	212,466	2.35	207,433	2.43
Bonds issued	1,154,188	2.57	1,115,694	2.71
Total	9,027,446	2.17	8,641,158	2.34
Net interest spread		1.56		1.66
Net interest margin		1.82		1.93

Standards for measuring net interest margin: The Company has adopted the New Financial Instruments Standard since January 1, 2019. Gains from financial assets held for trading shall not be classified as interest income, and their corresponding interest-bearing liabilities and interest expense shall be adjusted accordingly.

3.5.1.2 Net non-interest income

During the reporting period, the net non-interest income of the Company was RMB64,119 million, down RMB209 million or 0.32% from the previous year.

Unit: RMB million

Item	2024	2023
Net fee and commission income	24,096	27,755
Gain and loss from investment	36,202	30,699
Gain and loss from changes in fair value	3,222	4,139
Gain and loss from exchange	(674)	421
Gain from disposal of asset	109	20
Other income	661	652
Other operating income	503	642
Total	64,119	64,328

During the reporting period, the Company realized fee and commission income of RMB24,096 million, down RMB3,659 million or 13.18% from the previous year. Items such as 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 gain and loss reached RMB38,750 million, representing a year-on-year increase of 9.90%.

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

Unit: RMB million

Item	2024		2023	
	Amount	Percentage (%)	Amount	Percentage (%)
Fee and commission income:				
Fee income from bank cards	10,171	34.08	11,808	35.65
Fee income from custodian and other fiduciary services	7,830	26.23	8,805	26.59
Fee income from agency business	5,253	17.60	5,831	17.61
Fee income from payment and settlement	2,860	9.58	2,914	8.80
Fee income from guarantees and commitments	1,238	4.15	1,210	3.65
Other fee income	2,496	8.36	2,551	7.70
Subtotal	29,848	100	33,119	100
Fee and commission expense	5,752		5,364	
Net fee and commission income	24,096		27,755	

3.5.1.3 Operating and administrative expenses

During the reporting period, the operating and administrative expenses of the Company reached RMB62,203 million, down RMB405 million or 0.65% from the previous year.

Unit: RMB million

Item	2024		2023	
	Amount	Percentage (%)	Amount	Percentage (%)
Accrued payroll	38,048	61.17	38,065	60.80
Depreciation and amortization	6,842	11.00	6,785	10.84
Lease expenses	130	0.21	164	0.26
Other general and administrative expenses	17,183	27.62	17,594	28.10
Total	62,203	100	62,608	100

3.5.1.4 Impairment loss

During the reporting period, the Company's impairment losses reached RMB60,189 million, a decrease of RMB989 million or 1.62% from the previous year.

Unit: RMB million

Item	2024		2023	
	Amount	Percentage (%)	Amount	Percentage (%)
Impairment losses on loans	51,613	85.75	67,103	109.68
Impairment losses on debt investments	7,842	13.03	(5,584)	(9.13)
Impairment losses on other debt investments	871	1.45	787	1.29
Impairment losses on off-balance sheet assets	115	0.19	(810)	(1.32)
Impairment losses on financial lease receivable	(239)	(0.40)	(312)	(0.51)
Other impairment losses	(13)	(0.02)	(6)	(0.01)
Total	60,189	100	61,178	100

During the reporting period, the Company made adequate provisions for loan losses in accordance with 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 customer's default probability and loss given default, with macro proactive adjustments taken into consideration.

3.5.1.5 Income tax

During the reporting period, the effective income tax rate of the Company was 11.05%. 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	2024
Profit before tax	87,120
Statutory tax rate (%)	25
Income tax calculated at statutory tax rate	21,780
Effect on tax due to adjustment on the following items:	
Tax-exempt income	(13,073)
Non-deductible items	29
Adjustment on the tax of previous years	893
Income tax expense	9,629

3.5.1.6 Composition of operating income and operating profit

The Company divided its regional branches into ten segments by importance and comparability, namely the Head Office (including the headquarters and operating institutions), Fujian, Beijing, Shanghai, Guangdong, Zhejiang, Jiangsu, northeast China and other regions, western China, and central China. The operating income and operating profit of each regional branch are set out as follows:

Unit: RMB million

Region	Operating income	Change over previous year (%)	Operating profit	Change over previous year (%)
Head Office	79,601	(1.89)	38,191	0.07
Fujian	30,245	(0.38)	5,926	(40.20)
Beijing	7,321	18.75	3,422	161.02
Shanghai	7,535	(3.88)	2,056	(33.61)
Guangdong	10,523	1.67	(1,721)	Operating profit was positive in 2023
Zhejiang	11,354	7.32	4,450	(18.30)
Jiangsu	11,413	(7.89)	6,529	1.27
Northeast China and other regions	19,865	4.43	11,855	14.96
Western China	14,966	6.43	7,112	Operating profit was negative in 2023
Central China	19,403	2.52	9,377	47.46
Total	212,226	0.66	87,197	3.63

3.5.2 Balance sheet analysis

3.5.2.1 Assets

As at the end of the reporting period, the total assets of the Company amounted to RMB10,507,898 million, up 3.44% compared with the end of the previous year, of which loans (excluding accrued interest) increased by RMB275,675 million or 5.05% compared with the end of the previous year, and various net investments increased by RMB118,750 million or 3.56% compared with the end of the previous year.

Unit: RMB million

Item	December 31, 2024		December 31, 2023	
	Balance	Percentage (%)	Balance	Percentage (%)
Net loans and advances to customers	5,608,859	53.38	5,333,483	52.50
Investment ^{Note (1)}	3,458,097	32.91	3,339,347	32.87
Financial assets purchased under reverse repurchase agreements	177,518	1.69	200,065	1.97
Financial lease receivables	114,913	1.09	114,677	1.13
Deposits with banks	107,117	1.02	185,906	1.83
Placements with banks and other financial institutions	377,748	3.59	363,172	3.58
Cash and balances with the Central Bank	394,940	3.76	418,569	4.12
Others ^{Note (2)}	268,706	2.56	203,107	2.00
Total	10,507,898	100	10,158,326	100

Notes: (1) Including financial assets held for trading, debt investments, other debt investments, other equity instrument investments and long-term equity investments.

(2) Including precious metals, derivative financial assets, right-of-use assets, fixed assets, construction in progress, intangible assets, goodwill, deferred income tax assets and other assets.

Loans are set out as follows:

Unit: RMB million

Type	December 31, 2024	December 31, 2023
Corporate loans	3,441,976	3,164,814
Personal loans	1,991,100	1,976,372
Discounted bills	303,534	319,749
Total	5,736,610	5,460,935

As at the end of the reporting period, corporate loans accounted for 60.00%, up 2.05 percentage points compared with the end of the previous year; personal loans accounted for 34.71%, down 1.48 percentage points compared with the end of the previous year; and discounted bills accounted for 5.29%, down 0.57 percentage points compared with the end of the previous year. During the reporting period, the Company continuously propelled the optimization and adjustment of the credit structure, accelerated the launch of high-quality assets, reasonably determined the credit layout for main businesses, and kept steady development of key businesses.

For details about loans, please refer to Section 3.5.4 “Loan quality analysis” of this chapter.

The details of investment are set out as follows:

(1) Overall analysis of external investment

As at the end of the reporting period, the Company's net investment increased by RMB118,750 million or 3.56% from the end of the previous year to RMB3,458,097 million.

(a) Classification based on accounting item

Unit: RMB million

Item	December 31, 2024		December 31, 2023	
	Balance	Percentage (%)	Balance	Percentage (%)
Financial assets held for trading	923,189	26.70	957,708	28.68
Debt investments	1,896,064	54.83	1,801,346	53.94
Other debt investments	630,916	18.24	572,585	17.15
Other equity instrument investments	4,011	0.12	3,836	0.11
Long-term equity investments	3,917	0.11	3,872	0.12
Total	3,458,097	100	3,339,347	100

(b) Classification based on issuer

Unit: RMB million

Item	December 31, 2024		December 31, 2023	
	Balance	Percentage (%)	Balance	Percentage (%)
Government bonds	1,201,622	34.55	1,274,212	37.96
Central bank bills and financial bonds	405,791	11.67	251,315	7.49
Corporate bonds and asset-backed securities	524,633	15.08	460,611	13.72
Other investments	1,342,093	38.59	1,366,989	40.72
Long-term equity investments	3,917	0.11	3,872	0.11
Total	3,478,056	100	3,356,999	100
Accrued interest	21,283		22,936	
Impairment provision	(41,242)		(40,588)	
Net value	3,458,097		3,339,347	

(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 RMB3,917 million, and the details are set out as follows:

- (a) The Company held 294.40 million shares or 10.34% of Bank of Jiujiang Co., Ltd., with a book value of RMB3,445 million.
- (b) Ciit Asset Management Co., Ltd. held other long-term equity investments, with a book value of RMB466 million as at the end of the reporting period.
- (c) CIB Fund Management Co., Ltd. held other long-term equity investments, with a book value of RMB6 million as 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 balance of deposits with banks and other financial institutions (excluding accrued interests) stood at RMB107,151 million, a decrease of RMB78,668 million or 42.34% from the end of the previous year.

Unit: RMB million

Item	December 31, 2024		December 31, 2023	
	Balance	Percentage (%)	Balance	Percentage (%)
Deposits with domestic banks	76,983	71.85	154,361	83.07
Deposits with other domestic financial institutions	16,769	15.65	11,898	6.40
Deposits with foreign banks	13,087	12.21	19,504	10.50
Deposits with other foreign financial institutions	312	0.29	56	0.03
Total	107,151	100	185,819	100
Accrued interest	80		156	
Impairment provision	(114)		(69)	
Net value	107,117		185,906	

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

As at the end of the reporting period, the balance of placements with banks and other financial institutions (excluding accrued interests) stood at RMB376,554 million, an increase of RMB14,633 million or 4.04% from the end of the previous year.

Unit: RMB million

Item	December 31, 2024		December 31, 2023	
	Balance	Percentage (%)	Balance	Percentage (%)
Placements with domestic banks	15,447	4.10	8,809	2.43
Placements with other domestic financial institutions	298,620	79.31	295,125	81.55
Placements with foreign banks	62,487	16.59	57,987	16.02
Total	376,554	100	361,921	100
Accrued interest	1,560		1,634	
Impairment provision	(366)		(383)	
Net value	377,748		363,172	

Financial assets purchased under reverse repurchase agreements are set out as follows:

As at the end of the reporting period, the balance of financial assets purchased under reverse repurchase agreements (excluding accrued interests) stood at RMB177,472 million, a decrease of RMB22,481 million or 11.24% from the end of the previous year.

Unit: RMB million

Item	December 31, 2024		December 31, 2023	
	Balance	Percentage (%)	Balance	Percentage (%)
Bonds	177,472	100	199,953	100
Total	177,472	100	199,953	100
Accrued interest	79		195	
Impairment provision	(33)		(83)	
Net value	177,518		200,065	

3.5.2.2 Liabilities

As at the end of the reporting period, the total liabilities of the Company amounted to RMB9,614,287 million, representing an increase of RMB263,680 million or 2.82% compared with the end of the previous year.

Unit: RMB million

Item	December 31, 2024		December 31, 2023	
	Balance	Percentage (%)	Balance	Percentage (%)
Deposits in and placements from banks and other financial institutions	1,832,111	19.06	1,852,978	19.82
Placements from banks and other financial institutions	336,862	3.50	349,494	3.74
Financial assets sold under repurchase agreements	261,996	2.73	416,568	4.45
Deposits from customers	5,630,360	58.56	5,217,064	55.79
Bonds issued	1,252,987	13.03	1,029,525	11.01
Others ^{Note}	299,971	3.12	484,978	5.19
Total	9,614,287	100	9,350,607	100

Note: Including borrowing from Central Bank, trading financial liabilities, derivative financial liabilities, employee benefits payable, tax payable, provisions, lease liabilities, deferred income tax liabilities and other liabilities.

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

As at the end of the reporting period, the balance of customer deposits (excluding accrued interests) stood at RMB5,532,333 million, an increase of RMB395,260 million or 7.69% from the end of the previous year.

Unit: RMB million

Item	December 31, 2024		December 31, 2023	
	Balance	Percentage (%)	Balance	Percentage (%)
Demand deposits	2,068,250	37.38	1,847,206	35.96
Including: Corporate	1,623,797	29.35	1,470,318	28.62
Personal	444,453	8.03	376,888	7.34
Time deposits	2,989,110	54.03	2,808,521	54.67
Including: Corporate	1,869,121	33.79	1,829,352	35.61
Personal	1,119,989	20.24	979,169	19.06
Other deposits	474,973	8.59	481,346	9.37
Subtotal	5,532,333	100	5,137,073	100
Accrued interest	98,027		79,991	
Total	5,630,360		5,217,064	

Deposits in and placements from banks and other financial institutions are set out as follows:

As at the end of the reporting period, the balance of Deposits in and placements from banks and other financial institutions (excluding accrued interests) stood at RMB1,823,572 million, a decrease of RMB21,423 million or 1.16% from the end of the previous year.

Unit: RMB million

Item	December 31, 2024		December 31, 2023	
	Balance	Percentage (%)	Balance	Percentage (%)
Deposits from banks	257,341	14.11	315,936	17.12
Deposits from other financial institutions	1,566,231	85.89	1,529,059	82.88
Subtotal	1,823,572	100	1,844,995	100
Accrued interest	8,539		7,983	
Total	1,832,111		1,852,978	

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

As at the end of the reporting period, the balance of placements from banks and other financial institutions (excluding accrued interests) stood at RMB335,760 million, a decrease of RMB11,979 million or 3.44% from the end of the previous year.

Unit: RMB million

Item	December 31, 2024		December 31, 2023	
	Balance	Percentage (%)	Balance	Percentage (%)
Placements from banks	325,955	97.08	336,072	96.64
Placements from other financial institutions	9,805	2.92	11,667	3.36
Subtotal	335,760	100	347,739	100
Accrued interest	1,102		1,755	
Total	336,862		349,494	

Financial assets sold under repurchase agreements are set out as follows:

As at the end of the reporting period, the balance of financial assets sold under repurchase agreements (excluding accrued interests) stood at RMB261,893 million, a decrease of RMB154,496 million or 37.10% from the end of the previous year.

Unit: RMB million

Item	December 31, 2024		December 31, 2023	
	Balance	Percentage (%)	Balance	Percentage (%)
Bonds	252,170	96.29	403,187	96.83
Bills	9,723	3.71	13,202	3.17
Subtotal	261,893	100	416,389	100
Accrued interest	103		179	
Total	261,996		416,568	

3.5.2.3 Shareholders' equity

Unit: RMB million

Item	December 31, 2023	Increase	Decrease	December 31, 2024
Share capital	20,774	–	–	20,774
Other equity instruments	88,960	30,000	–	118,960
Capital reserve	74,759	–	26	74,733
Other comprehensive income	1,239	4,322	–	5,561
General reserve	120,118	5,247	–	125,365
Surplus reserve	10,684	–	–	10,684
Undistributed profits	479,690	77,205	31,064	525,831
Equity attributable to shareholders of the parent company	796,224	116,774	31,090	881,908

3.5.3 Cash flow statement analysis

Unit: RMB million

Item	2024	2023
Net cash flows from operating activities	(237,258)	433,617
Net cash flows from investing activities	23,438	(116,901)
Net cash flows from financing activities	194,894	(190,955)

During the reporting period, the net cash outflows from operating activities amounted to RMB237,258 million, as compared with net inflows of RMB433,617 million for the same period of the previous year, mainly because of a year-on-year decrease in cash proceeds from borrowings from the Central Bank, deposits from banks, placements from banks and other financial institutions, and financial assets sold under repurchase agreements.

Net cash inflows from investing activities amounted to RMB23,438 million, as compared with net outflows of RMB116,901 million for the same period of the previous year, mainly because of a year-on-year increase in cash proceeds from the sale and redemption of investments.

Net cash inflows from financing activities amounted to RMB194,894 million, as compared with net outflows of RMB190,955 million for the same period of the previous year, mainly because of a year-on-year decrease in cash payment for repayment of negotiable certificates of deposit.

3.5.4 Loan quality analysis

3.5.4.1 Five-category loan classification

Unit: RMB million

Item	December 31, 2024		December 31, 2023		Increase/decrease in balance at the end of 2024 compared with that at the end of 2023 (%)
	Balance	Percentage (%)	Balance	Percentage (%)	
Pass	5,577,027	97.22	5,317,995	97.38	4.87
Special mention	98,106	1.71	84,449	1.55	16.17
Substandard	27,347	0.48	23,151	0.42	18.12
Doubtful	10,324	0.18	11,441	0.21	(9.76)
Loss	23,806	0.41	23,899	0.44	(0.39)
Total	5,736,610	100	5,460,935	100	5.05

As at the end of the reporting period, the balance of the Company's non-performing loans stood at RMB61,477 million, representing an increase of RMB2,986 million compared with the end of the previous year. The NPL ratio was 1.07%, keeping flat with the end of the previous year. The balance of special mention loans was RMB98,106 million, up RMB13,657 million from the end of the previous year. The proportion of special mention loans in total loans was 1.71%, up 0.16 percentage points from the end of the previous year. During the reporting period, affected by such factors as the continuous adjustment of the real estate market, some high-debt real estate customers and retail customers further released risks, resulting in a slight fluctuation in the special mention loan ratio. Adhering to the bottom line of risk, the Company established risk prevention and control agile groups in key areas including real estate, local government financing, consumer finance, and recovery of written-off loans, improved the authorization mechanism and decision-making efficiency, concentrated Group-wide professional efforts, took advantage of relevant policies, and effectively advanced risk prevention and resolution in key areas. It stepped up efforts for the disposal of non-performing assets, assigned special teams to each major project, and continuously improved the effectiveness of the disposal of non-performing assets. During the reporting period, the Company maintained generally stable asset quality.

3.5.4.2 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 discounted bills. The details of distribution are set out as follows:

Unit: RMB million

Industry	December 31, 2024				December 31, 2023			
	Loan balance	Percentage (%)	NPL balance	NPL ratio (%)	Loan balance	Percentage (%)	NPL balance	NPL ratio (%)
Agriculture, forestry, husbandry and fishery	28,505	0.50	416	1.46	25,182	0.46	460	1.82
Mining	106,883	1.86	35	0.03	76,574	1.40	39	0.05
Manufacturing	759,709	13.24	5,497	0.72	728,257	13.34	4,166	0.57
Production and supply of power, heat, gas and water	212,228	3.70	231	0.11	185,630	3.40	176	0.09
Construction	176,234	3.07	2,743	1.56	167,254	3.06	2,204	1.32
Transportation, storage and postal services	180,426	3.15	138	0.08	175,265	3.21	427	0.24
Information transmission, software and IT service	67,126	1.17	791	1.18	51,047	0.93	455	0.89
Wholesale and retail	277,852	4.84	10,050	3.62	283,379	5.18	10,366	3.66
Accommodation and catering	9,135	0.16	59	0.65	7,415	0.14	23	0.31
Finance	57,459	1.00	41	0.07	43,269	0.79	47	0.11
Real estate	474,075	8.26	7,304	1.54	437,450	8.01	3,691	0.84
Leasing and commercial service	702,301	12.24	4,840	0.69	633,435	11.60	5,994	0.95
Scientific research and technical service	43,458	0.76	339	0.78	35,336	0.65	111	0.31
Water conservancy, environment and public utility administration	299,715	5.22	1,661	0.55	278,973	5.11	1,923	0.69
Residential services, repair and other related services	4,322	0.08	141	3.26	4,119	0.08	90	2.19
Education	15,428	0.27	31	0.20	9,086	0.17	2	0.02
Health and social services	18,741	0.33	112	0.60	15,355	0.28	38	0.25
Culture, sports and entertainment	8,377	0.15	176	2.10	7,785	0.14	249	3.20
Public administration, social security and social organization	2	0.00	–	0.00	3	0.00	–	0.00
International organization	0.00	0.00	–	0.00	0.00	0.00	–	0.00
Personal loans	1,991,100	34.71	26,872	1.35	1,976,372	36.19	28,030	1.42
Discounted bills	303,534	5.29	–	0.00	319,749	5.86	–	0.00
Total	5,736,610	100	61,477	1.07	5,460,935	100	58,491	1.07

During the reporting period, the Company firmly established and polished the “three business cards” of green bank, wealth bank and investment bank, focused on the “five priorities”, actively integrated into and served the new development pattern, and implemented a differentiated credit policy of “guarantee, control and reduction” to better empower business transformation and development. The Company served major national and regional strategies and coordinated development strategies, actively satisfied the credit fund needs of major national strategic planning regions such as the Guangdong-Hong Kong-Macao Greater Bay Area, the Yangtze River Delta, the Beijing-Tianjin-Hebei region, and the Yangtze River Economic Belt as well as regions within Fujian Province. It actively integrated into the local mainstream economy based on regional planning and industrial development characteristics. The Company refined the risk control of traditional high-energy-consuming industries, paid equal attention to business development and risk prevention and control, allocated credit resources to high-quality entities that supported energy security, industrial upgrading and transformation and green and low-carbon development, and new energy green electricity production, and satisfied the credit fund needs of enterprises for green transformation and upgrading. Driven by the “internal circulation” and “dual circulation” strategies and in line with national policies and the trend of industry upgrading and integration, the Company preferentially supported fields concerning the upgrading of people’s livelihood consumption and new types of consumption such as automobiles, medicine, modern logistics, education, culture and sports, and household appliances. Focusing on the mainstream market and mainstream businesses, the Company prevented risks in mid – and low-end markets. It deepened the business philosophy of big data, gave full play to the role of financial technology, and effectively used data assets. Taking data as the main production factor and the ecological platform as the main production method, the Company continuously improved online financing technologies, models and risk control methods and accelerated digital transformation and ecosystem development. The Company steadily and properly promoted the financing business of private enterprises. It mainly selected mainstream private enterprises in sectors with high-quality actual controllers, standardized corporate governance, outstanding main business, good operating cash flow, and reasonable liability ratios and liability structures. The Company did a good job in climate risk management. It continuously improved the ability and level of climate risk management of loans, focused on key industries and key regions, and actively guided credit resources to business areas with low energy consumption, low emission, low pollution, high efficiency and good market prospects, so as to better serve business development. The Company strictly secured the bottom line of compliance and risk, increased prudent attention to the illegal environmental information on industries, projects and enterprises with great ecological hazards, prevented potential risks, and tapped opportunities for developing green finance. During the reporting period, the Company faced certain pressure in credit risk management. The NPL ratio and other indicators of some sectors fluctuated slightly. The Company followed regulatory guidance, stuck to the risk bottom line, consolidated asset quality, did a good job in risk management in key areas such as real estate, local government financing platforms, and consumer finance, continued to dispose of non-performing assets, and maintained stable asset quality.

For details of the credit and environmental requirements for certain sectors in the above table, please refer to Chapter 5 “Environmental, Social, and Governance (ESG)” in this Report.

3.5.4.3 Loan distribution by geographical region

Unit: RMB million

District	December 31, 2024				December 31, 2023			
	Loan balance	Percentage (%)	NPL balance	NPL ratio (%)	Loan balance	Percentage (%)	NPL balance	NPL ratio (%)
Head Office	593,387	10.34	13,521	2.28	600,504	11.00	15,774	2.63
Fujian	592,863	10.34	4,574	0.77	572,595	10.50	3,232	0.56
Guangdong	656,792	11.45	10,741	1.64	655,841	12.01	5,588	0.85
Jiangsu	542,036	9.45	3,786	0.70	531,193	9.73	3,770	0.71
Zhejiang	555,474	9.68	3,625	0.65	501,544	9.18	1,847	0.37
Shanghai	298,263	5.20	2,701	0.91	274,363	5.02	3,710	1.35
Beijing	270,804	4.72	3,260	1.20	242,149	4.43	3,576	1.48
Northeast China	162,444	2.83	1,796	1.11	159,021	2.91	1,417	0.89
Western China	731,440	12.75	8,640	1.18	702,928	12.87	9,217	1.31
Central China	807,611	14.08	6,160	0.76	737,256	13.50	6,177	0.84
Other regions	525,496	9.16	2,673	0.51	483,541	8.85	4,183	0.87
Total	5,736,610	100	61,477	1.07	5,460,935	100	58,491	1.07

During the reporting period, the regional structure of the Company's loans remained basically stable. Loans were mainly distributed in economically developed regions such as Guangdong, Fujian, Zhejiang, Jiangsu, Shanghai and Beijing. Affected by such factors as the continuous adjustment of the real estate market, the NPL ratio and other indicators of some regions fluctuated slightly, but they remained stable overall. The Company served major national and regional strategies and coordinated development strategies, actively satisfied the credit fund needs of major national strategic planning regions such as the Guangdong-Hong Kong-Macao Greater Bay Area, the Yangtze River Delta, the Beijing-Tianjin-Hebei region, and the Yangtze River Economic Belt as well as regions within Fujian Province. It focused on regional advantageous industries, adopted differentiated authorization and credit strategies for each city, supported operating institutions in improving the credit structure, and promoted business transformation and development.

3.5.4.4 Forms of loan guarantee

Unit: RMB million

Guarantee type	December 31, 2024				December 31, 2023			
	Loan balance	Percentage (%)	NPL balance	NPL ratio (%)	Loan balance	Percentage (%)	NPL balance	NPL ratio (%)
Unsecured loans	1,522,520	26.54	20,934	1.37	1,469,326	26.90	22,151	1.51
Guaranteed loans	1,539,069	26.83	16,605	1.08	1,341,021	24.56	13,987	1.04
Loans secured by mortgages	2,013,900	35.11	20,557	1.02	1,930,799	35.35	18,661	0.97
Pledged loans	357,587	6.23	3,381	0.95	400,040	7.33	3,692	0.92
Discount loans	303,534	5.29	–	0.00	319,749	5.86	–	0.00
Total	5,736,610	100	61,477	1.07	5,460,935	100	58,491	1.07

As at the end of the reporting period, the proportion of unsecured loans decreased by 0.36 percentage point compared with the end of the previous year, and the NPL ratio decreased by 0.14 percentage point; the proportion of guaranteed loans increased by 2.27 percentage points compared with the end of the previous year, and the NPL ratio increased by 0.04 percentage point; the proportion of loans secured by mortgages and pledged loans decreased by 1.34 percentage points compared with the end of the previous year, and the NPL ratio increased by 0.05 percentage point; and the proportion of discount loans decreased by 0.57 percentage point compared with the end of the previous year.

3.5.4.5 Loans granted to the top ten borrowers

Unit: RMB million

Customer	December 31, 2024	Proportion to total loans (%)
Customer A	14,747	0.26
Customer B	11,570	0.20
Customer C	10,907	0.19
Customer D	8,954	0.16
Customer E	8,300	0.14
Customer F	8,100	0.14
Customer G	8,056	0.14
Customer H	7,153	0.12
Customer I	7,000	0.12
Customer J	6,549	0.11
Total	91,336	1.59

As at the end of the reporting period, the loan balance of the Company's largest single borrower was RMB14,747 million, accounting for 1.41% of the Company's net capital before consolidation, which conformed to the requirement of regulatory authorities that the proportion of the loan balance of a single borrower shall not exceed 10% of a bank's net capital.

3.5.4.6 Structure of personal loans

Unit: RMB million

Item	December 31, 2024				December 31, 2023			
	Loan balance	Percentage (%)	NPL balance	NPL ratio (%)	Loan balance	Percentage (%)	NPL balance	NPL ratio (%)
Personal residential and business mortgage loans	1,086,251	54.56	6,543	0.60	1,075,915	54.44	6,078	0.56
Personal business loans	351,850	17.67	2,824	0.80	325,428	16.47	2,566	0.79
Credit cards	371,656	18.67	13,521	3.64	401,633	20.32	15,773	3.93
Others	181,343	9.10	3,984	2.20	173,396	8.77	3,612	2.08
Total	1,991,100	100	26,872	1.35	1,976,372	100	28,029	1.42

The proportion of personal residential and business mortgage loans increased by 0.12 percentage point compared with the end of the previous year, the proportion of personal business loans increased by 1.20 percentage points compared with the end of the previous year, and the proportion of credit card balances decreased by 1.65 percentage points compared with the end of the previous year. At the end of the reporting period, the NPL ratio of personal loans was 1.35%, a decrease of 0.07 percentage point from the end of the previous year.

The Company comprehensively improved the efficiency of personal loan risk management, actively strengthened the full-process management of pre-loan access, loan review, loan monitoring, and post-loan collection, continued to promote the development of the system featuring centralized operation, centralized approval, centralized monitoring, and centralized collection, and accelerated the improvement and upgrading of model strategies, digital application, systems and mechanisms, professional teams, and collateral management, to safeguard the high-quality development of personal loans.

3.5.4.7 Provision for and write-off of loan impairment

Unit: RMB million

Item	Amount
Opening balance	143,426
Provision during the reporting period	51,613
Write-off and transfer-out during the reporting period	(59,932)
Write-back during the reporting period of write-off in previous years	12,726
Changes in exchange rates and others	(1,650)
Closing balance	146,183

Adopting the New Financial Instruments Standard, the Company made adequate provisions for loan losses based on the expected credit loss model as well as quantitative parameters of risk such as customer's default probability and loss given default, with macro proactive adjustments taken into consideration.

3.5.4.8 Changes in overdue loans

Unit: RMB million

Item	December 31, 2024		December 31, 2023	
	Balance	Percentage (%)	Balance	Percentage (%)
Overdue for 1-90 days (inclusive)	39,026	42.78	34,335	46.23
Overdue for 91-360 days (inclusive)	35,852	39.30	25,169	33.88
Overdue for 361 days-3 years (inclusive)	13,814	15.14	12,914	17.38
Overdue for over 3 years	2,538	2.78	1,865	2.51
Total	91,230	100	74,283	100

As at the end of the reporting period, the balance of the Company's overdue loans was RMB91,230 million, up RMB16,947 million from the end of the previous year, mainly due to an increased default risk of some high-debt real estate customers and retail customers. All overdue loans were included in non-performing loans and special mention loans for management. Among them, overdue corporate loans increased by RMB11,695 million, overdue personal loans increased by RMB8,886 million, and overdue credit card loans decreased by RMB3,634 million. The Company refined the pre-loan access policy, continued to improve the credit business monitoring mechanism, strengthened loan control and collection, and maintained stable overdue loan indicators.

3.5.4.9 Changes in rescheduled loans

Unit: RMB million

Item	December 31, 2024		December 31, 2023	
	Balance	Percentage (%)	Balance	Percentage (%)
Rescheduled loans	27,540	0.48	3,093	0.06

Based on regulatory guidance and substantive risk evaluation, the Company strengthened the disposal of rescheduled loans. During the reporting period, the Company changed the criteria for rescheduled loans in line with the Rules on Risk Classification of Financial Assets of Commercial Banks and included the loans classified as special mention loans after rescheduling into the statistical scope. Therefore, the scope of the balance of rescheduled loans as at the end of 2024 was different from that at the end of 2023. As at the end of the reporting period, the balance of the Company's rescheduled loans was RMB27,540 million, accounting for 0.48% of total loans.

3.5.4.10 Repossessed assets and impairment provision

Unit: RMB million

Item	December 31, 2024		December 31, 2023	
	Amount	Provision for impairment	Amount	Provision for impairment
Reposessed assets	1,232	153	635	160
Including: Buildings	1,231	152	634	159
Others	1	1	1	1
Less: Impairment provision	(153)		(160)	
Net value of reposessed assets	1,079		475	

During the reporting period, the balance of reposessed assets of the Company increased by RMB597 million from the end of the previous year, and the impairment provision was basically on par with that in the previous year.

3.5.5 Main items with changes of over 30%

Unit: RMB million

Item	December 31, 2024	December 31, 2023	Change over the end of previous year (%)	Brief description
Deposits with banks and other financial institutions	107,117	185,906	(42.38)	Decrease in deposits with banks and other financial institutions
Other assets	82,493	53,394	54.50	Increase in receivables pending settlement
Borrowings from the Central Bank	91,419	307,064	(70.23)	Decrease in borrowings from the Central Bank
Financial assets sold under repurchase agreements	261,996	416,568	(37.11)	Decrease in financial assets sold under repurchase agreements
Taxes payable	9,385	6,423	46.12	Increase in corporate income taxes payable
Other liabilities	45,158	65,784	(31.35)	Decrease in payables pending settlement
Other equity instruments	118,960	88,960	33.72	Issued RMB30 billion perpetual bonds
Other comprehensive income	5,561	1,239	348.83	Increase in balance of fair value changes of other debt investment included in other comprehensive income

Unit: RMB million

Item	2024	2023	Change over previous year (%)	Brief description
Investment income	36,202	30,699	17.93	Being fairly interrelated, the overall gains from those three accounting items after consolidation amounted to RMB38.75 billion, representing a year-on-year increase of 9.90%, which was mainly due to the increase in gains related to bond financial assets
Gains from changes in fair value	3,222	4,139	(22.16)	
Foreign exchange (losses) gains	(674)	421	Positive in the same period of last year	
Income tax expenses	9,629	6,675	44.25	Year-on-year increase in profits before tax, while year-on-year decrease in tax-exempt income

3.5.6 Other financial information disclosed according to regulatory requirements

3.5.6.1 Information of structure entities under control of the Company

For information of consolidated structure entities and structure entities that were not consolidated but were managed by the Company or in which the Company had interests, please refer to "Notes VII. 45 to the Financial Statements".

3.5.6.2 Information of financial bonds held

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

Unit: RMB million

Item	Par value
Bonds of policy banks	144,695
Bonds of commercial banks	140,079
Bonds of non-banking financial institutions	119,096
Total	403,870

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

Unit: RMB million

Bond	Par value	Annual yield rate (%)	Maturity date
Bond 1	4,512	3.58	21/11/2032
Bond 2	3,000	3.20	08/11/2025
Bond 3	3,000	3.10	16/08/2026
Bond 4	2,500	2.70	28/02/2025
Bond 5	2,000	2.64	21/02/2025
Bond 6	2,000	2.65	21/02/2025
Bond 7	2,000	2.68	21/02/2025
Bond 8	2,000	2.69	21/02/2025
Bond 9	2,000	2.70	21/02/2025
Bond 10	2,000	2.66	28/02/2025

3.5.6.3 Derivative financial instruments held at the end of the reporting period

Unit: RMB million

Item	Nominal value	Fair value	
		Asset	Liability
Exchange rate derivatives	3,488,489	27,090	(28,331)
Interest rate derivatives	9,105,671	39,937	(44,732)
Precious metals derivatives	156,865	3,467	(1,811)
Credit derivatives and others	6,502	30	(16)
Total	12,757,527	70,524	(74,890)

3.5.6.4 Items measured at fair value

Unit: RMB million

Item	December 31, 2023	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, 2024
Precious metals	5,599	98	–	–	6,683
Placements with banks and other financial institutions	241	(34)	–	–	–
Derivative financial assets	43,679	(4,766)	–	–	70,524
Derivative financial liabilities	43,279				74,890
Loans and advances to customers	330,223	26	22	(312)	323,112
Financial assets held for trading	957,708	6,138	–	–	923,189
Other debt investments	572,585	287	4,132	(871)	630,916
Other equity instrument investments	3,836	–	(87)	–	4,011
Financial liabilities held for trading	12,946	(172)	–	–	26,740
Placements from banks and other financial institutions	51,972	1,174	–	–	41,637

3.5.6.5 Interest receivable

According to the requirements of the Notice on Revising and Issuing the Formats of Financial Statements of Financial Enterprises for 2018 issued by the Ministry of Finance, the interest of financial instruments accrued by the Company based on the effective interest rate method is reflected in the corresponding financial instrument statement items, and the accrued but unpaid interest is listed in “other assets”.

Withdrawal of bad debt provision for interest receivable: During the reporting period, the Company checked the interest receivable and made provisions for losses of corresponding financial instruments based on the expected credit loss model.

Bad debt write-off procedures and policies: The write-off of bad debts of the Company shall be carried out in strict accordance with the conditions stipulated in the Measures for the Administration of the Write-Off of Bad Debts by Financial Enterprises (2017 Version) issued by the Ministry of Finance and submitted to the authorized approver for approval according to the Company's internal authorization regulations. For items that meet the conditions of bad debt write-off, the Company will handle them according to the procedures of reporting by branches and approval by the Head Office: Relevant departments of branches will organize the reporting and examination of bad debt write-off, which will be reported to the Head Office after being approved at the office meetings of branch managers. After being reviewed by relevant Head Office departments, the bad debts will be submitted to relevant Head Office departments, the president, the Strategy and ESG Committee of the Board of Directors or the Board of Directors for approval depending on the amount of bad debts and in line with the authorization regulations. Then, the bad debts will be written off. In the write-off of bad debts, the Company abides by the principle of “meeting identification conditions, providing valid evidence, keeping the account write-off on file, and urging recovery”. After the bad debts are written off, the Company will strictly implement the management responsibility and take various means to continue to pursue claims on projects with recourse.

Unit: RMB million

Item	December 31, 2023	Increase in the period	Recovered in the period	December 31, 2024
Interest receivable	42,527	331,304	330,224	43,607

Note: include accrued interest of cash and balances with Central Bank, deposits with banks and other financial institutions, placement with banks and other financial institutions, financial assets purchased under resale agreements, loans and advances to customers, debt investments and interest receivable of other debt investments, and interest receivable of other assets.

3.5.6.6 Provision for impairment of other receivables

Unit: RMB million

Item	December 31, 2024	December 31, 2023	Provision for impairment	Provision method
Other receivables	18,341	19,051	1,940	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

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

Unit: RMB million

Item	December 31, 2024	December 31, 2023
Letters of credit	321,788	290,125
Letters of guarantee	106,417	85,500
Bank acceptance	788,291	776,166
Unused credit cards commitments	537,681	531,064
Irrevocable loan commitments	22,745	24,485

3.6 Business Overview

3.6.1 Overview of business units

Unit	Business Address	Number of outlets	Number of employees	Size of assets (RMB million)
Head Office	398 Jiangbin Middle Avenue, Taijiang District, Fuzhou, Fujian Province	1	5,579	2,879,876
Capital Operation Center	167 Yincheng Road, Pudong New District, Shanghai	1	164	1,752,247
Credit Card Center	500 Lai'an Road, Pudong New District, Shanghai	1	1,054	348,724
Private Banking Department	167 Yincheng Road, Pudong New District, Shanghai	1	95	507
Beijing Branch	20 Chaoyangmen North Avenue, Chaoyang District, Beijing	78	3,021	803,772
Tianjin Branch	11 Baoding Road, Heping District, Tianjin	72	1,246	131,762
Shijiazhuang Branch	1 Weiming South Avenue, Qiaoxi District, Shijiazhuang	60	1,565	115,781
Taiyuan Branch	1 Changfeng West Street, Wanbolin District, Taiyuan	74	1,662	165,365
Hohhot Branch	4 Daxue East Street, Saihan District, Huhhot	38	991	94,141
Shenyang Branch	77 Wenhua Road, Heping District, Shenyang	44	1,110	65,189
Dalian Branch	85A Yide Avenue, Zhongshan District, Dalian	21	527	78,026
Changchun Branch	283 Jiefang Road, Nanguan District, Changchun	31	1,132	62,988
Harbin Branch	88 Huanghe Road, Nan'gang District, Harbin	29	829	68,913
Shanghai Branch	168 Jiangning Road, Jing'an District, Shanghai	95	2,921	857,418
Nanjing Branch	2 Changjiang Road, Xuanwu District, Nanjing	139	4,086	455,612
Suzhou Branch	125 Wangdun Road, Suzhou Industrial Park, Suzhou	19	782	103,543
Hangzhou Branch	40 Qingchun Road, Shangcheng District, Hangzhou	112	3,030	486,483
Ningbo Branch	905 Baizhang East Road, Yinzhou District, Ningbo	30	754	94,267
Hefei Branch	99 Fuyang Road, Luyang District, Hefei	51	1,509	151,030
Fuzhou Branch	398 Jiangbin Middle Avenue, Taijiang District, Fuzhou	73	1,578	312,965
Xiamen Branch	78 Hubin North Road, Siming District, Xiamen	31	1,347	177,268
Putian Branch	811, Licheng South Avenue, Fenghuangshan Street, Chengxiang District, Putian	12	345	27,453
Sanming Branch	Building 362, Qianlong New Village, Meilie District, Sanming	13	400	26,498
Quanzhou Branch	Industrial Bank Building, Fengze Street, Fengze District, Quanzhou	37	1,224	109,570
Zhangzhou Branch	491 Zhanghua Middle Road, Xiangcheng District, Zhangzhou	22	655	65,016

Unit	Business Address	Number of outlets	Number of employees	Size of assets (RMB million)
Nanping Branch	399 Binjiang Middle Road, Yanping District, Nanping	17	371	25,787
Longyan Branch	298 Longyan Avenue, Xinluo District, Longyan	14	422	39,839
Ningde Branch	6 Tianhu East Road, Jiaocheng District, Ningde	13	337	55,258
Nanchang Branch	369 Lushan South Avenue, Honggutan District, Nanchang	49	884	74,899
Ji'nan Branch	7000 Jingshi Road, High-tech District, Ji'nan	119	2,889	253,610
Qingdao Branch	886 Tongan Road, Laoshan District, Qingdao	31	771	94,074
Zhengzhou Branch	288 Jinshui Road, Jinshui District, Zhengzhou	44	1,686	186,306
Wuhan Branch	108 Zhongbei Road, Wuchang District, Wuhan	76	1,714	170,279
Changsha Branch	567 III Furong Middle Road, Yuhua District, Changsha	44	1,536	134,145
Guangzhou Branch	101 Tianhe Road, Tianhe District, Guangzhou	137	3,641	478,715
Shenzhen Branch	4013 Shennan Boulevard, Futian District, Shenzhen	61	1,924	385,256
Nanning Branch	15 Songxiang Road, Liangqing District, Nanning	28	989	85,766
Haikou Branch	7 Jinlong Road, Longhua District, Haikou	13	347	23,416
Chongqing Branch	1 Honghuang Road, Jiangbei District, Chongqing	60	1,242	107,276
Chengdu Branch	936 Shijicheng Road, Gaoxin District, Chengdu	120	2,096	214,037
Guiyang Branch	2 Tongbao Road, Guanshanhu District, Guiyang	17	525	57,194
Kunming Branch	363 Jinbi Road, Xishan District, Kunming	29	851	77,062
Xi'an Branch	1 Tangyan Road, Yanta District, Xi'an	77	1,350	138,706
Lanzhou Branch	75 Qingyang Road, Chengguan District, Lanzhou	13	408	26,167
Xining Branch	54 Wusi West Road, Chengxi District, Xining	5	197	11,176
Urumqi Branch	898 Weitai South Road, Toutunhe District, Urumqi	39	774	85,183
Yinchuan Branch	239 Shanghai West Road, Jinfeng District, Yinchuan	7	171	10,440
Lhasa Branch	6 Yangdao Road, Taiyang Island, Chengguan District, Lhasa	2	125	10,321
Hong Kong Branch	1 Harbour View Street, Central, Hong Kong	1	333	240,135
Netting and summation adjustment within the system				(2,208,426)
Total		2,101	63,189	10,211,035

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. Lhasa branch included Tibetan aid personnel.

3.6.2 Business analysis

3.6.2.1 Corporate banking business

During the reporting period, for the corporate banking business, the Company focused on high-quality development, actively consolidated the fundamentals, expanded into the “five new arenas”, and delved deeper into segmented fields. While contributing financial strength to the building of a modern industrial system, it continuously expanded the customer base, optimized the asset structure, and controlled the cost of liabilities.

(1) Basic corporate banking business

In terms of customers, the Company achieved the steady expansion of customer scale and gradual optimization of the customer structure.

The scale of corporate banking customers continued to expand. As at the end of the reporting period, the total number of corporate banking customers reached 1.5355 million, an increase of 0.1341 million from the end of the previous year. Both the total number and increase ranked third among joint-stock commercial banks of the same type. The customer structure was further optimized. As at the end of the reporting period, the number of potential and higher-potential customers totaled 0.3581 million, an increase of 0.0451 million from the end of the previous year, accounting for 23.32% of corporate banking customers, 0.99 percentage points higher from the end of the previous year.

In terms of assets, the Company recorded steady growth in the size of corporate loans, gradual optimization of the loan structure, and improvements in both quantity and price.

As at the end of the reporting period, the balance of corporate loans in domestic and foreign currencies (bank statistical standards, excluding bills) was RMB3,444.492 billion, an increase of RMB276.471 billion, or 8.73%, from the end of the previous year. Among them, the balance of domestic RMB corporate loans was RMB3,256.831 billion, an increase of RMB335.258 billion from the end of the previous year.

The Company further stepped up asset building and refined the business structure. Focusing on the “five new arenas”, it deepened financial services, with loans in technology finance, inclusive finance, energy finance, auto finance and industrial zone finance achieving solid growth from the end of the previous year. Meanwhile, it seized the opportunities brought by the transformation and upgrading of the manufacturing industry and the development of green industries, and scaled up loan supply, with medium and long-term loans to manufacturing enterprises and green loans (corporate) under the PBOC’s statistical standards growing by 19.13% and 19.64% respectively, both higher than the growth of all corporate loans. In terms of pricing, it strengthened income management and enhanced pricing capabilities. The average interest rate on newly issued corporate loans during the reporting period remained competitive when compared with industrial peers.

In terms of liabilities, the Company continuously drove low-cost development, and achieved tangible results in structural optimization and cost control.

As at the end of the reporting period, the balance of corporate deposits in domestic and foreign currencies (bank statistical standards) was RMB3,965.407 billion, an increase of RMB186.777 billion, or 4.94%, from the end of the previous year. Associated costs were effectively reduced. As at the end of the reporting period, the average interest payment rate for domestic RMB corporate deposits was 1.84%, a decrease of 32 bps from the end of the previous year.

(2) Green finance business (strategic customer business)

During the reporting period, the Company practiced the new development concept. In line with the “carbon peaking and carbon neutrality” goals, the Beautiful China initiative and the national strategy of green and low-carbon transition, it focused on the development of green finance business, strengthened product and service innovation, and improved the quality and efficiency of green finance services. With green finance as a tie, it drove the integrated “green + industry” development, promoted the “five priorities” of the financial sector in a coordinated manner, expanded presence into the “five new arenas”, and empowered the fostering of new quality productive forces and the building of a Beautiful China, with all these efforts producing satisfactory results. As at the end of the reporting period, the Company recorded 71.8 thousand green finance customers, an increase of 23.14% from the end of the previous year. The financing balance of green finance both on and off the balance sheet was RMB2,193.541 billion, an increase of 15.88% from the end of the previous year. Among them, the balance of green loans under the PBOC’s statistical standards was RMB967.931 billion, an increase of 19.64% from the end of the previous year.

Focusing on the integrated “green + industry” development. Centering on serving the building of a Beautiful China and supporting the development of new quality productive forces, the Company strengthened asset building in the key areas of “green industries + low-carbon transformation”. While serving industries such as clean energy and new energy vehicles, it vigorously developed transition finance, provided financing for the low-carbon transition of high-carbon industries including petrochemicals and steel, stepped up the support for green finance, and advanced carbon reduction, pollution control, green expansion, and efficiency improvement in a coordinated manner to create a green balance sheet. As at the end of the reporting period, outstanding green financing in the “carbon reduction” field was RMB1,271.535 billion, an increase of RMB206.615 billion from the end of the previous year; outstanding green financing in the “pollution control” field was RMB487.251 billion, an increase of RMB67.747 billion from the end of the previous year. The size of financing to empower the green and low-carbon transition of high-carbon industries was RMB192.739 billion, an increase of RMB60.593 billion, or 45.85%, from the end of the previous year.

Enhancing professional capabilities through innovation. During the reporting period, the Company upgraded the three-level green finance product and service system, consisting of the Group’s diversified products, specialized products for the carbon peaking and carbon neutrality initiative, and solutions for key industries. It further promoted innovative products such as carbon allowance pledge loans and sustainability-linked products, and launched a total of 85 first-ever innovative products, including green bonds labeled as climate bonds, water rights pledge loans, loans linked to green power certificates, and market-traded bills pledged with forestry biological assets. It continuously upgraded the “Turning Green into Gold” system, and advanced the functional upgrading of the Carbon Peaking and Carbon Neutrality Management Platform, providing effective support for carbon finance innovation and carbon asset transactions. At the end of the reporting period, the Carbon Peaking and Carbon Neutrality Management Platform recorded 16.8 thousand corporate carbon accounts and 2.4573 million personal carbon accounts, and some carbon reduction-linked and carbon asset pledge projects were carried out based on the corporate carbon accounts.

Accelerating the building of a green banking group. The Company advanced the integration of the green concept into various business lines and subsidiaries, developed green finance to empower the “five new arenas” and integrated it with the other four priorities of the financial sector to achieve the coordinated development of green finance across the Group. It continuously optimized the credit policy, strengthened resource allocation, and improved the assessment and evaluation system. It promoted the green finance plan indicators to basically cover the whole group (branches, subsidiaries, Head Office departments), gave play to the role of the Green Bank Strategy Promotion Working Group Office, advanced the steady and orderly building of the professional team, and built a comprehensive and diversified green finance service system to empower the development of green finance business. At the end of the reporting period, the size of green finance business, including green leasing, green trust and green funds, was RMB117.6 billion, an increase of RMB18.6 billion from the end of the previous year. Among them, the leasing size was RMB79.8 billion, the size of actively managed (including standardized) trust was RMB17.1 billion, and the size of funds in operation was RMB20.7 billion. The cumulative issuance of ESG and green wealth management products by CIB Wealth Management was RMB220.326 billion.

(3) Investment banking business

During the reporting period, in terms of the investment banking business, the Company focused on product innovation and coordination, served the business needs of customers in complex and diverse scenarios, and continuously boosted the capabilities in asset building and circulation. As at the end of the reporting period, the outstanding FPA in the large investment banking business was RMB4.53 trillion, an increase of RMB145.1 billion from the end of the previous year.

Bond underwriting maintained a lead in the market. The Company underwrote RMB883.426 billion of debt financing instruments of non-financial enterprises, ranking second in the market (data from the National Association of Financial Market Institutional Investors), with a share of 8.64%; underwrote USD6.711 billion of overseas bonds, ranking first among Chinese-funded joint-stock commercial banks (DMI ranking data); underwrote RMB20.713 billion of green debt financing instruments of non-financial enterprises, ranking second among joint-stock commercial banks (data from the National Association of Financial Market Institutional Investors); and underwrote RMB5.468 billion of quasi-REITs, ranking first in the market (data from Wind). The Company launched the first blue sci-tech innovation bills, equity-swap quasi-REIT, office building quasi-REIT, and the first e-CNY bonds used for the acquisition of non-performing assets.

Businesses such as M&A and syndicated loans sustained the momentum of development. The Company kept improving the investment banking product and service system based on customer needs. It granted RMB190.762 billion in M&A financing, a year-on-year increase of 26.22%, seizing the opportunities of key M&A projects in the market and demonstrating distinct competitive advantages; it granted RMB208.706 billion in syndicated financing, an increase of 37.45%, and granted RMB33.136 billion in the capital market business.

The linkage between commercial banking and investment banking businesses was increasingly enhanced. The Company established the closed loop between investment banking assets and wealth management funds, tapped into the demands of private banking, corporate banking and interbank customers for wealth management, smoothened the value circulation chain of "investment banking – asset management – wealth management" for comprehensive wealth management, and provided RMB271.094 billion of quality assets for the wealth management segment, a year-on-year increase of 30.14%. Meanwhile, guided by the ESG business philosophy, the Company granted RMB156.266 billion of financing in the green investment banking business. Among them, green syndicated loans amounted to RMB43.321 billion, green M&A loans RMB15.811 billion, and green capital market business RMB18.005 billion. Green credit asset-backed securities totaled RMB2.25 billion, and green agent distribution amounted to RMB6.049 billion. The investment banking business covered 728 key group customers, a year-on-year increase of 11.31%.

(4) Institutional business

During the reporting period, despite headwinds including the further weakening of the macroeconomic environment, the widespread pressure on fiscal surpluses at all levels, and the growing regulation over government accounts, the Company made tangible progress in consolidating basic management and accelerating transformation and development. Deposits from key customer groups in such areas as finance, tobacco, housing and urban-rural development, and medical insurance maintained fast growth, and the scenario finance services in people's livelihood sectors such as education and healthcare were continuously improved. The Company continued to strengthen empowerment through synergy. Focusing on the income and expenditure chain of government budget funds and the investment chain of government funds, it strengthened coordination across business lines, levels and institutions, actively expanded corporate and personal customer bases, and achieved efficient closed-loop management of funds and resources.

Adhering to the main business line and achieving breakthroughs in both the number of institutional customers and the balance of institutional deposits. During the reporting period, the number of institutional customers exceeded the 50,000 mark for the first time, with the number of new customers increasing by 40% year on year; the balance of institutional customer deposits topped RMB800 billion for the first time, with the outstanding daily average deposit increasing by RMB24.3 billion and the interest payment rate falling by 15 bps in the year; outstanding loans grew by 27%; 155 more fiscal agency qualifications were obtained in the year, an increase of 238%; and 143 new public resource agency qualifications were received, an increase of 30%. Once again, the Company has secured the qualification to act as an agent for the central government treasury's payment services and has been selected as one of the first eight partner banks for the supervision of prepayment funds for elderly care services by the Ministry of Civil Affairs.

Adhering to being led by the government and continuously strengthening the coordinated empowerment of corporate banking, retail banking, interbank business and subsidiaries, among other businesses of the Group, with unwavering efforts. The Company consolidated the fiscal fund chain marketing and special bond marketing systems, expanded the coverage of accounts, and drove the retention of funds through the capital cycle. During the reporting period, the Company undertook RMB514.4 billion in chain marketing of fiscal funds, driving an increase of RMB12.8 billion of the daily average settlement deposits in the undertaken accounts. The scale of financial advisory services for special bonds totaled RMB512.5 billion, with a market share of 16.39%, and rising by 1.61 percentage points year on year. The re-deposits of additional special bond funds amounted to RMB255.7 billion, with the market share of redeposited funds reaching 8.18%, driving a daily average settlement corporate deposit of RMB51.9 billion.

Adhering to the digital transformation of institutional business and systematically advancing the building of scenario finance for key industries. With the focus on education, healthcare, public security, procuratorate, and court, and local government special bond businesses, the Company, by building "institutional business +" scenarios, leveraged institutional business as a platform to strengthen the acquisition and undertaking of key ecosystem entities, key accounts and key funds. The daily average deposit covered by the institutional scenario ecosystem was RMB408.4 billion, driving the acquisition of 15,059 corporate banking customers in total.

(5) International business (transaction banking business)

During the reporting period, the Company actively integrated into the new development paradigm of "dual circulation", with supply chain finance featuring deeper integration of industry and finance, international business recording stronger service capabilities in all aspects, "Industrial Steward" improved to enhance user experience, and treasury management making further headway, aiming to drive the high-quality development of the real economy through high-quality financial services.

Clearly defining the development strategy for international business to promote high-standard opening up. Taking international business as a strategic focus across the Bank, the Company comprehensively optimized institutions and mechanisms, and improved comprehensive cross-border service capabilities. It launched diversified global fund management services, ranking first among domestic commercial banks for four consecutive years by the number of group customers sharing direct connection in global cash management. It introduced the innovative treasury management model of "CIPS + Treasury", and launched the bank-to-bank direct connection global fund management service, effectively reducing enterprise costs. It actively served and integrated into the construction of free trade zones. As one of the first batch of pilot financial institutions, it successfully launched the multi-functional free trade account (EF account). Relying on products such as the basic version and credit insurance version of cross-border financing for small and micro enterprises, it expanded the coverage of inclusive financial services. It introduced featured services such as "automatic opening" of import letters of credit and T+0 foreign exchange settlement and sales price locking, continuously unlocking the momentum of trade financing. Proactively seizing the historical opportunity associated with cross-border e-commerce, it launched the Cross-border E-commerce Comprehensive Service Solution 2.0, which integrates online functions such as settlement, foreign exchange, wealth management and financing with "safe collection and payment and transparent cross-border transactions" at the core, providing customers with more efficient and accessible cross-border business services through "finance + non-finance" services. It launched the electronic letters of guarantee for tax payment in cross-border e-commerce retail imports, facilitating the payment of customs duties for cross-border e-commerce enterprises and further promoting the facilitation of cross-border e-commerce retail imports. It upgraded the international business online service platform to version 4.0, which features digitalization, intelligence, automation and diversification, and leverages cutting-edge technologies such as big data, blockchain and OCR intelligent recognition to provide domestic and overseas customers with low-cost, high-efficiency, and one-stop online cross-border business services based on three platforms, namely online banking, mobile banking, and open banking. During the reporting period, the volume of foreign-related receipts and payments in both domestic and foreign currencies was USD319.459 billion; the volume of cross-border RMB receipts and payments was RMB2,003.381 billion; the daily average deposit of domestic corporate banking customers in foreign currency was USD11.084 billion; the daily average loan of domestic corporate banking customers in foreign currency was USD17.793 billion. Cross-border e-commerce ecosystem customers numbered nearly 4,000 customers, and the volume of foreign-related receipts and payments exceeded USD6 billion.

Tapping emerging business forms based on scenarios and continuously fostering the ecosystem of supply chain finance business. The Company deepened the integration of industry and finance for greater effectiveness, and comprehensively improved the level of supply chain finance services. It optimized the enterprise bill asset management service, continuously enhanced the digital and intelligent level of the bill pool products, and promoted the development of the central enterprise bills treasury through multi-level bill pool products, further deepening the cooperation with enterprises. Focusing on high-frequency transaction scenarios, it continuously refined product features, and advanced the continuous expansion of the “circle of friends” for letters of guarantee. During the reporting period, the transaction amount of domestic letters of guarantee was RMB63.813 billion, an increase of 16.39% year on year, and the number of customers served during the year was 2,982, an increase of 12.15% year on year. Focusing on the “five new arenas”, the Company further developed the supply chain finance business, achieving significant growths in auto, energy and park segments, and meeting diversified customer needs through a package of comprehensive service solutions. As at the end of the reporting period, the balance of qualified supply chain financing was RMB472.835 billion, involving 847 core enterprises, and driving the acquisition of 17,090 more upstream and downstream customers, an increase of 665, or 4.05%, from the end of the previous year.

Advancing the upgrading of the integrated service of “Industrial Steward”, and empowering the digital transformation of enterprise finance through treasury management. The Company built “Industrial Steward”, an integrated corporate financial service platform, and continuously enhanced its customer service capabilities by improving management regulations, refining operation mechanisms, optimizing process experiences, and accelerating digital transformation, so as to drive the high-quality development of business. As at the end of the reporting period, “Industrial Steward” recorded 1.3182 million customers (including 94.7 thousand self-employed individuals), an increase of 125.9 thousand from the end of the previous year. The Company kept a close eye on the policy requirements for the construction of the treasury system of central and state-owned enterprises, and continuously enhanced “Industrial Steward” as a treasury management platform to help enterprises manage funds efficiently. As at the end of the reporting period, the Company implemented 976 treasury management projects in total.

3.6.2.2 Retail banking business

During the reporting period, for retail banking business, the Company solidly advanced the building of a systematic retail business operation system, systematically enhanced customer service and management capabilities, optimized the retail deposit structure, improved the quality of retail credit, and accelerated the transformation and development of credit cards. It kept the value circulation chain of “investment banking – asset management – wealth management” for comprehensive wealth management unimpeded, sped up empowerment through digital transformation, and drove the continuous improvement of retail customer services and operation efficiency.

(1) Basic retail banking business

The retail customer base was consolidated. Upholding the “customer-centric” business philosophy, the Company continuously improved its standardized, professional, intensive, digital and integrated operation capabilities. As at the end of the reporting period, the number of retail customers was 110.1595 million, an increase of 8.8832 million, or 8.77%, from the end of the previous year; the number of active mobile banking customers was 62.7885 million, an increase of 6.7118 million, or 11.97%, from the end of the previous year. The number of monthly active users of mobile banking was 26.6403 million, and the substitution rate of online banking for counter services was 96.55%.

Retail deposits grew steadily. The Company solidly promoted the development of personal deposit business on the principle of balancing quantity with price. It focused on the needs of customers at all levels for asset allocation, targeted the core customer groups of settlement deposits, and built and expanded payment scenarios. Through stratified and classified differentiated marketing and personalized services, it improved customer fund retention and value contribution. As at the end of the reporting period, the balance of retail deposits (bank statistical standards) was RMB1,568.145 billion, an increase of RMB208.247 billion, or 15.31%, from the end of the previous year. Among them, the settlement deposits associated with payroll agency and acquiring customer groups accounted for 37.50% of the total, an increase of 0.72 percentage points from the end of the previous year.

The building of ecosystem scenarios was accelerated. Through measures such as collaboration between the Head Office and branches, linkage between corporate banking and retail banking businesses, sand table simulation, and rational input of resources, the Company coordinated businesses in the “five new arenas”, and deepened presence in high-frequency ecosystem scenarios for retail customers such as clothing, food, housing, transportation, shopping, tourism, entertainment, healthcare, education, and government services. Focusing on credit card discounts, digital currency wallets, consumer credit, and acquiring settlement, etc., it provided differentiated comprehensive service solutions for different scenarios and customer groups, integrated financial services into scenarios, and improved customer service capabilities. It continuously expanded business boundaries, extensively connected with industrial partners, and drove the building of ecosystem scenarios together.

The pension finance brand was upgraded. The Company established a mechanism for the overall planning of the Group's pension finance business, further deepened presence in the three major business areas of pension fund finance, pension service finance, and pension industry finance, actively built a comprehensive pension finance service system for retail customers, and stepped up financial support for the pension industry. As at the end of the reporting period, the Company served 27.1036 million customers aged 50 and above, managing comprehensive financial assets of RMB1.87 trillion. A total of 6.2745 million personal pension accounts were opened, an increase of 2.0254 million, or 47.67%, from the end of the previous year. Specifically, a total of 3.7452 million new customers were acquired, accounting for 59.69% of the total personal pension customers. Personal pension products covered four categories, including savings, funds, wealth management, and insurance, numbering 234 in total.

(2) Retail loan business

During the reporting period, the Company advanced the standardization of processes, worked on a consumer finance ecosystem, and delved deeper into the key industries of the supply chain. The scale of retail loans grew steadily, the asset quality remained stable, and the asset structure continued to improve. As at the end of the reporting period, the balance of retail loans (bank statistical standards, excluding credit cards) was RMB1,537.507 billion, an increase of RMB49.179 billion from the end of the previous year. Among them, the balance of personal housing mortgage loans was RMB1,087.486 billion, an increase of 1.08% from the end of the previous year; the balance of personal consumer loans was RMB97.313 billion, an increase of 13.18% from the end of the previous year; the balance of personal business loans was RMB351.850 billion, an increase of 8.12% from the end of the previous year. Non-mortgage loans (bank statistical standards, excluding credit cards) represented 29.27% of the Company's retail loans, an increase of 1.56 percentage points from the end of the previous year.

Implementing fine management and stabilizing the supply of mortgage loans. The Company optimized the mortgage loan business process, enabled the full coverage of centralized review and approval, refined the self-service repayment feature of mobile banking, and improved the customer experience in loan application. It strengthened cooperation with key channels, advanced linkage among business lines, and enhanced the quality and efficiency of cooperation with housing intermediaries. During the reporting period, RMB186.148 billion of mortgage loans was granted. The Company actively implemented policy requirements, and took the lead in issuing announcements and operation rules for interest rate and repricing cycle adjustments. During the reporting period, the interest rates on 1.328 million existing housing loans that involved RMB849.9 billion were mass-adjusted.

Conducting systematic operation and building consumer loan scenarios. The Company improved loan policies, issued special plans for family customer groups, and enhanced product competitiveness. It optimized the strategy for product access, strengthened the renewal of credit lines, diversified data applications, and expanded the customer base. It enriched consumer scenarios and created special plans with branch characteristics to meet consumer demands. It strengthened cooperation with leading platforms, steadily advanced the five “independences”, and improved the financial support capabilities in the consumer field. As at the end of the reporting period, the balance of consumer loans was RMB97.313 billion, an increase of 13.18% from the end of the previous year.

Integrating corporate banking and retail banking businesses, and empowering the development of business loans. The Company focused on key business-related ecological areas, relied on channels to acquire customers in batches, deepened presence in the key industries across the supply chain, met the financing needs of distributors, and built a “win-win chain” for enterprises on the chain. It made every effort to promote the development of the “five priorities” of the financial sector, successively launched comprehensive personal service solutions for scientific and technological talents and financing products for employee stock ownership. Focusing on specialized markets, it created online financing products for agricultural product wholesale markets, advanced the replication of excellent cases, established more than 600 marketing sand tables, and made online financing accessible to 430 agricultural product wholesale markets across the country through the “Industrial Business Flash Loan”. As at the end of the reporting period, the balance of business loans was RMB351.850 billion, an increase of 8.12% from the end of the previous year.

(3) Wealth management business

During the reporting period, for the retail wealth management business, the Company strengthened the management of existing customers, optimized the product supply strategy, and continuously met the needs of customers for wealth preservation and appreciation. As at the end of the reporting period, the Company recorded RMB3,294.142 billion in the balance of retail banking assets (bank statistical standards, excluding the market value of third-party custody), an increase of 9.42% from the end of the previous year. Among them, the balance of retail wealth management assets (excluding the market value of third-party custody) accounted for 52.40%. The intermediate business income from retail wealth management totaled RMB4.665 billion, a year-on-year decrease of 15.18%, mainly due to factors such as the reduction of fees in the bancassurance channel.

Enhancing management of customer groups. Focusing on the management of existing customers, the Company built a closed loop for customer management, established a system for upgrading retail customers to higher tiers, and continuously enhanced customer service and companionship. As at the end of the reporting period, the number of retail customers holding the wealth management products of the Company was 8.6595 million, up by 3.64% from the end of the previous year; the number of VIP customers was 4.8096 million, up by 8.78% from the end of the previous year. Among them, 871.4 thousand retail long-tail customers were upgraded to VIP customers, and 14.8 thousand retail gold, platinum, and black gold customers were upgraded to private banking customers. The downgrading and churn rate of VIP customers fell by 2.20 percentage points year on year.

Enriching product shelves. Upholding the customer-centric concept, the Company aligned with the downward trend of customers' risk preference, met customers' demand for global asset allocation, and accelerated the building of domestic and overseas wealth management product shelves. Domestically, it established a product shelf covering asset categories, such as cash management, fixed income assets, equity-linked assets, insurance protection, and commodities, with varying terms and risk levels, to meet customers' needs for wealth management in terms of liquidity, safety, profitability, protection and inheritance. Overseas, it sped up the diversification of product types such as foreign currency deposits, foreign currency wealth management, QDII public funds, mainland-Hong Kong mutually recognized funds, and special accounts, and actively drove the building of the international shelf as a wealth management bank. During the reporting period, the Company created a total of RMB78.007 billion of wealth appreciation for customers.

Deepening digital transformation. The Company continuously consolidated the digital foundation of the wealth management business in four dimensions: data, customers, products, and platforms. It expedited the empowerment through data, established a "1+2+N" data-driven framework for the wealth management business, and continuously improved customer profiles. By "human + digital" means, it constantly optimized the stratified and classified customer management system, and effectively strengthened the fine management of customers. It further upgraded the product selection system to meet the diverse customer needs for wealth allocation. It promoted the upgrading of Qianda Money Manager, and strove to build Qianda Money Manager into a unified brand for retail business. As at the end of the reporting period, the number of registered users of Qianda Money Manager was 20.1971 million, up by 9.10% from the end of the previous year.

Upgrading brand and team building. During the reporting period, leveraging the "Xingfulong" IP, the Company launched the second "11•18 Wealth Management Festival". The online activities recorded 3.6 million participations and over 380 thousand participants; more than 18 thousand offline themed salons and enterprise outreach activities were held, covering nearly 220 thousand customers. This further strengthened the Company's image as a wealth management brand preferred by customers. It built a team management model integrating team building, echelon building, and capacity improvement, advanced the implementation of a standardized system for customer management and team management in all aspects, and drove more professional, precise and intelligent customer services.

(4) Private banking business

During the reporting period, for the private banking business, the Company, upholding the customer-centric concept, focused on high-net-worth entrepreneurs and their enterprises and families, advanced the integrated operation of corporate banking and retail banking businesses, provided private banking customers with asset allocation, family inheritance governance, and comprehensive corporate financial services, and further strengthened its building as a wealth management bank.

Achieving a new high in the net increase of customers in recent years. As at the end of the reporting period, the monthly average daily number of private banking customers was 77,017, an increase of 7,859, or 11.36%, from the end of the previous year, which represented a new high in recent three years; the monthly average daily comprehensive financial assets of private banking were RMB961.044 billion yuan, an increase of RMB106.032 billion, or 12.40%, from the end of the previous year. The number of downgraded or lost private banking customers continued to decline year on year, indicating remarkable results achieved in preventing customer downgrade and loss.

Building long-term accompanying professional services. In order to enhance the customer experience in asset allocation and deliver long-term accompanying professional services with a human touch, the Company initiated a large-scale follow-up visit campaign targeting public and private fund customers, strengthening customer maintenance and service quality through one-on-one face-to-face communication. It also held a series of activities such as global asset allocation strategy meetings and listed company summits, empowering customers with its expertise and enhancing the service experience of private banking customers.

Improving the global wealth allocation shelf. The Company officially launched the cross-border private equity products, opening up an important chapter for providing private banking customers with global asset allocation services, further enriching the product shelf, offering more diversified investment options, and enhancing customer stickiness. Furthermore, it deeply implemented the "research, production and sales" integrated mechanism, established a mode of operation that is led by research, characterized by product selection and pushed by sales, grasped market trends in time, dynamically adjusted asset allocation strategies, and provided customers with more refined professional services.

Accelerating the development of direct-sales centers. To enhance customer service, the Company actively promoted the operation and management mode featuring customer concentration and team concentration. Taking the private banking direct-sales center as the main front for the concentrated maintenance of private banking customers, the Company centralized competitive resources, strengthened coordinated empowerment and formed service synergy, to foster a high-caliber professional talent team and build a standardized, efficient, and professional marketing service system, providing customers with tailored comprehensive wealth management service solutions, and meeting the increasingly complex personalized needs of private banking customers in a one-stop manner.

(5) Credit card business

For the credit card business, the Company adhered to the customer-centric concept, and refocused on consumer spending. It accelerated the transformation of the development mode, continuously consolidated the digital foundation for risk control, and promoted the sustainable and high-quality development of the business. During the reporting period, the Company issued 2.545 million new credit cards, and recorded a transaction amount of RMB1,944.202 billion.

Reshaping the customer acquisition model and improving the quality of card issuance. The Company refocused on the mainstream customers of the Group, actively expanded high-quality customer groups, concentrated on “3 new + 3 integration” (young educated, new consumption, new energy vehicle customer groups, and integrated customer acquisition in retail banking, corporate banking, and inter-bank business), and drove the customer acquisition model towards Group-linked and scenario-based customer acquisition at a faster pace. During the reporting period, the proportion of new cards issued to young educated customers increased by 6.71 percentage points year on year, and the proportion of cards issued to “debit card-to-credit card” customers through two card linkage increased by 3.93 percentage points year on year. The Company built high-quality customer acquisition scenarios, and carried out integrated operation of customer acquisition and card use in small-amount, high-frequency and large-traffic life consumption scenarios. It actively drove group card applications in the specialized and sophisticated technology enterprises producing unique and novel products and the enterprises representing new quality productive forces. It explored cross-industry cooperation, and attracted high-end business travel customer groups through aviation-type platforms.

Establishing the business mindset focused on customer lifecycle and enhancing digital operation capabilities. The Company explored new models of benefits operation, launching the platinum card of the American Express co-branded card and the MasterCard “Single Chip Dual Applications” card; it tentatively used IP with large traffic to attract and acquire customers, launching the “Baibian Panda Base Hehua Credit Card”, which recorded an issuance of over one million. It strengthened customer reactivation and engagement, deepening cooperation with mainstream Internet payment platforms and well-known chain brands, and building high-frequency scenario ecosystems with the focus on vertical ecological fields such as coffee, tea beverages, and fast food. During the reporting period, the proportion of online transactions increased by 3.85 percentage points year on year. The Company optimized the asset structure, vigorously expanded low-risk scenario-based installment business, and explored and forged the integrated business chain connecting automobiles, homes and enterprises, with the volume of auto installment loans surging by 276.65% year on year. It successfully held the 20th Anniversary Appreciation Concert for Card Issuance, and continuously carried out marketing activities leveraging time nodes and hot events such as holidays and e-commerce festivals to thank customers for their long-term support. It released “Industrial Living” 3.0, exploring innovative operation means such as IP and games to forge a youth-oriented brand image. As at the end of the reporting period, the number of registered users of “Industrial Living” was 55.3966 million, an increase of 14.59% from the end of the previous year.

Improving the comprehensive risk control system and enhancing digital risk control capabilities. The Company optimized the access policy, with the proportion of new cardholders with a low risk profile rising by 5.87 percentage points year on year during the reporting period. It strengthened fine management during the loan period, with the monthly average amount of loans in collections decreasing by 12.40% year-on-year. The Head Office and branches collaborated to improve the recovery efficiency, with the amount of recovered non-performing loans increasing by 15.67% year on year during the reporting period. It improved the risk control model system, enhancing the accuracy, stability and coverage of the models. The Head Office and branches worked together, establishing an early warning mechanism consisting of three levels, namely notification, investigation and warning, and a two-level quality control system, and forming a closed loop of control featuring “one line of defense” on the business side and “two lines of defense” on the risk side.

Strengthening compliance and internal control management and consumer rights protection. The Company refined the compliance management mechanism, stepped up the inspection of outsourcing institutions and penalty for their violation of regulations, strengthened the management of employees’ abnormal behaviors and the prevention and control of cases, and raised the awareness of abiding by the law among all staff. It leveraged digital capabilities to improve the intelligent management of consumer protection, strengthened customer experience monitoring by means such as complaint data analysis, traceability of typical cases, and mystery shopper inspections, and advanced the source governance and quick handling of complaints. It intensified the multi-dimensional assessment of consumer protection, and improved the customer experience management system.

3.6.2.3 Interbank and financial market businesses

During the reporting period, taking transformation and development as its top priority, the Company conducted research and analysis on domestic and foreign financial markets, carried out financial market operations based on interbank cooperation, and worked to enhance capabilities in strategic execution, customer service, investment trading and management propulsion. On the one hand, it drove business transformation and income improvement centering around the goal of building a “light bank”; on the other hand, it explored broader room for development by enhancing matchmaking and agency capabilities. During the reporting period, the Company deepened the cooperation with interbank customers, achieved a more balanced business structure, forged closer collaborative ties, and further improved the sustainability, comprehensive values and benefits of development.

(1) Interbank customer service

Driving the cooperation with interbank customers in more dimensions. The Company comprehensively and deeply served all areas of the financial sector, and established all-round partnership with 40 financial element market institutions, continuously offering them efficient and stable clearing and settlement services, while carrying out in-depth cooperation with them on financing services, investment trading and system building, etc. In terms of cooperation with interbank financial institutions, to improve customer coverage, product usage rate and revenue growth rate, the Company established a stratified and classified cooperation and service system, providing comprehensive financial solutions for different types of interbank financial institutions, and aiming to be a main settlement bank, main custodian bank, main investment bank, and main trading counterparty for its partners. During the reporting period, the Company recorded RMB25.5 trillion of securities fund settlement volume, RMB5.7 trillion of trading settlement volume on futures exchanges, RMB2.4 trillion of settlement volume on the Shanghai Clearing House, and RMB397.2 billion of settlement volume of the Shanghai Gold Exchange. The Company cooperated with more than 95% of the interbank corporate customers in the main industries at home, and established a global cross-border banking service network jointly with 1,146 banks in 90 countries and regions across the globe. A total of 158 Chinese-funded and foreign-funded banks became indirect participants in the Cross-Border Interbank Payment System (CIPS) of China through the Company.

Expanding the influence of the integrated ecosystem. The Company actively implemented the “commercial banking + investment banking” strategy, and carried out the building of the “investment bank + investment” ecosystem in collaboration with leading non-bank institutions. On the one hand, through the integrated operation of investment, underwriting, sales and custody, the Company precisely aligned with the direct financing needs in bond issuance and underwriting projects, and jointly served the “customers of interbank customers”. During the reporting period, the winning bid amount in the primary market and the trading spread income in the secondary market of bond assets such as financial bonds, asset-backed securities (ABS) and interbank certificates of deposit increased significantly. On the other hand, relying on the “Bank-to-Bank Platform”, the Company integrated the competitive products, channels and technological capabilities inside and outside the Group, deeply served the diversified needs of market participants in terms of products, sales, trading and services, and further empowered the “large interbank and big wealth management” ecosystem.

Optimizing the asset-liability structure. The Company focused on developing the “clearing and settlement + deposit and custody” businesses, with the proportion of such low-cost liabilities to the balance of interbank liabilities climbing by 6 percentage points from the end of the previous year. This aligned with the settlement and financing needs of interbank customers and the financial market, and showed the Company kept the size of interbank liabilities stable, optimized the structure and controlled the cost properly. For major categories of interbank assets, the Company took full account of factors such as scale, income, capital occupation and yield, and constantly refined asset allocation, with the proportion of standardized products kept at a high level and the income level further improving. It introduced more qualified trading counterparties, and effectively drove the coordinated development of deposit custody, asset custody, and investment banking businesses through investment, further enhancing its trading capabilities.

Supporting the real economy through the bill business. The Company vigorously promoted commercial acceptance bills and green bills to drive the growth of bill discounting. Meanwhile, it strengthened the research and analysis on the interest rate market, scaled up bill trading, and further facilitated corporate financing, effectively serving the real economy.

(2) Bank-bank cooperation business

The Company has been deeply engaged in cooperation with small and medium-sized banks for years, establishing a “friend circle” of small and medium-sized banks featuring wide coverage, in-depth cooperation, and extended reach. Relying on the Bank-to-Bank Platform, a unified brand for the interbank and financial market businesses, the Company provided comprehensive services for financial peers, including investment and financing, fund transactions, wealth management, FICC, cross-border finance, payment and settlement, open operation, financial information, and technology output. Through the cooperation covering multiple aspects including funds, products, technology, it has formed a unique bank-bank cooperation service model and a sustainable business model, which become the major features of the Company's differentiated operations.

Carrying out the digital operation of the Bank-to-Bank Platform to empower customer service. The Company built a digital operation system for the Bank-to-Bank Platform based on the “customers + products + content + channels” model, upgraded the product shelf, precision marketing, investment research services and cooperation ecosystem, etc., continuously pooled various interbank financial products and services inside and outside the Group, and enhanced the trading volume and activity in investment, trading and settlement halls, among others, to build a unique “interbank +” ecosystem. As at the end of the reporting period, the trading volume of various financial products on the Bank-to-Bank Platform exceeded RMB6.96 trillion. With leading sales capabilities in the industry, the Bank-to-Bank Platform recorded more than RMB660 billion in the size of institutional sales, an increase of 82.34% from the end of the previous year; it partnered with more than 550 small and medium-sized banks on wealth management product distribution, empowering the corporate banking and retail banking customers of interbank customers, continuously enriching the supply of modern financial services and financial products in less developed regions, effectively serving rural revitalization and common prosperity, and expanding the coverage of inclusive finance.

Meeting the multi-level demands of interbank customers for payment and settlement, and maintaining the lead in the market. The Company integrated its infrastructure capabilities, fintech resources and operation experience, to provide small and medium-sized financial institutions with a package of integrated payment and settlement services. For e-CNY, it focused on seven major scenarios, including consumer payment, agency collection and payment, financial services, e-government affairs, cross-border payment, joint marketing, and services for Taiwan, China. It continued to provide services for 2.5-tier cooperative banks, with the number of cooperative institutions ranking among the top in the market. As at the end of the reporting period, the trading volume of the personal and institutional e-CNY wallets of cooperative banks was RMB5.126 billion, an increase of 176.69% from the end of the previous year.

Empowering opening up through technology export, and growing together with small and medium-sized financial institutions. Focusing on the “five priorities” of the financial sector, the Company, with the needs of small and medium-sized financial institutions arising from digital transformation at the core, built a new model of capability export combining fintech, data assets, scenario ecosystem and training & consultation based on the application of financial data elements. Under the model, it exported its advantages in systems, management experience, institutions and processes, and business models to small and medium-sized financial institutions, shared its achievements in digital transformation, explored a new ecosystem for interbank cooperation characterized by system integration, complementary business, resource sharing, openness and win-win outcomes. By successfully exporting mature digital products and technologies, such as wealth management, green finance, anti-fraud, and digital archives, it empowered the high-quality development of small and medium-sized financial institutions.

(3) Asset management business

During the reporting period, the Company further enhanced the professional capabilities of wealth management, fund, and trust subsidiaries, advanced the transformation and development of the asset management business, and met customers' growing needs for asset allocation.

CIB Wealth Management focused on creating values for customers, and persistently strengthened the building of various basic capabilities. It particularly increased input in investment research and risk control, accelerated the integrated and platform-based operation of investment research, and refined the comprehensive risk control system on the asset, product and customer sides, to build the professional capabilities aligned with its management scale. As at the end of the reporting period, it recorded RMB2,177.582 billion of AUM, including RMB2,151.607 billion of fixed-income products, RMB6.793 billion of equity products, RMB17.792 billion of hybrid products, and RMB1.389 billion of commodities and financial derivatives.

China Industrial International Trust focused on enhancing asset management level and investment research capabilities, and drove the business system with service trust as the carrier and asset management as the core. It accelerated the building of six asset allocation product lines, and built diversified asset portfolios by strategy, asset, term, and risk level, to meet the varying risk and return preferences of entrusted funds. As at the end of the reporting period, China Industrial International Trust recorded RMB404.427 billion in AUM, an increase of 118.37% from the end of the previous year; the size of existing trust business was RMB379.769 billion, of which the size of active management trust business totaled RMB298.062 billion, representing 78.49% of the total.

CIB Fund Management, focusing on its primary businesses and main responsibilities, improved its core capabilities, further enriched the product supply, strengthened the deployment of fixed income+, low-volatility dividend and index products, and continuously built a diversified product system with complete categories, rich strategies and clear styles, to deliver more asset allocation options for investors. As at the end of the reporting period, CIB Fund Management recorded RMB410.821 billion of AUM, up by 29.12% from the end of the previous year, and the growth hit a new high in three years; the size of public fund management was RMB347.484 billion, an increase of 32.70% from the end of the previous year, of which the size of non-money fund management was RMB222.268 billion, up by 15.23% from the end of the previous year.

(4) Fund business

During the reporting period, the Company adhered to serving the real economy, financial institutions and the financial market, and focused on building itself into a comprehensive operator and integrated service provider in the financial market. It established and improved the FICC business system across the entire market, all customer groups, the whole chain and the whole ecosystem, consolidated its competitive advantages in the financial market, and drove the high-quality development of the business.

The Company upheld its responsibilities associated with the "country's most fundamental interests", and maintained steady growth in the underwriting volume of treasury bonds and policy financial bonds for years. During the reporting period, the Company undertook RMB743 billion of interest rate bonds, and carried out bond bidding and market-making transactions of RMB576 billion with 539 trading counterparties.

The Company leveraged its strengths in bond investment and trading business to meet the financing needs of enterprises and serve the real economy. It prioritized support for themed bonds, such as green bonds, sci-tech innovation finance bonds, rural revitalization bonds, and small and micro enterprise bonds to promote the healthy development of the real economy. On a cumulative basis, it invested RMB250 billion in local government bonds, and over RMB50 billion in themed bonds of various types.

The Company further stepped up efforts in market-making transactions and sales, drove transaction empowerment, and improved the transaction ecosystem. It remained leading in the market in terms of market-making transactions in fields such as bonds, interest rates, exchange rates and precious metals.

The Company fully aligned the operation capability with the service capability, advanced product and service innovation, and provided integrated service solutions in financial market fields such as interest rates, exchange rates, credit, and precious metals for various customer groups in the market. It recorded RMB1.3167 trillion in the bond lending business conducted with 211 interbank trading counterparties; served 1,663 corporate customers in exchange rate operations that involved RMB814.5 billion in total; innovatively launched the Tianli Gold Bar product, improved the gold product system, and guided customers to further optimize the allocation and trading of gold assets.

The Company strengthened collaboration, to drive business and customer expansion and the improvement of comprehensive benefits. The local government bonds drove RMB521.8 billion in deposit inflows; the credit bonds and asset-backed securities (ABS) facilitated fundraising of RMB726 billion and increased custody assets by RMB108.6 billion. The Company made continuous efforts in serving going-global enterprises, and proactively and promptly met their needs for foreign exchange hedging. Through FICC foreign exchange products, it helped import and export enterprises effectively cope with the fluctuations in the foreign exchange market and achieve risk neutrality. It satisfied the needs of retail customers for large-scale asset allocation through wealth management products such as gold accumulation plans and over-the-counter bonds.

(5) Asset custody business

During the reporting period, the Company continued to optimize the structure of the asset custody business, with the comprehensive service capabilities further enhanced to help the Company consolidate its strengths in interbank and financial market businesses. As at the end of the reporting period, it recorded 50,589 online custody products, ranking second in the industry (data from the Custodian Services Committee of the China Banking Association); the AUM of the asset custody business was RMB16.26 trillion, an increase of 1.40% from the end of the previous year. The income from the asset custody business amounted to RMB3.588 billion, a year-on-year increase of 1.09%.

Industrial segments developed steadily. The Company registered RMB2.61 trillion in the AUM of public fund custody, ranking third in the industry and the first among joint-stock commercial banks. It ranked second in the industry by the AUM of wealth management product custody, and first in the industry by the income from trust product custody (data from the Custodian Services Committee of the China Banking Association).

The operation model was further optimized. The Company centralized custody operations, investment supervision, and contract review at the Head Office level, and advanced the integration of new technologies and the custody system, to provide customers with operation services featuring shorter processes, faster responses, better customer experience and higher standardization, and further digitalize the custody business throughout the process.

Collaboration was enhanced in all aspects. As a public product across the Bank, the custody business was fully incorporated into the building and operation of the “comprehensive investment banking, comprehensive asset management and comprehensive wealth management” system. In doing so, the Company achieved close interaction and mutual empowerment between the asset custody business and other business segments, and continuously advanced the integration of investment, underwriting, custody, and sales.

3.6.2.4 Fintech

During the reporting period, the Company adhered to the strategy of “revitalizing the Bank through technology”, centered around the vision of “building the ability to connect everything and building the best ecological empowerment bank”, upheld the “enterprise-level and standardized” methodology, closely integrated Digital Industrial Bank and digital finance, focused on digital transformation, and drove the development of digital finance. The Company achieved fruitful results in the 2023 Fintech Development Award appraisal launched by PBOC, with the Enterprise-level Data Standard System Building Project and the “Xing Xiao'er” AI Bond Trading Robot honored with the second prize, and its Inclusive Finance Digital Financing Service Project won the third prize in the national final of the 2024 “Data Elementsx” Competition for financial services. During the reporting period, the Company input RMB8.377 billion in information technology, which was kept steady and accounted for 3.95% of its operating income. As at the end of the reporting period, the Company had 7,840 technology personnel, increasing by 0.15% from the end of the previous year, and representing 13.51% of the total number of employees.

Strengthening overall technology planning and continuously deepening the reform of institutions and mechanisms. The Company refined the organizational structure and the supporting management mechanism of the Digital Transformation Committee, and established an organizational structure for the technology line featuring “one committee, three departments, one company, one institute, and one center”, to strengthen the coordinated management and unified scheduling of technology. It intensified the building of the technology team and talent introduction, improved the cultivation and certification system for technology professionals, established a technology talent map covering 7 major types of posts including architecture, R&D, and operation & maintenance, and focused on introducing high-level talents in fields such as AI, technology planning and cloud native. It improved the stratified and classified cultivation system for technology application-oriented talents, drove certifications in special areas including data analysis, low-code development, user experience, digital operation and process robots, strengthened the cultivation of talents proficient in both technology and business, and actively fostered a cultural atmosphere for all employees to learn, use and understand technology, to promote the comprehensive improvement of the technological literacy of all employees. The Company launched the “Xinghuo Technology Forum”, attracting more than 20,000 participants in total. The “Xinghuo • Liaoyuan” Innovation Marathon Competition has been included by the Digital China Summit into the Digital China Innovation Contest for three consecutive years, successfully incubating and promoting projects such as “Xing Xiao'er”, a bond trading robot, and “Sui Xing Xie”, an intelligent generation solution for suspected money laundering case files.

Deepening the building of the enterprise architecture and comprehensively advancing the pilot project under the collaboration between the Head Office and branches. The Company strengthened the guidance for enterprise-level architecture planning and building, formulating business and system plans for three major business lines, known as corporate banking, retail banking, and interbank business, based on the overall strategy of the Bank, to provide comprehensive guidance for business development and system building in the next 2-3 years. It standardized the management of the enterprise-level IT architecture, built an enterprise architecture management and control platform, intensified architecture governance, released nearly 80 enterprise-level architecture components, actively advanced the upgrading and transformation of old architectural systems, while accelerating the building of new systems or components under the enterprise-level architecture. It kickstarted the project of building a distributed core system, to achieve “one engine, one architecture, first-class technology, and first-class team”, and support the needs arising from digital transformation and agile business expansion. It deepened the collaboration between the Head Office and branches on the pilot work of the enterprise architecture, with the first batch of multi-industry fund supervision projects built under the enterprise-level architecture launched in many branches in Shanghai, Shenzhen and Hangzhou.

Accelerating innovative applications and fostering new quality productive forces in digital finance. Focusing on such areas as digital operations, wealth management, private banking services, fund transactions, investment research, digital risk control, and R&D efficiency improvement, the Company achieved phased results in intelligent applications, with the large model assistant applied in over 70 scenarios, the intelligent customer service system handling 55 million customer requests annually, the quality inspection of wealth management outbound calls covering more than 5,000 wealth managers, and the intelligent trading robots boosting the spot bond trading quotation volume by four times. The Company expanded the application of space-air-ground data such as satellite remote sensing and IoT to 25 branches, and carried out innovative pilot projects, including dozens of intelligent decision-making model experiments for digital operations and the customer experience with the industry's first-ever physical gold purchase business in the VisionPro virtual space.

Reinforcing the data foundation to empower business decision-making and analysis. The Company advanced data governance in the whole process, further iterated and improved the data dictionary, strengthened data quality management, and established a periodic monitoring and warning mechanism, significantly improving the quality of data. It enhanced enterprise-level data service capabilities, strengthened the building of data middle office, managed more than 10,000 indicators in a unified manner, and handled an average of more than 10.5 million service requests per day. It intensified data mining & analysis and model empowerment in key business areas such as marketing, risk control, and “anti-money laundering and counter-terrorist financing” monitoring. It improved branches’ access to data, upgraded the data service system for branches, swiftly met more than 85% of the subscription needs of branches, and launched more than 300 personalized data applications for branches.

Upgrading the cloud-based foundation and strengthening the construction of digital finance infrastructures. The Company deployed computing power in Guizhou, Shanghai and Fuzhou, and sped up the construction of “multi-place, multi-center and multi-active” computing infrastructures. The construction of the Gui’an Data Center has commenced in accordance with the standards of national green data centers. The data center has a planned computing power of 200,000 servers, and can deliver a computing power of 50,000 servers after the first phase is operational. The availability of the core business system was kept at 100%. The Company continuously advanced the construction of cloud-native platforms, launched a variety of database cloud platforms and middleware services, successfully put the cloud-based low-code development platform into operation, and used chaos engineering to enhance the system’s risk identification capability.

Strengthening security protection, and firmly adhering to the bottom line of technology risks and compliance. The Company deepened the building of an in-depth defense system for cybersecurity, and strictly protected the safety of customers’ assets and information. It enhanced the emergency response mechanism featuring coordination across the Bank, carried out special attack and defense drills targeting new cyber threats such as ransomware, and improved the capability to prevent and tackle extreme attacks. It intensified the building of the cybersecurity blue team, enhancing the effectiveness of the security defense system by promoting defense through attacks. It regularly organized security awareness publicity and skill training for all staff, with various types of cybersecurity training covering more than 200,000 persons throughout the year. It further advanced the building of active-active disaster recovery for critical information systems, to strengthen business continuity guarantee. It strengthened the precise identification of fraud-related accounts, intercepting RMB828 million of fraud-related funds and protecting RMB4.21 billion of transaction funds for victims during the reporting period.

3.6.3 Overview of major subsidiaries

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

Industrial Bank Financial Leasing Co., Ltd. was established in August 2010 with a registered capital of RMB9 billion. It is a wholly-owned subsidiary of the Company. Its business scope includes financial leasing, transfer and acquisition of financial leasing assets, fixed-income security investment, receipt of lease deposits of lessees, and establishment of project companies in domestic bonded areas for conducting financial lease business. As at the end of the reporting period, Industrial Financial Leasing recorded total assets of RMB146,172 million and owners’ equity of RMB26,151 million. During the reporting period, it realized operating income of RMB3,505 million and net profit of RMB2,555 million.

During the reporting period, Industrial Financial Leasing promoted professional transformation, capitalized on its licenses, and collaborated with the Group to serve the real economy. It carried out project cooperation with 30 branches, focusing on promoting business development in green leasing, emerging technologies, and shipping business. **In terms of green leasing**, the subsidiary continued to promote green and environmental protection businesses such as new energy, energy conservation and emission reduction. The investment in green projects accounted for about two-fifths of the total investment of the subsidiary. The subsidiary also innovatively launched the industry’s first carbon emission rights pledge business and other featured businesses. **In terms of emerging fields**, the subsidiary led the development of emerging areas with the “chain leader working mechanism”. It accelerated the batch replication of IDC, power batteries, new energy vehicles and other businesses and provided financial support of RMB9,076 million. **In terms of shipping business**, the subsidiary established a professional shipping team to promote professional shipping operations. It recorded a total contract value of RMB9.06 billion and a total investment of RMB3.32 billion.

(2) China Industrial International Trust Limited

China Industrial International Trust Limited was established in March 2003 with a registered capital of RMB10 billion. It is a holding subsidiary of the Company, of which the Company holds 73% of the shares. Its business scope includes fund trust, chattel trust, real estate trust, negotiable securities trust, other property or property right trust, and other businesses stipulated by laws and regulations or approved by regulatory authorities. As at the end of the reporting period, Industrial Trust recorded total assets of RMB66,649 million and owners' equity of RMB21,901 million. During the reporting period, it realized operating income of RMB4,921 million and net profit of RMB92 million.

During the reporting period, Industrial Trust deepened risk coordination, business coordination and channel coordination with the Group, continued to promote business layout under the new three classifications of trust, and focused on the "five priorities". **The subsidiary continued to enhance its trustee service** to meet the diversified wealth management needs of the people and help improve the quality and efficiency of the real economy. As at the end of the reporting period, the scale of asset service trust business reached RMB85,175 million, representing an increase of RMB18,337 million compared with the end of the previous year. **The subsidiary strengthened independent asset management.** Its products won the "Third China Trust Industry Golden Bull Award" and the "Integrity Trust – Best Asset Management Trust Product Award". As at the end of the reporting period, the scale of asset management trust business reached RMB261,908 million, representing an increase of RMB190,740 million compared with the end of the previous year. **The subsidiary actively fulfilled social responsibilities.** During the reporting period, eight public welfare and charitable trusts were set up, covering such areas as educational development, medical development and community charity, with a cumulative business scale of RMB38 million.

(3) CIB Fund Management Co., Ltd.

CIB Fund Management Co., Ltd. was established in April 2013, with a registered capital of RMB1.2 billion. It is a holding subsidiary of the Company, of which the Company holds 90% of the shares. Its business scope includes fundraising, fund sales, asset management for specific customers, asset management, and other businesses as permitted by the CSRC. As at the end of the reporting period, CIB Fund recorded total assets of RMB5,589 million, an increase of 10.42% from the end of the previous year; owners' equity amounted to RMB5,061 million, an increase of 8.02% from the end of the previous year. During the reporting period, it realized operating income of RMB1,237 million, a year-on-year increase of 5.93%; net profit stood at RMB426 million, a year-on-year increase of 6.17%.

During the reporting period, CIB Fund made every effort to pursue progress in the "five priorities". The subsidiary deepened inclusive finance services. In response to the national initiative of "finance for the people", the subsidiary reduced the management fee rates of fixed income and equity products to save investors' holding costs. Adhering to the customer-centered principle, the subsidiary strove to create diversified and high-quality fund products that meet investors' investment needs. The subsidiary launched multiple market-oriented retail bond funds and newly issued Hong Kong stock index funds, SSE 180 ETF funds, and multiple QDII special accounts. It was also approved for the CSI A500 ETF fund. Among them, the fundraising scale of CIB SSE 180 ETF ranked first among similar funds issued during the same period. The subsidiary continued to improve investment research and development management, promoted investment performance improvement, and enhanced the investment income experience of holders. It outperformed two-thirds of the market players for the average performance of equity funds in 2024. The subsidiary promoted the development of green finance. Based on products, it regarded ESG investment concepts as an important reference for investment research to boost the development of green industries and serve the green finance strategy. As the only mutual fund company invited to compile the Annual Report of the Development of ESG Investment in China (2024), it strove to build the CIB brand in ESG investment research. The subsidiary actively deployed pension finance products, enriched personal pension investment needs, and facilitated the building of the third pillar of the pension system. The subsidiary accelerated the development of digital finance. It continued to enhance its scientific and technological R&D capabilities. The "Xing Xiao'er" AI bond trading robot project won the second prize of the Fintech Development Award for 2023 issued by the People's Bank of China. The subsidiary promoted the integration of technology and finance. Embracing the trend of technology finance, it promoted the rapid expansion of customer base. The overall scale of online businesses increased by 100% compared with the end of the previous year, and the number of personal customers increased by 44.48% compared with the end of the previous year.

(4) Industrial Consumer Finance Co., Ltd.

Industrial Consumer Finance Co., Ltd. was established in December 2014, with a registered capital of RMB5,320 million. It is a holding subsidiary of the Company, of which the Company holds 66% of the shares. Its business scope includes the provision of personal consumption loans, issuance of financial bonds, borrowing from domestic financial institutions, domestic interbank lending, and other businesses approved by banking regulatory authorities. As at the end of the reporting period, Industrial Consumer Finance recorded total assets of RMB82,122 million and net assets of RMB11,498 million. During the reporting period, it realized operating income of RMB10,067 million and net profit of RMB430 million. The operating results and asset quality aligned with expectations, the provision coverage ratio reached 286%, and the risk offset ability continued to improve.

During the reporting period, Industrial Consumer Finance stayed committed to pursuing progress amid stability, accelerated transformation and upgrading, focused on improving the product system and customer structure, and comprehensively enhanced its core competitiveness. The subsidiary improved the offline diversified marketing mechanism and full-process risk management system, strengthened the self-operated risk control and operation capabilities for online businesses, innovated products and services in the fields of new citizen services and new types of consumption, built an online consumer finance scenario ecosystem, increased efforts in special asset disposal and consumer rights protection, and promoted the coordinated development of offline and online businesses and quality and efficiency improvement of overall business. The subsidiary continued to promote digital transformation and enterprise-level architecture, advanced the development of the fintech big data laboratory, empowered business development and improved customer experience. Through cross-marketing, customer expansion, digital currency wallet and other methods, it deepened the collaboration with the Group, guided more customers to integrate into the Group's comprehensive financial service system, and facilitated the issuance or activation of a total of more than 1.4234 million debit cards for the parent bank. As at the end of the reporting period, Industrial Consumer Finance had a loan balance of RMB81.94 billion. Since its inception, it has served more than 25 million customers and issued more than RMB400 billion in consumer credit.

(5) CIB Wealth Management Co., Ltd.

CIB Wealth Management Co., Ltd. was established in December 2019 with a registered capital of RMB5 billion. It is a wholly-owned subsidiary of the Company. Its business scope includes the issuance of wealth management products, financial advisory and consulting services, and other businesses approved by the CBIRC. As at the end of the reporting period, CIB Wealth Management recorded total assets of RMB17,952 million and owners' equity of RMB17,313 million. During the reporting period, it realized operating income of RMB4,121 million and net profit of RMB2,694 million.

CIB Wealth Management actively exerted its professional capabilities, striving to create more value for customers. As at the end of the reporting period, the subsidiary ranked 83rd in the world in the "Top 500 Asset Managers 2024" list released by Investment & Pension Europe (IPE), up two places from the previous year. It ranked first in the List of National Wealth Management Institutions released by PYStandard for 28 consecutive quarters for its comprehensive wealth management capabilities. Since its inception, the subsidiary has served a total of 27.2868 million customers and created investment income of RMB373,718 million for customers. The subsidiary continued to expand channel coverage, gave play to the primary role of rural institutional wealth management services in boosting rural revitalization and practicing inclusive finance, and strengthened the launch of customized "CIB Inclusive" products. It cooperated with more than 500 small and medium-sized banks in agency sales. As at the end of the reporting period, the subsidiary's wealth management balance in agency sales in cooperation with small and medium-sized banks reached RMB190,162 million, an increase of RMB15,697 million from the end of the previous year.

Other important subsidiaries

(6) Industrial Futures Co., Ltd.

Industrial Futures Co., Ltd. was reorganized and established in 2014 with a registered capital of RMB500 million. It is an indirect holding subsidiary of the Company. Its business scope includes commodity futures brokerage, financial futures brokerage, futures dealing consulting, and asset management. As at the end of the reporting period, Industrial Futures recorded total assets of RMB9.2 billion and owners' equity of RMB759 million.

During the reporting period, Industrial Futures continued to leverage its professional licenses of futures and derivatives to serve group customers. It provided services for 3,106 customers of the parent bank and helped the parent bank acquire 561 customers. **The subsidiary cemented the foundation of brokerage business.** It accelerated the transformation of group resources, intensified digital operations, strengthened the synergy between corporate finance and bank futures, and facilitated ferrous metal, energy and other industrial chains to empower energy finance. It advanced the development of green futures with focus on the industrial chains of industrial silicon, lithium carbonate and polycrystalline silicon, strove to keep supply and prices of basic major commodities stable, helped stabilize, extend, supplement and strengthen industrial chains, and provided professional futures services for 53 listed companies. **The subsidiary accelerated the professional empowerment of the "two wings".** It enhanced its capabilities for new product R&D and trade consultation, took hedging, risk hedging, and OTC options as important approaches to serving customers of the parent bank, and provided customers with quantitative CTA, MOM, treasury bond futures, gold index increase and other derivative strategy asset management products, to enrich the Group's product offering and facilitate the implementation of the "large asset management and large wealth management" strategy of the Group. **The subsidiary actively fulfilled social responsibilities.** As a bank-affiliated futures company, the subsidiary leveraged its innate advantages to deepen the model of "bank + insurance + futures" and responded to the rural revitalization initiative. As at the end of the reporting period, the daily average equity of futures brokerage was RMB9,565 million; the scale of asset management business amounted to RMB6,453 million, ranking 13th in the industry (data from the Asset Management Association of China).

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

CIB FINTECH (Shanghai) Co., Ltd. was incorporated in November 2015, with a registered capital of RMB255 million. It is an indirect holding subsidiary of the Company and the first fintech subsidiary of a bank in China. Its business scope includes financial data processing, economic information consulting services, application software development and operation services, and system integration services.

During the reporting period, CIB FINTECH continued to improve its capabilities for Group services and technology output to actively serve the Group in promoting the "five priorities". **In terms of Group services**, the subsidiary adhered to the "enterprise-level and standardization" methodology, launched the distributed core architecture and construction of new cities and renovation of old cities adopting an enterprise-level architecture, built the risk management system group, and achieved end-to-end full-process online disposal of special assets. It launched multi-industry fund supervision projects and supervised housing rental funds, migrant workers' funds, pre-sale housing funds and other funds, with more than 150 supervision projects. It upgraded the industrial park ecological service system 2.0 to enhance user experience and product competitiveness, with more than 720 industrial park customers served. It launched "Xiaoxing", a 3D virtual digital person, and applied it in such scenarios as anti-fraud education, new media operation, brand publicity, and customer service, to help the Group transform the business model and improve customer experience and operational efficiency. **In terms of technology output**, the subsidiary promoted the establishment of the "1+N" fintech ecosystem. The system is based on "Xing Ye Cloud" and covers ecological services in "N" scenarios such as payment and settlement, wealth management and sales, investment and financing, and e-CNY. The subsidiary actively provided digital transformation solutions for peers, continued to promote financial ecological products and business strategic products, and promoted the access of the bank-bank e-CNY to the platform. It cooperated with a total of 30 banks and facilitated the operation of 325 small and medium-sized financial institutions and 148 custodian banks through technology output.

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

China Industrial Asset Management Co., Ltd. was established in February 2017 with a registered capital of RMB1.95 billion. As an indirect holding subsidiary of the Company, Industrial Asset Management was established with the approval of the People's Government of Fujian Province. Approved by the former CBRC, the subsidiary has the qualification to massively acquire and dispose of non-performing assets of financial institutions as a provincial asset management company. Its business scope includes participating in massive acquisition, transfer and disposal of non-performing assets of financial institutions in Fujian Province; acquiring, transferring and disposing of non-performing assets of non-financial institutions; debt restructuring and corporate restructuring; debt-for-equity swap, and managing, investing in and disposing of equity assets; bankruptcy management; investment and asset management; asset securitization; and entrusted management of funds. As at the end of the reporting period, Industrial Asset Management record total assets of RMB24,515 million, an increase of RMB737 million or 3.10% from the end of the previous year. During the reporting period, the subsidiary achieved net operating income of RMB373 million and net profit of RMB22 million. The subsidiary effectively reduced financing costs, with an average interest rate on interest-bearing liabilities of 3.00%, a year-on-year decrease of 16 basis points.

Focusing on the integration of special assets business of the Group and market-oriented operation, Industrial Asset Management continued to develop the main business of special assets and advanced the collection and disposal of special assets, thereby consolidating its position in the regional market. It actively gave play to its functions and role, took the initiative to bail out the regional property sector and mitigate the risk of small and medium-sized financial institutions, and explored the transformation of special assets business, achieving new breakthroughs in business areas such as bankruptcy reorganization and batch transfer of personal loans. During the reporting period, Industrial Asset Management invested RMB6,801 million in special assets business, an increase of RMB3,748 million over the previous year; acquired distressed debt of RMB11,010 million, an increase of RMB3,113 million over the previous year; and disposed of distressed debt of RMB9,249 million, an increase of RMB2,861 million over the previous year.

(9) Ciit Asset Management Co., Ltd.

Ciit Asset Management Co., Ltd. was established in April 2013 with a registered capital of RMB3.4 billion. It is an indirect holding subsidiary of the Company. Its business scope includes asset management, equity investment, industrial investment, investment management and investment consulting.

Positioning itself as an important supporter of the Group's "commercial banking + investment bank" strategy, Ciit Asset Management was committed to becoming a professional private equity investment institution with outstanding brand characteristics and creating a core brand with market competitiveness during the reporting period. Relying on the Group's synergistic advantages, the subsidiary helped the Group to develop its M&A financing, capital markets and equity investment businesses and enhance its comprehensive financial service capabilities.

The subsidiary deepened the operation strategy of "two main businesses and two auxiliary businesses", adopted the dual-driven model of market-oriented and synergistic investment, and focused on six major equity investment areas including AI, high-end manufacturing, new materials, life sciences, new energy, and software IT application innovation. All of them are strategic emerging industries with major national support and represent the development direction of new quality productive forces. By providing all-round, multi-level financial support for key & core technology enterprises, the subsidiary promoted technological innovation and industrial upgrading, injecting momentum into the high-quality development of the country's strategic emerging industries.

3.7 Risk management

The Company formulated a development strategy that lays equal stress on business operation and risk management, established an advance, in-process and subsequent risk control system centering on risk asset management, and improved the risk management policies and operation procedures for various businesses and the risk accountability and punishment mechanism. The credit risk, market risk, liquidity risk, operational risk, country risk, interest rate risk in the banking book, reputational risk, strategic risk, IT risk and money laundering risk exposed to various businesses and customers were included in the scope of comprehensive risk management. In addition, the Company clarified the specific duties of the Board of Directors, the Board of Supervisors, the Senior Management and the executives in respect of risk management and formed a specific, clear and effective comprehensive risk management system. In daily risk management, business departments, risk management functional departments and internal audit departments formed the “three lines of defense” of risk management with clear responsibilities to achieve risk management objectives. During the reporting period, the Company strengthened its comprehensive risk control capabilities, actively responded to the pressure brought by various risks and consumption of financial resources, improved the quality and efficiency of NPL management, promoted digital transformation, stepped up risk empowerment, ensured stable asset quality and controllable risks, and promoted high-quality business development.

3.7.1 Credit risk management

The Company's credit risk management objectives include establishing and continuously improving the credit risk management system, making credit risk management more professional and refined, improving credit granting and customer structure, constantly reinforcing risk management and control of the whole credit business process, balancing risks and gains, and effectively controlling risks.

The Company stepped up asset quality control in key areas. It improved the working mechanism of agile groups, enhanced their coordination and response capabilities, and facilitated effective risk resolution in such key areas as real estate, local government financing platforms, consumer finance, and assets of account write-off and case filing. The Company introduced more targeted credit policies, focused on the “five priorities”, actively integrated into and served the new development pattern, and implemented a differentiated credit policy of “guarantee, control and reduction” to better empower business development. The Company served major national and regional strategies and coordinated development strategies and actively integrated into the local mainstream economy based on regional planning and industrial development characteristics. The Company refined the risk control of traditional high-energy-consuming industries and paid equal attention to business development and risk prevention and control. Driven by the “internal circulation” and “dual circulation” strategies, the Company focused on the mainstream market and mainstream business and prevented risks in mid – and low-end markets. The Company increased support for technology enterprises, refined the technology flow evaluation system and the technology flow evaluation template, improved the ability to identify technology enterprises, and continued to promote the expansion of technology flow business. Strictly adhering to the bottom line of compliance and risk, the Company increased prudent attention to illegal environmental information on industries, projects and enterprises with great ecological hazards, prevented potential risks, and tapped opportunities for developing green finance. The Company continued to deepen the Group's intelligent risk control system, built a risk management system, improved the efficiency of investment and financing business, enhanced risk management capabilities, and strengthened large exposures management. The Company implemented the Measures for the Administration of the Large Exposures of Commercial Banks (Order No. 1 of the former CBIRC in 2018), continued to establish and improve the large exposures management system within the Group, promoted policy improvement, system development, data governance and other work, and measured and dynamically monitored risk exposure concentration. During the reporting period, all risk exposure concentration indicators of the Company were controlled within the range required by regulatory authorities.

3.7.2 Liquidity risk management

The Company's liquidity risk management objectives include preventing liquidity risk and satisfying payment needs; improving the efficiency of capital use and ensuring the sustainable and sound development of various businesses; maximizing the profit and value of the Bank within the tolerable risk range and achieving the unity of safety, liquidity and profitability; and ensuring that the regulatory indicators of liquidity risk meet the regulatory requirements through asset and liability management.

During the reporting period, the Company strengthened the concept of "deposit-based banking", adhered to the principle of "stabilizing scale, reducing costs, and adjusting structure", continuously improved the quality of liability development, and continued to improve the matching degree of assets and liabilities. Throughout the year, all businesses witnessed steady and sound development, and liquidity risk regulatory indicators continued to meet the standards. First, the Company stepped up deposit assessment, guided branches to promote the "Network Weaving Project", improved the payment and settlement product system and basic service capabilities, consolidated the foundation for deposit growth, and steadily enhanced the liability structure. Second, based on its business development and changes in the external situation, the Company strengthened the overall planning of market-oriented fund management, improved the types and maturity structure of interbank liabilities, properly arranged the issuance of long-term bonds, and effectively replenished long-term stable funds. Third, the Company did a good job in forward-looking liability management. It strengthened daily indicator monitoring, cash flow analysis and calculation, and fund position forecasting management, to ensure that liquidity risk was controllable and regulatory indicators met the standards.

3.7.3 Market risk management

Market risk refers to interest rate risk in the trading book, stock risk, and exchange rate risk and commodity risk in all books. The Company's market risk management objectives include establishing and continuously improving the market risk management system that is compatible with the risk management strategy and meets the standards of the New Capital Accord and regulatory requirements for market risk; refining the market risk management structure, policies, processes and methods; making market risk management more professional, realizing centralized and unified market risk management, and facilitating the sustainable and sound development of relevant businesses with risks under control; promoting the digital transformation of market risk management and strengthening the concept of technological empowerment, to make market risk management more digital and intelligent.

During the reporting period, all market risk indicators of the Company were maintained within the limit range, and the market risk system operated steadily. The Company actively responded to changes in the market environment and continued to deepen and improve the data-driven comprehensive market risk management system in line with the digital transformation strategy. It focused on system improvement, market investment research, risk monitoring, risk early warning, limit management, and capital measurement to steadily advance various tasks. During the reporting period, the Company measured market risk capital as per the latest requirements of the Rules on Capital Management of Commercial Banks, continuously strengthened the identification, measurement, monitoring and early warning of risk factors, effectively implemented the multi-level limit system for market risk, regularly conducted stress testing and scenario analysis, and continuously deepened the analysis of market risk exposure and profit and loss. The major market risks exposed to the Company are interest rate risk in the trading book and exchange rate risk.

(1) Interest rate risk in the trading book

The interest rate risk in the trading book of the Company mainly arises from RMB bond business and interest rate swap business. Risk management measures are mainly based on limit management, and limit indicators include the interest rate sensitivity indicator, credit spread sensitivity indicator, and stop loss indicator, which are issued and implemented through the annual business authorization letter and regular investment strategy plan. Besides, the Company carries out stress testing regularly to effectively prevent tail risks.

During the reporting period, based on market dynamics, the Company regularly analyzed interest rate trends, strengthened interest rate risk prevention, actively refined basis point value management, and stepped up the monitoring and early warning of interest rate risk and credit spread risk, so as to keep the interest rate risk in the trading book at an appropriate level. The Company also verified the system measurement model to ensure accurate and effective measurement.

(2) Exchange rate risk

The exchange rate risk in the trading book of the Company mainly arises from the comprehensive position of RMB market maker business. Risk management measures are mainly based on exposure management. As an active RMB market maker, the Company controls the exposure limit, implements zero-based management of market maker comprehensive position, and has small overnight risk exposure.

The exchange rate risk in the banking book of the Company mainly arises from the exchange rate risk position of foreign exchange capital items. For the exchange rate risk exposure arising from assets and liabilities that is inevitable in normal operations, the Company maintains the stability of non-trading exchange rate risk exposure through periodic capital settlement or foreign exchange profit settlement operations.

During the reporting period, the Company continued to monitor the exchange rate trend and analyze the impact of exchange rate changes. The Company's overall exchange rate risk remained stable, and all core limit indicators met the limit requirements.

Unit: RMB million

	Market risk capital occupation based on the sensitivity method					Default risk	Residual risk	Total
	General interest rate risk	Stock risk	Commodity risk	Exchange rate risk	Credit spread risk			
December 31, 2024	2,120	228	175	1,084	12,367	2,702	67	18,743

3.7.4 Management of interest rate risk in the banking book

Interest rate risk in the banking book refers to the risk of loss in overall profit and economic value of the banking book arising from adverse movements in the interest rate, maturity structure, etc. It mainly includes gap risk, benchmark risk, and option risk. Through the management of interest rate risk in the banking book, the Company aims to maintain stable growth in net interest income in the short term and stable growth in economic value in the long term, based on analysis of interest rate movements and within the tolerable level of risk.

During the reporting period, the Company adhered to a moderate and prudent interest rate risk appetite, kept abreast of important changes in domestic and foreign economic situations, macro policies and financial markets, strengthened the analysis and assessment of interest rate trends, flexibly adjusted the interest rate risk management strategy based on changes in the external environment and internal interest rate risk exposure structure, and continued to carry out dynamic monitoring and risk management. First, the Company continued to monitor the impact of changes in domestic and foreign interest rate trends, improved its capabilities for the forward-looking analysis and prediction of interest rate trends, flexibly adjusted the active management strategy of interest rate risk, seized the periodic opportunities for market interest rate adjustments, and properly adjusted the structure and duration of assets and liabilities. Second, the Company used management tools such as price guidance, duration management and risk limit to effectively monitor and control interest rate risk in the banking book to ensure the overall stability of risk exposure. Third, the Company continued to improve the functions of the management system for interest rate risk in the banking book, enhanced data analysis and mining capabilities, and consolidated the foundation for the digital management of interest rate risk. As at the end of the reporting period, interest rate risk was controlled within the Company's annual interest rate risk control target, the stress testing results showed that all indicators of the Company remained within the limits and early warning values, and the interest rate risk in the banking book was controllable on the whole.

3.7.5 Operational risk management

Operational risk refers to the risk of loss resulting from insufficient or problematic internal procedures, employees and IT systems as well as external events. Through operational risk management, the Company aims to continuously improve the operational risk management capability, reduce the occurrence of operational risk events, control the operational risk losses within an acceptable range, promote the legal and compliant business operations of institutions at all levels, and foster a sound operating environment for the Group's business development. The Company has established a sound operational risk management system, continuously improved the operational risk management capability, reduced the occurrence of operational risk events, and fostered a sound operating environment for business development.

During the reporting period, the Company focused on key areas of operational risk management and operational risk changes, improved the methods of operational risk control, refined the operational risk management system, and strengthened the operational risk management capability to support the high-quality development of the Company. First, the Company implemented the requirements of the Rules on Operational Risk Management of Banking and Insurance Institutions to continuously improve its operational risk management system. Second, the Company consolidated the foundation of operational risk management. It enhanced its capabilities to apply operational risk management tools such as key risk indicator (KRI) monitoring, risk and control self-assessment (RCSA), and loss data collection (LDC) to improve the quality of operational risk management. Third, the Company made solid efforts in business continuity management to ensure the continuous and steady operation of important business processes of various institutions.

3.7.6 Compliance risk management

Compliance risk refers to the possibility that the Company or its employees may bear criminal, administrative or civil legal liabilities or suffer property losses, reputational losses and other negative impacts due to Company's business management or employees' duty performance in violation of compliance regulations. Through compliance risk management, the Company aims to effectively identify and manage compliance risk, promote the development of a comprehensive compliance management system, and ensure legal and compliant operation through the establishment of a sound compliance risk management framework. The Board of Directors of the Company is ultimately responsible for the compliance of operating activities. The Risk Management Committee and the Internal Control Committee of the Head Office are the compliance risk management organizations under the Company's Senior Management. The Company has established a compliance risk management operation mechanism with three lines of defense, namely the business departments, compliance management departments, and audit departments to ensure legal and compliant operation and management.

During the reporting period, the Company pursued the vision of compliant management, improved management policies, standardized management foundation, highlighted key areas, and integrated compliance risk management into daily operations. First, the Company strengthened the development of compliance culture. By compiling employee compliance manuals and other methods, the Company systematically reviewed prohibitive regulations, violation risks and compliant performance requirements of important positions. It continued to strengthen the promotion of compliance concepts through special compliance governance activities and compliance and internal control assessment. Second, the Company strengthened employee compliance management, stepped up efforts to guide leaders of business departments and community-level organizations to strictly adhere to the bottom line of compliance, urged the business management team to properly coordinate compliance and internal control and business objectives, reinforced intelligent management and control of business systems, and regulated community-level compliant performance management and supervision. Third, the Company continued to strengthen strict accountability, promoted immediate investigation, remediation and punishment for problems, increased accountability for serious violations, and strengthened management accountability. It closely combined accountability results with the employment mechanism to prevent the promotion of employees with misconduct and give full play to the deterrent and warning effect of accountability.

3.7.7 Internet and IT risk management

IT risk refers to the operational, legal and reputational risk caused by natural factors, human factors, technical loopholes and management defects during the application of information technology in commercial banks. Through IT risk management, the Company aims to identify, evaluate, monitor, control, report and conduct performance management of IT risk and strengthen the effective control of IT risk through early warning indicators and collection of risk events, so as to promote business development and innovation and improve IT application. The Company has formed an organizational structure of the “three lines defense” for IT risk management, which is composed of the science and technology line department, the Legal and Compliance Department, the Audit Department and other relevant departments. It has established and improved IT risk management procedures and mechanisms, strengthened the effective control of IT risk, continuously promoted business development and innovation, and enhanced IT application.

During the reporting period, the Company implemented the strategy of “revitalizing the Bank through science and technology”, actively responded to the difficulties and challenges brought by the complex and ever-changing external situation, cemented the IT basis, and continued to empower the Group’s digital development. First, the Company carried out regular risk assessment for high-risk areas, revealed hidden risks and supervised the remediation, thereby effectively promoting the improvement of the quality and efficiency of IT risk management and control. Second, the Company continued to promote the top-level design of network security and data security, developed the security R&D system and security defense, and improved the personal information protection system. Third, the Company strengthened the technology operation and maintenance guarantee system, continued to promote the disaster recovery of important information systems, and enhanced its business continuity management capabilities.

3.7.8 Reputational risk management

Through reputational risk management, the Company aims to actively manage and prevent reputational risk, maintain its brand reputation, foster favorable public opinion for business development, enhance its market image and investment value, and minimize the losses and negative impacts caused by risk events on the Company’s reputation.

Regarding reputational risk management, the Company follows the basic principle of “forward-looking, compatibility, full-coverage and effectiveness” and the implementation principle of “hierarchical management, division of responsibilities, real-time monitoring, prevention first, quick response, classified treatment, territory defense, and coordinated countermeasures”. The Company has incorporated reputational risk management into its corporate governance and comprehensive risk management system, continuously improved its reputational risk management policies and processes, and built a long-term mechanism for reputational risk prevention and control to enhance the effectiveness of reputational risk management. During the reporting period, the Company conscientiously implemented the requirements of the Measures for the Administration of Reputational Risk of Banking and Insurance Institutions (for Trial Implementation) (Y.B.J.F. [2021] No. 4), improved the reputational risk awareness of all employees, strengthened the execution and binding force of policies, refined the reputational risk management and control system covering the whole process before, during and after the event, consolidated the leadership responsibilities, primary responsibilities and management responsibilities for reputational risk management, strengthened the efforts of the Group as a united whole, built a reputational risk prevention and control mechanism that closely coordinated risk control, legal compliance, consumer protection, public opinion handling, letters and visits, and security, and proactively urged branches and subsidiaries to refine the reputational risk management rules and mechanisms. The Company accelerated digital transformation, refined the public opinion information management system, and continuously improved the digitalization and intelligence of public opinion management. The Company properly combined regular training and drills with special training and drills, continuously improved the professional ability of the reputational risk management team, and consolidated the foundation of reputational risk management. The Company advanced the formulation of the plans for investigating, identifying, assessing, monitoring and disposing of reputational risk, coordinated and strengthened the prevention and mitigation of reputational risk in respect of key areas, major events and sensitive junctures, developed case-specific strategies, exerted precise efforts, continuously improved the quality and efficiency in handling public opinion, and prevented material reputational risk with all strength. The Company carried out remediation and improvement based on special audit results of reputational risk management, identified weak links, continued to strengthen source governance, comprehensively examined the trigger factors of reputational risk, and promoted problem remediation and accountability, to form a positive cycle of “negative public opinion – response and disposal – improved management services”. It implemented the customer-centered business philosophy and strive to empower operation and development. The Company continued to fulfill its information disclosure responsibility as a listed company and ensured the truthfulness, accuracy, completeness, timeliness and fairness of information, so as to objectively show its business characteristics and performance dynamics. Meanwhile, the Company increased publicity efforts regarding such major initiatives as deeply implementing the “1234” strategy, polishing the “three business cards”, developing the “five new arenas”, enhancing the five major capabilities to build a value bank, serving national strategies, developing the “five priorities”, fulfilling social responsibilities, and enhancing consumer rights protection, so as to improve the brand and market image and build a good reputation.

3.7.9 Country risk management

Through country risk management, the Company aims to establish and continuously improve its country risk management system based on its internationalization process and business growth, adopt proper measurement methods and assessment and rating systems for country risk, accurately identify and assess country risk relating to business activities, and promote sustainable and sound business development.

As geopolitical risk persists and international situation becomes more complex, the Company continues to track changes in key countries and regions around the world, attaches great importance to country risk management, incorporates country risk management into the comprehensive risk management system, sets country risk limits based on country classification, the Company's cross-border business development strategy and risk appetite, and implements classification management for each country risk level. The Company prudently conducts country risk-related businesses. Currently, its country risk exposure is mainly concentrated in countries and regions with low and relatively low country risk. During the reporting period, the Company continued to promote digital country risk management and strengthen collaboration with internal and external think tanks to enhance its country risk management capabilities and efficiency. The Company will continue to pay attention to financial market fluctuations and geopolitical events in the countries or regions where the counterparties are located, dynamically adjust country risk classifications and limits, prudently assess business conditions, and actively prevent country risk.

3.7.10 Money laundering risk management

Money laundering risk refers to the risk that the Company may incur in business and operation due to the fact that the Company may be exploited by illegal and criminal activities such as money laundering, terrorist financing, and proliferation financing. Through money laundering risk management, the Company aims to establish and improve the money laundering risk management system, properly allocate resources by following a risk-based approach, and continuously identify, prudently evaluate, effectively control and manage money laundering risk throughout the process.

During the reporting period, the Board of Directors, the Board of Supervisors and the Senior Management of the Company conscientiously fulfilled their anti-money laundering duties, gave full play to the decision-making role of the leading group for anti-money laundering work, and adopted multiple measures to ensure the effectiveness of the Company's money laundering risk management. First, the Company refined the money laundering risk management policies and procedures, revised policies on anti-money laundering management, customer due diligence, and sanctions compliance management, etc. based on the latest regulatory laws and policies, and improved the anti-money laundering work mechanism. Second, the Company focused on major concerns of regulators and areas with high money laundering risk and carried out all-round anti-money laundering self-inspection and remediation to address risk loopholes. Third, the Company continued to refine the money laundering risk assessment mechanism and strengthened the management of money laundering risk of new products and new businesses as well as identification and control of high-risk customers. Fourth, the Company advanced the centralized monitoring of suspicious transactions and improved the quality of suspicious transaction reports. Fifth, the Company increased investment in technology resources, focused on refining the anti-money laundering monitoring model, improved system functions, deepened the application of innovative technologies, and reduced the burden of community-level institutions. Sixth, the Company continued to follow up on international financial sanctions policies, improved the sanctions risk management mechanism, strengthened sanctions risk prevention, and properly handled sanctions risk events.

3.7.11 Fraud risk management

Fraud risk refers to the act of defrauding public and private property through remote and non-contact means using telecommunications network technology, for the purpose of illegal possession. Through fraud risk management, the Company aims to establish an ecological digital and intelligent anti-fraud joint risk prevention and control system featuring group-wide collaboration, active defense, three-dimension and efficiency, and comprehensive coverage, develop industry-leading anti-fraud technology and ability, provide safe and convenient financial services for the people while preventing and controlling risks, and firmly protect the finances of the people.

During the reporting period, the Company earnestly implemented the decisions and plans of the CPC Central Committee and the State Council to crack down on telecom and online fraud, took the Law on Combating Telecom and Online Fraud as the guideline, and adopted various measures to deepen and implement anti-fraud work. First, the Company dynamically upgraded rule models. It regularly conducted retrospective investigations on involved accounts, analyzed new fraud-related situations, summarized the characteristics of involved accounts, and refined the in-process/quasi-real-time machine learning model, in-process scoring model, graph rules and expert rules for gambling and fraud cases. Second, the Company refined the classification and hierarchical management mechanism to provide customers with account functions that matched the risk level. Third, the Company strengthened consumer rights protection. It introduced data of public security organs for precise control, released the protection rules for potential victims, and safeguarded the property and legal rights of potential victims. During the reporting period, the Company temporarily protected a total of 210,000 accounts. It continued to improve online complaint channels such as mobile banking, personal online banking, and WeChat official accounts, and established a 7*24 emergency complaint handling mechanism to effectively improve customer service. Fourth, the Company strengthened collaboration. It stepped up communication and cooperation with external regulatory authorities, actively integrated into the national financial anti-fraud integrated platform, and implemented management, control and other work requirements. Fifth, the Company carried out diversified anti-fraud publicity. It organized internal and external anti-fraud publicity activities and publicity work competitions to promote anti-fraud education and raise the anti-fraud awareness of the people. During the reporting period, the number of personal accounts involved decreased by 25.3% year-on-year, and the number of corporate accounts involved decreased by 60.86% year-on-year. The Company intercepted fraudulent funds of RMB828 million and protected transaction funds of RMB4.21 billion of potential victims, achieving remarkable results.

3.8 Liability quality management

The Company has established and improved the management system of liability quality, and the board of directors and senior management have effectively managed and monitored the liability quality. The board of directors bears the ultimate responsibility for the liability quality management, and the senior management bears the specific management of liability quality. For liability quality management, the Company adheres to the principles of comprehensiveness, initiative, compliance and coordination, and the liability quality management strategy is compatible with its own business strategy, risk preference and overall business characteristics. The core elements of liability quality management include six aspects: the stability of liability source, the diversity of liability structure, the rationality of matching liability with assets, the initiative of liability acquisition, the appropriateness of liability cost, and the authenticity of liability items, which meet the requirements of the Measures for Liability Quality Management of Commercial Banks. The identification, measurement, monitoring and control system of liability quality is perfect. During the reporting period, all indicators of the Company's liability quality management are normal, meeting the requirements of the current rules and regulations.

3.8.1 Liquidity coverage ratio

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, 2024
Qualified high-quality current assets	1,127,633
Net cash outflow during the next 30 days	666,306
Liquidity coverage ratio (%)	169.24

3.8.2 Net stable funding ratio

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, 2024	September 30, 2024	June 30, 2024	March 31, 2024
Net stable funding ratio (%)	107.07	104.24	108.14	105.49
Available stable funding	5,915,862	5,753,251	5,810,792	5,778,987
Required stable funding	5,525,435	5,519,205	5,373,196	5,478,267

3.9 Capital management

During the reporting period, the Rules on Capital Management of Commercial Banks was officially implemented. Based on changes in regulatory policies and the operating environment, the Company attached great importance to intensive capital management. In line with the “1234” development strategy, the Company adhered to the transformation and development concept of “light assets, light capital and high efficiency” and improved the capability to create capital value. According to the annual capital adequacy ratio management target established by the Board of Directors, the Company properly arranged the total amount of risk-weighted assets, refined the allocation and control mechanism of risk-weighted assets, and devoted limited capital resources to green, inclusive small and micro customers, new arenas as well as qualified customers, industries and regions under the “four keys” strategy, thereby continuously improving the business structure. Besides, the Company improved capital assessment and evaluation, enhanced the awareness of “settling accounts and conducting business”, strengthened data governance, and continuously improved capital use efficiency. As at the end of the reporting period, the Group’s core Tier 1 capital adequacy ratio was 9.75%, keeping flat with the same period of the previous year. The Company also continued to follow the development path of supporting business growth with internal capital.

During the reporting period, the Company continued to conduct capital replenishment in accordance with the mid-term capital planning and successfully issued RMB30 billion of undated capital bonds and RMB50 billion of tier 2 capital bonds, thereby improving its capital adequacy. While insisting on accumulating and replenishing capital with endogenous profit, the Company also prepared necessary capital to respond to rising regulatory standards on capital and ensure sound and sustainable business development.

During the reporting period, the Company strengthened the Group’s consolidated capital management, comprehensively considered the needs of consolidated subsidiaries for regulatory compliance, shareholder returns, business development and risk coverage, tracked and monitored the capital allocation and use of consolidated subsidiaries, and maintained a stable capital adequacy level and reasonable capital structure of consolidated subsidiaries. During the reporting period, all capital regulatory indicators of consolidated subsidiaries met regulatory requirements.

During the reporting period, the Company was in the third group in the latest list of systemically important banks in China, with required additional core Tier 1 capital of 0.75 percentage points. The Company earnestly fulfilled regulatory requirements for domestic systemically important banks, formulated the management plan of the Group’s recovery plan and disposal plan for 2024, constantly improved the capacity of risk prevention and mitigation, and maintained financial security and stability.

In 2025, the Company will continue to strengthen overall capital management. The Company will strengthen the development of a light bank. Centering on return on risk assets, it will improve the capital management policy and assessment and evaluation methods, communicate the concept of capital saving to institutions at all levels, effectively elevate capital use efficiency, and enhance capital return. Besides, the Company will improve its capital management capabilities and refined risk management, continue to strengthen basic capital management, make reasonable plans on capital sources and replenishment, do a good job in the issuance of capital bonds, and ensure that the capital adequacy ratio meets the annual management target.

3.9.1 Capital measurement

The Company has long been highly concerned about capital measurement. It has continuously improved the technical infrastructure of risk measurement, enhanced the supporting role of measurement in business application, and improved both the capital measurement level and risk management capabilities. The Company has developed a relatively sound pillar 1 and pillar 2 framework system of the Basel Accords and built the pillar 3 information disclosure system.

During the reporting period, the Company continuously advanced capital measurement efforts and facilitated the smooth implementation of relevant tasks, achieving significant results. First, in response to the changes and requirements of the Rules on Capital Management of Commercial Banks, the Company promoted compliance work step by step in an orderly manner. It continuously transformed the measurement of the three major risks under pillar 1, improved and applied the internal capital adequacy assessment procedures under pillar 2, and basically achieved automatic information disclosure under pillar 3. Second, the Company continuously refined the internal rating system, iterated and improved the internal rating model, enhanced the quality and efficiency of model verification and stress testing, promoted the full integration of model management and digitalization, and deepened the application of the internal rating approach in performance assessment, risk pricing and other fields. Third, the Company propelled the implementation of the advanced capital measurement approach, completed application preparation before acceptance, and actively promoted inspection preparation work. By carrying out training and publicity in various forms and channels, the Company enhanced the risk awareness and capabilities of all employees and continuously consolidated the foundation of the advanced approach.

3.9.2 Capital adequacy ratio

Unit: RMB million

Item	December 31, 2024		December 31, 2023	
	Group	Bank	Group	Bank
Total capital	1,121,816	1,065,080	1,034,316	982,026
1. Core Tier 1 capital	766,314	714,164	714,764	667,283
2. Other Tier 1 capital	116,052	115,776	86,089	85,802
3. Tier 2 capital	239,449	235,139	233,463	228,941
Capital deductions	1,272	21,200	1,259	21,192
1. Core Tier 1 capital deductions	1,272	21,200	1,259	21,192
2. Other Tier 1 capital deductions	—	—	—	—
3. Tier 2 capital deductions	—	—	—	—
Net capital	1,120,544	1,043,880	1,033,057	960,834
Minimum capital requirement	627,850	599,554	584,986	556,547
Reserve capital and counter-cyclical capital requirement	196,203	187,361	182,808	173,921
Core Tier 1 capital adequacy ratio (%)	9.75	9.25	9.76	9.29
Tier 1 capital adequacy ratio (%)	11.23	10.79	10.93	10.52
Capital adequacy ratio (%)	14.28	13.93	14.13	13.81

- (1) The data of 2024 were prepared in accordance with relevant requirements in the Measures on Capital Management of Commercial Banks and relevant regulations of NFRA. For more details about the capital adequacy ratio, please refer to the Investor Relations column of the Company's website (www.cib.com.cn) for details.

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 Measures on Capital Management of Commercial Banks. 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 NFRA, the Company recorded the total credit risk exposure was RMB11,865.862 billion, and the credit risk weighted assets reached RMB7,200.688 billion, up 7.25% year-on-year, among which the balance of securitized assets was RMB103.940 billion, the risk exposure was RMB103.859 billion and the risk weighted assets reached RMB30.665 billion.

The Company adopted the standard approach for market risk measurement. As at the end of the reporting period, the total amount of the market risk capital requirement was RMB18.743 billion. The market risk-weighted asset was 12.5 times of the market risk capital requirement. The amount of market risk-weighted assets was RMB234.285 billion.

The Company adopted the basic indicator approach for operating risk measurement. As at the end of the reporting period, the total amount of operating risk capital requirement was RMB33.052 billion. The operating risk-weighted asset was 12.5 times of the operating risk-weighted capital requirement. The amount of operating risk-weighted assets was RMB413.153 billion.

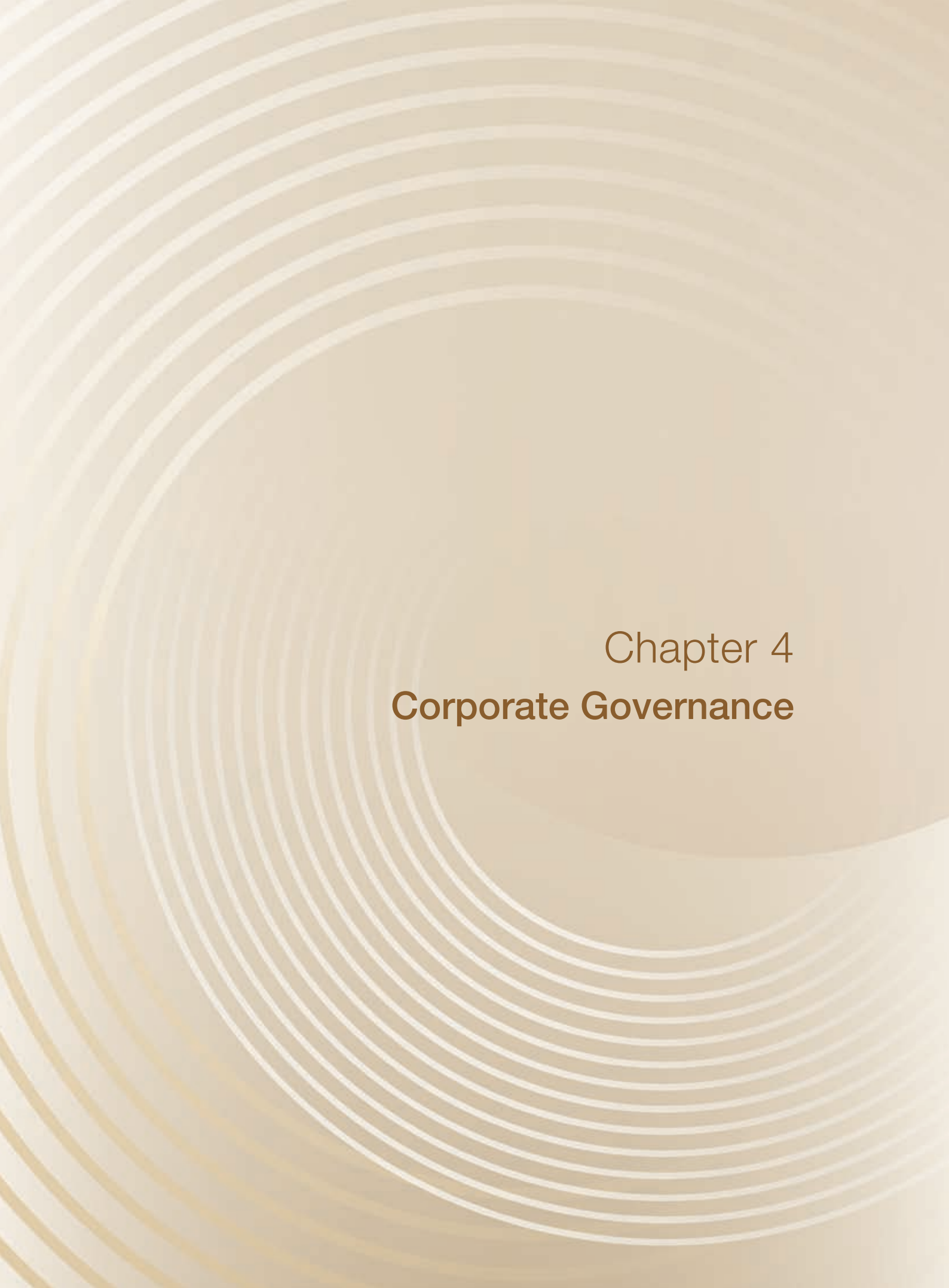
3.9.3 Leverage ratio

As at the end of the reporting period, the information about the Company's leverage ratio is as follows:

Unit: RMB million

Item	December 31, 2024	September 30, 2024	June 30, 2024	March 31, 2024
Net Tier 1 capital	881,094	869,218	848,387	822,576
Balance of on- and off-balance sheet assets after adjustment	11,990,673	11,936,204	11,991,489	11,861,051
Leverage ratio (%)	7.35	7.28	7.07	6.94

The data of 2024 were prepared in accordance with relevant requirements in the Measures on Capital Management of Commercial Banks and relevant regulations of NFRA. For more details about the leverage ratio, please refer to the Investor Relations column of the Company's website (www.cib.com.cn).

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Chapter 4

Corporate Governance

Chapter 4 Corporate Governance

4.1 Corporate governance overview

During the reporting period, the Company remained committed to the governance philosophy of sustainable development, accelerated the modernization of its corporate governance, and effectively enhanced its governance structure, mechanisms, and culture. The integration of the Party's leadership with corporate governance was further deepened, ensuring that all governance entities performed their respective duties to achieve effective checks and balances, and organic connection. The Board of Directors adhered to the general principle of pursuing progress while maintaining stability, implementing national policies and financial regulatory requirements. It upheld the political and people-oriented nature of financial work, strengthened strategic decision-making, ensured both development and security, and reinforced top-level institutional design. It continuously improved the governance framework, and made well-considered appointments of directors and senior executives to ensure a smooth and orderly board re-election process, and promote greater diversity among board members. The Board of Supervisors fully exercised its oversight responsibilities across key areas, including development strategy, duty performance, financial management, business decision-making, risk management, capital management, internal control and compliance, data governance, and related-party transactions. It strengthened its supervisory capacity, enhanced research-driven empowerment, and continuously improved the quality and effectiveness of its oversight. The senior management diligently implemented the resolutions of the Board of Directors and the supervisory recommendations of the Board of Supervisors. It integrated the "five priorities" of the financial sector with the "five new arenas" and the "Three Business Cards" to drive the acceleration and efficiency of the digital transformation. As a result, the Company's various operations continued to grow steadily, with the interests of all shareholders and stakeholders effectively safeguarded.

4.1.1 Shareholders and general meetings

During the reporting period, in accordance with relevant laws and regulations, the Articles of Association, and the rules of procedure for general meetings, the Company convened the 2023 annual general meeting through a combination of on-site attendance and online voting. Ten proposals were reviewed and approved, including the Board of Directors' report, the Board of Supervisors' report, the annual report, financial budgets and final accounts, the distribution scheme of profit, engagement of an accounting firm, related-party transaction limits, election of non-independent directors for the 11th Board of Directors, and election of shareholder supervisors and external supervisors for the 9th Board of Supervisors. Additionally, five reports were presented, covering the evaluation of major shareholder, independent directors' work report, performance evaluation of directors, supervisors and senior management, and related-party transactions. In the meantime, the Company continuously improved its communication channels with shareholders by heeding investors' 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 were computed separately and disclosed.

4.1.2 Directors and the Board of Directors

As at the end of the reporting period, the Board of Directors of the Company consists of ten directors (and another three proposed directors that are subject to approval of directorship qualification). It includes seven non-executive directors (including four independent non-executive directors) and three executive directors. There are five committees under the Board of Directors, namely the Strategy and ESG Committee, the Risk Management and Consumer Protection Committee, the Audit and Related Party Transaction Control Committee, the Nomination Committee, the Remuneration and Evaluation Committee. With the exception of the Strategy and ESG Committee, the other four committees are chaired by the independent directors. During the reporting period, the Company has held eight meetings of the Board of Directors and 22 meetings of all committees of the Board of Directors, and considered or listened to 270 proposals accumulatively, practically giving play to the Board of Directors' decision-making role in formulating development strategies, setting up business plans, driving transformation and development, strengthening capital management, improving the management within the Group, intensifying risk management and internal control, promoting digital transformation, and practicing the ESG development philosophy. The Company continuously improved the decision-making and transmission mechanism of the Board of Directors, continuously improved the corporate governance mechanism and enhanced the efficiency of the operation of corporate governance.

Based on the principles of objectivity, independence and prudence, independent directors gave full play to their professional advantages and rich experience, and offered advices and suggestions actively from the perspective of protecting the interests of investors and stakeholders, thus playing a positive role in strengthening the scientificity of decisions made by the Board of Directors and promoting the sustainable and sound development of banking business. Independent directors expressed their independent opinions on a number of major issues, such as periodic financial reports, annual profit distribution plan, engagement of an accounting firm, nomination of directors and senior management members, remuneration plan for senior management members, and material related party transactions in an objective and fair attitude. They also placed a particular focus on strategic planning, cost control, consolidation management, risk management, audit and remediation, internal control and other matters of the Company, so as to promote the normal operation of related matters under the effective supervision and management of the Board of Directors, and the relevant procedures and contents were legal and conformed to with the regulations. Serving as the chairman and member of the committees under the Board of Directors respectively, each independent director paid close attention to the normalization of operation and procedural legality of the Board of Directors and the committees under the Board of Directors, and assisted the Board of Directors in making scientific decisions to effectively improve the quality and efficiency of decisions made by the Board of Directors.

4.1.3 Supervisors and the Board of Supervisors

As at the end of the reporting period, the Board of Supervisors has five supervisors, including one shareholder supervisor, two employee supervisors and two external supervisors. Under the Board of Supervisors, two special committees were established, namely the Supervision Committee and the Nomination, Remuneration and Evaluation Committee. 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 special research and studies and the auditing investigation, guided internal audit work and regularly communicated with external auditors. The Board of Supervisors oversaw the Company's development strategies, financial activities, business decision-making, risk management, capital management, internal control, corporate governance, related party transaction and the duty-fulfillment of the Board of Directors and the senior management according to the law. During the reporting period, the Company held seven meetings of the Board of Supervisors and three meetings of the special committees of the Board of Supervisors to consider or hear 47 proposals to have in-depth understanding of the Company's operation and management status and effectively perform various supervisory duties. In addition, the members of the Board of Supervisors supervised the decision-making process of the Company's major issues by attending general meetings, meetings of the Board of Directors and committees and senior management meetings.

Following the principles of fairness, objectivity and prudence, the external supervisors performed their supervisory duties in a diligent, faithful, professional and compliant manner, and comprehensively supervised issues such as development strategies, business performance, financial report, profit distribution, internal control, risk management, management of consolidation of financial statements, remuneration management and resolutions of the general meeting. They also supervised the establishment of a scientific development strategy and prudent operation philosophy by the Board of Directors and supervised and inspected the Company's risk management and internal control and urged remediation, and promoted the Company to operate in compliance with the laws and regulations, thereby boosting the sustainable and sound development of the Company. The external supervisors held positions such as the chairman and member of the committees under the Board of Supervisors, expressed opinions and made suggestions in an independent, professional and objective manner. In addition, they promoted the Company to treat all shareholders fairly and safeguarded the legitimate rights and interests of stakeholders.

4.1.4 Senior management

As at the end of the reporting period, the six senior management members of the Company consist of one president and five vice presidents (including one proposed vice president subject to approval of presidentship qualification). With the authorization by laws and regulations, the Articles of Association and the Board of Directors, the president takes responsibilities for organizing 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, basic management rules and specific regulations.

12 committees were established under the senior management, namely the Strategy Promotion Committee, the Digital Transformation Committee, the Assets and Liabilities Management Committee, the Investment Decision Committee, the Risk Management Committee, the Internal Control Committee, the Special Assets Operation and Management Committee, the Business Continuity Management Committee, the Commodity Purchase Committee, the Internal Accountability Committee, the Credit Approval Committee, and the Investment Review Committee.

4.1.5 Related party transactions

During the reporting period, the Company continued to strengthen the management of related party transactions, strictly complied with the regulatory provisions of the NFRA, the CSRC and the Shanghai Stock Exchange and the Articles of Association of the Company. By strengthening the review of fairness and compliance in related party transactions, enhancing pre-approval procedures, and tightening control over transaction limits, the Company seriously fulfilled the obligations of approval, reporting and disclosure of related party transactions, thereby ensuring the effective operation of its related party transaction management mechanism. Based on the principles of "substance over form" and "penetration", the Company identified related parties. Equity directors and shareholder supervisors consciously fulfilled their avoidance obligations when the Board of Directors considered proposals related to related party transactions of shareholders. According to the latest regulatory regulations, related party transactions which should be disclosed were submitted to the Board of Directors for consideration after being submitted to a special meeting of independent directors for consideration and approval in strict accordance with the requirements of the Measures for the Administrative of Independent Directors of Listed Companies and other systems. Meanwhile, the related party transactions between the Company and each related party strictly followed the principles of fairness, openness and equivalence, and the terms of the transactions were fair and reasonable and conducted on terms no better than those for similar transactions with non-related parties. The pricing of the transactions was fair, which strongly protected the overall interests of the Company and all shareholders and promoted the standardized and sustainable development of the relevant business of the Company.

4.1.6. Information disclosure and investor relations

The Company implemented the Securities Law of the People's Republic of China and various regulatory requirements, strictly fulfilled statutory obligations of information disclosure and carried out information disclosure in accordance with the law. During the reporting period, the Company conscientiously prepared and disclosed regular reports to highlight the Company's strategic initiatives and transformation outcomes, demonstrate the internal logic from strategic planning to execution of business strategies, and ultimately to value creation and realization, and present, from multiple perspectives, the pathway through which business value is transformed into investment value. The Company promptly disclosed material information to ensure investors' equal right to be informed. It formulated and released the 2024 Action Plan on "Enhancing Quality and Efficiency and Prioritizing Returns" along with its semi-annual evaluation report, set targeted improvement goals and measures in areas such as business operations, corporate governance, and investor returns, guided by investor needs and subject to regular assessment. The Company revised its Information Disclosure Management Measures to strengthen internal control over disclosure procedures, organized the disclosure work related to the third pillar of the Basel III Accord, and ensured strict confidentiality of insider information and proper registration of insiders to effectively prevent information leakage and insider trading risks.

During the reporting period, the Company maintained effective communication with the capital market through a combination of online and offline channels. The senior management actively participated in four regular activities including performance briefings, thematic discussions, and domestic and overseas roadshows targeting medium – and long-term funds. These efforts vividly conveyed the Company's narrative around building a value bank, enhancing five core capabilities, and advancing the "five priorities" of the financial sector, thereby deepening market recognition. The investor relations team continuously refined its communication strategies to align more closely with capital market concerns. Through investor relations telephone, email, the SSE E-interactive Platform, brokerage strategy meetings, and research receptions, the Company consistently conveyed its investment value to investors. Moreover, the Company enhanced communication with medium – and long-term investors to attract increased holdings from index funds, insurance funds, and overseas capital, thereby continuously optimizing the equity structure. The Company strengthened communication with small and medium investors and invited individual investors to visit our History Museum, engage in face-to-face interactions with the management for better mutual understanding through convening general meetings and organizing the "I'm a Shareholder – Visiting Industrial Bank" activity. In parallel, the Company deepened communication with media to enhance publicity in and engagement with the capital market to share its story through multiple channels. In the form of media coverage, brokerage research reports, short videos, and visual summaries, the Company provided investors with multidimensional insights into its performance highlights and operation focus in a timely manner. Through efficient and high-quality investor engagement activities, the Company achieved broad, multi-level, and multi-platform outreach to various capital market participants, effectively conveying its narrative and delivering its investment value. In accordance with regulatory requirements, the Company has documented and properly archived all relevant investor reception and communication activities.

4.1.7 Sustainable development and ESG management

The Company thoroughly has implemented the guiding principles of the 20th CPC National Congress, the third plenary session of the 20th CPC Central Committee, the Central Economic Work Conference, and the Central Financial Work Conference. In response to the national strategies of realizing carbon peaking and carbon neutrality goals, common prosperity, and technological innovation, the Company actively upholds the political and people-oriented nature of financial work. Staying committed to the philosophy of "integrating righteousness with profit" and "seeking profit through righteousness", the Company has integrated ESG practices with the new development philosophy, and aligned them with the "five priorities" of the financial sector to explore a Chinese path to ESG development, and promote the building of a value bank. Through these efforts, the Company aims to make its contributions to building China into a financial powerhouse.

The Company has established a corporate governance philosophy centered on sustainable development, and incorporated ESG principles into its strategic development plans. At the level of corporate governance, the Company has actively explored a localized ESG roadmap and promoted the development of an in-depth ESG management system that is fully integrated into business operations. During the reporting period, for the first time, the Company formulated and obtained approval from the Board of Directors after review for the Sustainable Development Management Measures of the Industrial Bank. By doing so, the Company established an industry-leading ESG decision-making and management mechanism, fully set up a closed-loop management system with Industrial characteristics, featuring four core modules, namely Strategy, Execution, Performance, and Communication. This system serves as the institutional foundation for the Company's sustainable development efforts, forming a top-down ESG governance structure that spans the Board of Directors, management, and executives. ESG issues are managed vertically, with each topic being decided by the Board of Directors, planned by the management, and implemented by the executives, providing a strong guarantee for the integrated development of ESG and business management. Additionally, the Company has developed a "3-dimensional, 9-directional" ESG indicator system, which is further refined into 20 key issues. It transforms the ESG indicator system into a management tool, comprehensively embedding ESG considerations into the Company's strategy, major decision-making, daily operations, and employee conduct, continually enhancing internal governance capabilities. The Company places strong emphasis on balancing shareholder interests with environmental and social benefits, and continuously builds a sustainable ESG system characterized by a fruitful value cycle to enhance its ESG leadership and level up high-quality ESG disclosures, thus building a distinctive ESG-driven value bank brand with Industrial characteristics.

In 2024, the Company maintained its industry-leading position in ESG ratings within the banking sector. Its ESG rating from MSCI was elevated to AAA, the highest level globally for banks, making it the only bank to have received the highest ESG rating in China's banking industry for six consecutive years. In the meantime, the company was recognized five consecutive times by the China Banking Association as an "Advanced Organization in Green Bank Evaluation," and continues to lead across multiple mainstream ESG rating systems, including Wind, China Securities Index (CSI), ChinaBond, Sino-Securities Index Information Service (Shanghai), CCXGF, and CFMC. Furthermore, it became the first domestic bank to be included in the S&P Global's Sustainability Yearbook 2024 (China Edition), and remains the only Chinese bank named "Industry Mover" by S&P Global.

4.2 Introduction to the general meeting

1. Date of convening: June 20, 2024
2. Place of convening: Fuzhou
3. Attendance: 623 ordinary shareholders attended the meeting, representing 12,937,646,389 ordinary shares with voting rights (representing 62.2772% of total ordinary shares capital). Nine directors including Lyu Jiajin, Chen Xinjian, Qiao Lijian, Chen Gongxian, Sun Xiongpeng, Ben Shenglin, Xu Lin, Wang Hongmei and Zhang Xuewen, five supervisors including Zhang Guoming, Yu Zusheng, Lai Furong, Zhu Qing and Sun Zheng, four director candidates including Huang Hanchun, Zhang Wei, Zhu Kun, and Zhu Yuhong and three vice presidents including Zhang Min, Zhang Ting, and Zeng Xiaoyang attended the meeting as non-voting participants.
4. Major proposals: Ten proposals including the Work Report of the Board of Directors for 2023, the Work Report of the Board of Supervisors for 2023, the 2023 Annual Report and Summary, the 2023 Final Financial Report and 2024 Financial Budgets Plan, the Profit Distribution Proposal for 2023, the Proposal on the Engagement of an Accounting Firm for 2024, the Proposal on Granting Transaction Limits to Certain Related Parties, the Proposal on the Election of Non-independent Directors of the 11th Board of Directors, the Proposal on the Election of Shareholder Supervisors and External Supervisors of the 9th Board of Supervisors, and the Proposal on the Election of Independent Directors of the 11th Board of Directors were reviewed and approved at the meeting and five reports including the Evaluation Report of Substantial Shareholders for 2023, the Report of Duty Performance of the Independent Directors for 2023, the Evaluation Report of Duty Performance of Supervisors for 2023, the Evaluation Report of Duty Performance of Directors and Senior Management from the Board of Supervisors for 2023 and the Report on Related Party Transactions for 2023 were debriefed at the meeting.
5. Voting results: All ten proposals reviewed at the meeting were approved by ordinary shareholders present at the meeting by way of voting.
6. Reference of designated websites for disclosure of resolutions: The website of Shanghai Stock Exchange (www.sse.com.cn) and the website of the Company (www.cib.com.cn)
7. Disclosure date of the publication of resolutions: June 21, 2024

4.3 The Board meetings held during the reporting period

During the reporting period, the Board of Directors held a total of eight meetings on March 28, April 18-25, May 30, June 20, August 22, October 23-30, November 22, and December 20, 2024, respectively. A total of 92 proposals were reviewed and 33 reports were presented. Key proposals included the work report of the Board of Director, President's work report, annual report, profit distribution plan, capital adequacy ratio report, nomination of director candidates, appointment of senior management members, engagement of an accounting firm, formulation of the Working Rules for Independent Directors, Preparation of the Sustainable Development Management Measures, group risk appetite implementation plan, anti-money laundering compliance report, related party transactions report, write-off of large debt loans, comprehensive risk management report, Group consolidated management report, report on clawback of performance-based compensation, sustainable development report, and consumer protection report.

4.4 The committees under the Board of Directors

4.4.1 Strategy and ESG Committee

1. As at the end of the reporting period, the Strategy and ESG Committee consisted of five members, namely Lyu Jiajin, Chen Xinjian, Sun Xiongpeng, Xu Lin and Wang Hongmei, and Lyu Jiajin served as the Chairman.
2. Meeting date and contents

During the reporting period, the Strategy and ESG Committee convened a total of four meetings on March 27, May 29, August 21, and December 19, 2024. The Committee deliberated 33 proposals and reviewed four reports. Key proposals included the work report of the Board of Directors, President's work report, sustainable development report, profit distribution plan, capital adequacy ratio report, formulation of the Working Rules for Independent Directors, preparation of the Sustainable Development Management Measures, 2024 recovery and resolution plans, write-off of large debt loans, and Group consolidated management report.

During the reporting period, the Strategy and ESG Committee under the Board of Directors actively fulfilled its duties, maintained a clear understanding of evolving circumstances and policy directions, and steadily advanced the building of the ESG system and key tasks. It reviewed and deliberated on major matters, supervised the implementation of resolutions approved by the Shareholders' Meeting and the Board of Directors, and continuously promoted the Company's sound and stable development in all operations. The Committee strengthened strategic leadership by urging the management to draw on the experience of overseas banks in responding to a "low interest rate and narrow interest margin" environment. Efforts focused on enhancing five core capabilities in strategic execution, customer service, investment and trading, comprehensive risk management, and management efficiency to support the development of a value bank and reinforce core competencies that enable the Company to navigate the low-interest-rate cycle. The Committee reviewed and approved proposals such as the working rules for independent directors and the revision of the sustainable development management measures to comprehensively clarify the authority and responsibilities of each governance body and improve the Company's governance mechanisms, thereby continuously strengthening the institutional foundation of corporate governance. The Committee also deliberated on proposals including the profit distribution plan, capital management plan, capital adequacy ratio report, and the revision of the capital adequacy ratio management measures, as well as the formulation of the annual recovery and resolution plans. It made systematic recommendations, such as optimizing performance evaluation to convey capital-efficiency requirements, ensuring the smooth functioning of the primary channel for internal capital replenishment through increasing revenue, accelerating the implementation of advanced approaches for capital measurement, and launching the issuance of RMB30 billion in perpetual bonds at an appropriate time to enhance capital adequacy levels. In reviewing or hearing reports such as the Group Consolidated Management Report, the Committee called for continued enhancement of subsidiary corporate governance, clarified the roles and responsibilities of assigned directors and supervisors, improved their performance assessment and evaluation, and supported the parent bank in increasing assistance to subsidiaries, thereby fostering synergies for high-quality development. The Committee also promoted the development of an ESG management system with Industrial characteristics, enhanced the breadth and precision of ESG disclosures, improved ESG branding and communications, and made efforts to raise ESG ratings. These actions aimed to strengthen ESG's contribution to the Company's capacities for the sustainable development of its strategies and business. Furthermore, the Committee provided scientific guidance on institutional development, aligned with the trend of going global, and actively promoted the upgrading of the London Representative Office into the London Branch, which accelerated the Company's internationalization strategy and solidified the foundation for sustainable development.

4.4.2 Risk Management and Consumer Protection Committee

1. As at the end of the reporting period, the Risk Management and Consumer Protection Committee consisted of three members, namely Ben Shenglin, Zhu Kun and Chen Gongxian, and Ben Shenglin served as the Chairman.
2. Meeting date and contents

During the reporting period, the Company's Risk Management and Consumer Protection Committee held a total of six meetings on January 19-26, March 27, May 29, August 21, November 22, and December 19, 2024. In total, 46 proposals were reviewed and 16 reports were heard. Key proposals included the report on liability quality management, group risk appetite implementation plan, anti-money laundering compliance report, write-off of large debt loans, report on management of written-off but not recovered assets, comprehensive risk management report, series of reports on expected credit loss model, business continuity management report, liquidity management report, stress testing progress report, data governance report, personal information protection report, consumer protection report, and the 2024-2025 recovery plan of the Hong Kong Branch.

During the reporting period, the Risk Management and Consumer Protection Committee of the Board of Directors accurately assessed the internal and external situation, and enhanced the foresight of risk prevention and control. The Committee urged the Company to place greater emphasis on risk management and prevention to ensure the implementation of comprehensive risk management with full coverage, no blind spots. This was aimed at further enhancing the Company's ability to resist risks. The Committee carefully evaluated the various risks facing the Company's operations, thoroughly understood the Company's risk management and consumer protection status, and regularly summarized and evaluated various risk control measures. The Committee also actively implemented the Company's digital transformation strategy, firmly established a risk-based mindset, and strengthened the financial security shield. The Committee focused on key risk areas such as credit risk, off-balance-sheet risk, and technology risk, and offered constructive suggestions to align business development with risk management. Focusing on the management of risks in key areas, it provided the Company with guidance to effectively prevent risks in credit cards, real estate, and government financing platforms. The Committee also guided the Company in tackling special asset disposal challenges and carefully reviewed the annual debt loan write-off budget. Under its guidance, the Company fully utilized digital tools to enhance risk prevention, compliance, and internal control work, further refining the risk management. The Committee firmly implemented the people-centered development philosophy and the customer-centered business concept and aligned with regulatory policies, to deepen the system and mechanism of consumer protection, expand the scope of consumer protection meetings, and continuously improve the quality and effectiveness of consumer protection performance.

4.4.3 Audit and Related Party Transaction Control Committee

1. As at the end of the reporting period, the Audit and Related Party Transaction Control Committee consisted of four members, namely Zhang Xuewen, Qiao Lijian, Xu Lin and Wang Hongmei, and Zhang Xuewen served as the Chairman.
2. Meeting date and contents

During the reporting period, the Company's Audit and Related Party Transaction Control Committee convened a total of seven meetings on February 1, March 27, April 18-23, May 29, August 21, October 23-28, and December 19, 2024. In total, 22 proposals were reviewed and nine reports were briefed. Key proposals included annual financial report, financial budget and final accounts report, report on engagement of an accounting firm, report on related party transactions, internal audit report, internal control evaluation report, and report on remediation of internal control audit deficiencies.

During the reporting period, the Committee continued to supervise and verify the authenticity, accuracy, completeness, and timeliness of financial reporting information. It reviewed and approved the 2023 Annual Financial Report, the 2024 Interim Financial Report, the 2023 Financial Final Accounts Report, and the 2024 Annual Budget Plan. The Committee maintained regular communication with external auditors and provided guidance on the audit and review of financial reports. Meetings were held to hear reports on the 2023 annual audit and the review of the 2024 interim financial statements. The Committee also continuously supervised and guided internal audit work, reviewing and approving reports such as the audit project plan and the special audit on information technology risk management. It heard reports on related party transactions, the special audit on the classification of financial asset risks, and the special audit on the development and implementation of performance evaluation and remuneration mechanism. Meanwhile, the Committee effectively fulfilled its role of auditing and supervising in business management, identifying risk issues, and improving management. It conducted dedicated discussions with the internal audit department and investigations into branch audits to learn about audit findings and remediation progress in a timely manner, so as to promote effective audit remediation. The Committee effectively reviewed internal control, reviewed and approved reports on internal audit activities, remediation of internal control audit deficiencies, internal control evaluation, and annual regulatory notifications. It ensured the proper review of related party transactions by performing duties related to the review of material related party transaction limits and the examination of general related party transactions. These efforts aimed to ensure compliance and fairness in transactions with related parties, safeguarding the interests of the Company and all shareholders. For detailed information on the Committee's performance, please refer to the 2024 Performance Report of the Audit and Related Party Transaction Control Committee under the Board of Directors of Industrial Bank Co., Ltd. disclosed on the website of the Shanghai Stock Exchange.

4.4.4 Nomination Committee

1. As at the end of the reporting period, the Nomination Committee consisted of two members, namely Ben Shenglin and Wang Hongmei, and Wang Hongmei served as the Chairwoman.
2. Meeting date and contents

During the reporting period, the Company's Nomination Committee held a total of three meetings on March 27, May 29, and June 14-19, 2024, reviewing nine proposals in total. Key topics included nomination of directors, appointment of the President and Vice Presidents, and appointment of senior management members.

Throughout the reporting period, the Nomination Committee of the Board of Directors, taking into full consideration the requirements of corporate governance, actual business operations, and members' professional backgrounds, reviewed the qualifications and conditions for the appointment or reappointment of Directors, the President, Vice Presidents, the Board Secretary, Chief Risk Officer, Chief Auditor, and Chief Information Officer, and submitted its opinions to the Board of Directors for review. In light of changes to the Board's composition, and based on the functions of each committee as well as directors' expertise, experience, and representativeness, the Committee assisted the Board in optimizing and adjusting the composition of its subordinate committees, timely filling vacancies, and continuously strengthening the organizational structure of the Board. These moves ensured orderly coordination and compliant operation of all committees.

4.4.5 Remuneration and Evaluation Committee

1. As at the end of the reporting period, the Remuneration and Evaluation Committee had two members, namely Xu Lin and Zhang Xuwen, and Xu Lin served as the Chairman.
2. Meeting date and contents

During the reporting period, the Company's Remuneration and Evaluation Committee held two meetings on March 27 and December 19, 2024, respectively, reviewing a total of six proposals. Key topics included the evaluation report on directors' performance, remuneration allocation plan for senior management, report on the clawback of performance-based compensation, and the formulation of the Welfare Management Measures, among others.

During the reporting period, the Remuneration and Evaluation Committee of the Board of Directors, revolving around the Company's development strategy and annual business objectives, conducted evaluations on the performance of senior management in 2023 based on performance assessment standards and procedures. It proposed the 2023 remuneration plan for senior management and submitted it to the Board for review. The Committee performed a comprehensive review of each director's performance over the past year and compiled a duty-performance evaluation report, concluding that all directors actively participated in meetings of the Board and relevant committees, diligently fulfilled their duties, and that independent directors effectively leveraged their professional expertise and extensive industry experience to provide valuable insights and suggestions. Their contributions played a positive role in enhancing the scientific basis of the Board's decision-making and supporting the sustainable and sound development of the Bank's business. The Committee reviewed and approved the 2023 Report on the Clawback of Performance-Based Compensation, further improving the incentive and constraint mechanisms of performance-based pay. Additionally, it reviewed the welfare management measures to promote the improvement of the Company's welfare system.

4.5 Meetings held by the Board of Supervisors during the reporting period

During the reporting period, the Company's held a total of seven meetings on March 27, April 18-25, May 29, June 20, August 21, October 23-30, and December 19, 2024. A total of 21 proposals were reviewed and 26 reports were heard. Key topics included the work report of the Board of Supervisors, duty-performance evaluation report of directors, supervisors, and senior management, nomination of shareholder supervisor and external supervisor candidates for the 9th Board of Supervisors, the annual financial report, profit distribution plan, business performance and financial final accounts report, capital management and planning report, risk management report, a series of audit reports on comprehensive risk management, special audit report on related party transactions, special audit report on the development and implementation of performance evaluation and remuneration mechanism; anti-money laundering compliance report, internal audit report, internal control evaluation report, Group consolidated management report, data governance progress report, and consumer rights protection report.

4.6 Special committees under the Board of Supervisors

4.6.1 Supervision Committee

1. As at the end of the reporting period, the Supervision Committee consisted of three members, namely Sun Zheng, Yu Zusheng, and Zhu Qing, and Sun Zheng served as the Chairman.
2. Meeting date and contents

During the reporting period, the Company's Supervision Committee held a meeting on March 27, 2024, during which three proposals were reviewed and two reports were heard. Topics included the Committee's work report, annual financial report, business performance and financial final accounts report, internal control evaluation report, and risk management report.

Throughout the reporting period, the Supervision Committee assisted the Board of Supervisors in strengthening the oversight system and continuously reinforcing the foundation of corporate governance. Meetings were convened in accordance with laws and regulations, and statutory supervisory duties were duly performed. The Committee oversaw the Company's business decisions, financial activities, risk management, and internal controls. By accurately assessing external macroeconomic conditions and potential risks, and aligning with the Company's actual operation and management, the Committee conducted in-depth supervision of key areas, made constructive suggestions, effectively fulfilled its oversight role, and contributed professional value.

4.6.2 Nomination, Remuneration and Evaluation Committee

1. As at the end of the reporting period, the Nomination, Remuneration and Evaluation Committee consisted of three members, namely Yu Zusheng, Zhang Guoming and Zhu Qing, and Zhu Qing served as the Chairman.
2. Meeting date and contents

During the reporting period, the Company's Nomination, Remuneration and Evaluation Committee held two meetings on March 27 and May 29, 2024, respectively. A total of four proposals were reviewed and one report was heard. Topics included the Committee's work report, duty-performance evaluation report of directors, supervisors, and senior management, nomination of shareholder supervisor and external supervisor candidates for the 9th Board of Supervisors, and special audit report on the development and implementation of the performance evaluation and remuneration mechanism.

During the reporting period, the Nomination, Remuneration and Evaluation Committee assisted the Board of Supervisors in improving the corporate governance operational system and enhancing governance efficiency. By complying with corporate governance requirements, and considering the composition of members and the professional backgrounds of supervisors, the Committee assisted the Board of Supervisors in organizing the re-election of the 9th Board of Supervisors and its subordinate committees, ensuring their orderly and professional operation. It provided guidance to internal audit, followed the development and implementation of the performance evaluation and remuneration mechanism, and oversaw the standardized operation of relevant systems. The Committee also conducted duty-performance evaluation of directors, supervisors, and senior management, thereby enhancing the quality and efficiency of corporate governance bodies.

4.7 Explanation by the Board of Supervisors on identified risks

During the reporting period, the Board of Supervisors raised no objections regarding the matters under supervision.

4.8 Remediation of issues identified in the special self-inspection on corporate governance of listed companies

The Company conducted a thorough review based on the special self-inspection checklist for corporate governance. Issues identified in previous years' self-inspections have been fully remediated. During the reporting period, no significant discrepancies were found between the Company's actual corporate governance practices and the requirements of laws, administrative regulations, and relevant regulatory documents issued by the China Securities Regulatory Commission concerning the governance of listed companies.

4.9 Directors, supervisors and senior management

4.9.1 The change of shareholdings and remunerations of existing and outgoing directors, supervisors and senior executives during the reporting period

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/ allowance from the Company during the reporting period (before tax) (RMB0'000)	Whether received remuneration from related party
Lyu Jiabin	Chairman	Male	1968.09	2021.07.26—2027.06.19	—	—	161.40	No
Chen Xinjian	Vice chairman	Male	1967.10	2023.10.11—2027.06.19	150,000	150,000	161.40	No
	President			2023.10.11—2027.06.19				
Huang Hanchun	Director	Male	1960.04	2025.02.25—2027.06.19	—	—	—	Yes
Qiao Lijian	Director	Female	1973.02	2023.08.30—2027.06.19	—	—	—	Yes
Zhu Kun	Director	Male	1978.08	2024.06.25—2027.06.19	—	—	—	Yes
Chen Gongxian	Director	Male	1968.12	2024.01.31—2027.06.19	—	—	—	Yes
Sun Xiongpeng	Director	Male	1967.04	2021.07.30—2027.06.19	100,000	100,000	147.14	No
	Vice president			2016.08.25—2027.06.19				
Ben Shenglin	Independent director	Male	1966.01	2021.07.30—2027.06.19	—	—	30	No
Xu Lin	Independent director	Male	1962.06	2021.07.30—2027.06.19	—	—	30	Yes
Wang Hongmei	Independent director	Female	1961.06	2022.01.25—2027.06.19	—	—	29	No
Zhang Xuewen	Independent director	Male	1962.11	2023.09.25—2027.06.19	—	—	30	No
Zhang Guoming	Temporary convener of the meeting of the Board of Supervisors	Male	1966.02	2018.08.24—2027.06.19	—	—	143.01	No
Yu Zusheng	Supervisor	Male	1971.01	2023.05.26—2027.06.19	—	—	—	Yes
Lin Shu	Supervisor	Male	1972.11	2024.06.20—2027.06.19	—	—	62.93	No
Zhu Qing	External supervisor	Male	1957.05	2021.06.11—2027.06.19	—	—	24	No
Sun Zheng	External supervisor	Male	1957.12	2023.05.26—2027.06.19	—	—	23	No
Zhang Min	Vice president	Male	1972.10	2023.02.14—2027.06.19	140,000	140,000	152.02	No
Zhang Ting	Vice president	Male	1969.05	2023.02.14—2027.06.19	—	—	148.83	No
Zeng Xiaoyang	Vice president	Male	1970.09	2023.10.19—2027.06.19	—	—	148.83	No
Lai Furong	Supervisor	Male	1968.10	2007.10.19—2024.06.19	100,000	100,000	157.86	No
	Chief risk officer			2024.12.06—2027.06.19				
Zhao Chaoqing	Chief audit officer	Male	1966.08	2024.12.06—2027.06.19	—	—	11.50	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/ allowance from the Company during the reporting period (before tax) (RMB0'000)	Whether received remuneration from related party
Xia Weichun	Secretary of Board of directors	Male	1973.11	2024.12.03—2027.06.19	—	—	12.76	No
Tang Jiakai	Chief information officer	Male	1975.10	2024.12.17—2027.06.19	—	—	31.19	No
Chen Yichao	Director	Male	1950.11	2015.07.01—2024.06.19	—	—	—	Yes
Xiao Hong	Director	Male	1972.10	2021.07.30—2024.06.19	—	—	—	Yes
Qi Yuan	Independent director	Male	1974.03	2022.03.10—2024.06.19	—	—	15	No
Paul.M Theil	External supervisor	Male	1953.05	2021.06.11—2024.06.19	83,800	83,800	12	No
Hua Bing	Secretary of Board of directors	Male	1966.11	2022.08.05—2024.03.27	102,700	102,700	100.79	No

Note:

- During the reporting period, the total actual remuneration paid for all directors, supervisors and senior management amounted to RMB16.3266 million. The remuneration for some of the directors, supervisors and senior management who served full-time positions in the Company has not been finalized yet. If there are any changes after the approval, the Company will make additional disclosures.
- The decision-making procedures and criteria for determination of remuneration for directors, supervisors and senior management were as follows: the remuneration for directors, supervisors and senior management were ratified and paid in accordance with Regulations of Industrial Bank on Independent Directors' Allowance, Regulations of Industrial Bank on External Directors' Allowance, and relevant policies of Fujian Province on remuneration reform for persons in charge of provincial financial institutions. The specific criteria were as follows: directors and supervisors who held full-time positions in the Company should receive remuneration for the positions they held; shareholding directors and supervisors who did not hold 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, the remuneration plan should be prepared by the Nomination, Remuneration and Evaluation Committee under the Board of Directors and then submitted to the Board of Directors for approval.
- None of directors, supervisors and senior management of the Company received any punishment from the securities regulatory commission in recent three years.

4.9.2 Positions held by directors and supervisors at shareholder entities as of the end of the reporting period

Name	Shareholder entity	Position	Term Start Date	Term End Date
Qiao Lijian	PICC Life Insurance Company Limited	Vice President	November 2023	Present
		Chief Financial Officer	September 2023	
		Chief Actuary	December 2021	
Zhu Kun	China Everwin Asset Management Co., Ltd. (Related party of Rui Life Insurance Co., Ltd.)	Assistant to the General Manager, Head of Compliance, Chief Risk Management Officer, Secretary to the Board of Directors	July 2022	Present
Chen Gongxian	Fujian Investment & Development Group Co., Ltd.	Deputy Secretary of the Party Committee, Vice Chairman of the Board of Directors, General Manager	September 2022	Present
Yu Zusheng	Fujian Provincial Port Group Co., Ltd.	Manager of the Treasury and Finance Department	May 2022	Present

4.9.3 Main work experience and positions or concurrent appointments held by directors, supervisors, and senior management

Lyu Jiajin: Doctoral degree, senior economist, enjoying special government allowance of the State Council. He previously served as the deputy director and the director of Henan Postal Savings and Remittance Bureau, the director of Xinxiang Post Bureau of Henan Province, the deputy director of Henan Post Bureau, the deputy director of Liaoning Post Bureau, the deputy director of the Postal Savings and Remittance Bureau of the State Post Bureau, the executive director, the vice president and the president of Postal Savings Bank of China, the deputy general manager of China Post Group Corporation Limited and the executive director and the president of Postal Savings Bank of China, the deputy president of Bank of Communications, the executive director and the vice president of China Construction Bank. He currently serves as the Secretary of the Party Committee and Chairman of Industrial Bank.

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

Chen Xinjian: Undergraduate academic background, master's degree. He successively served as the director of the Financial Division and director of External Debt Division at Fujian Provincial Department of Finance, vice president of Shanghai Branch of Industrial Bank, vice president (in charge of overall management) and president of Xiamen Branch of Industrial Bank, president of Nanjing Branch of Industrial Bank, president of Beijing Branch of Industrial Bank, and a member of the Party Committee, director, vice president, secretary of the Board of Directors and chief supervisor of Industrial Bank. He currently serves as a deputy secretary of the Party Committee, vice chairman and president of Industrial Bank.

Appointments or concurrent appointments in organizations other than the Company or shareholder entities: Council member of Fujian Provincial Party Building Research Association (affiliated with the Organization Department of the CPC Fujian Provincial Committee).

Huang Hanchun: University-level degree from the Party School of the CPC Central Committee. He formerly served as the deputy director of the Budget Division, director of the State Treasury Division, director of the General Affairs Division, first-level researcher, and second-level inspector at the Fujian Provincial Department of Finance. Currently he has retired.

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

Qiao Lijian: Master's degree, senior economist. She successively served as the deputy director and director of the Product Development Division of the Product Development Department of PICC Health Insurance Company Limited, deputy general manager of the Product Development Department/Actuarial Department and director of the Product Development Division of PICC Health Insurance Company Limited, deputy general manager of the Business Development Department, deputy general manager of the Business Management Department/Actuarial Department, and deputy general manager of the Business Management Department of the People's Insurance Company (Group) of China Limited. She currently serves as a member of the Party Committee, the vice president, chief actuary and financial director of PICC Life Insurance Company Limited.

Appointments or concurrent appointments in organizations other than the Company or shareholder entities: executive council member of China Association of Actuaries, member of the Rural Revitalization Special Committee of Insurance Association of China, member of the Financial Accounting Special Committee of Insurance Association of China and council member of the PICC Charity Foundation.

Zhu Kun: Master's degree. He formerly served as the senior manager of the Risk Management and Compliance Department, senior researcher of the Investment Management Department, and assistant to general manager of the Investment Management Department at China Life Asset Management Company Limited. Currently he serves as a member of the Party Committee, assistant to general manager, head of compliance, chief risk management officer, and secretary to the Board of Directors at China Everwin Asset Management Co., Ltd.

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

Chen Gongxian: Undergraduate academic background. He successively served as the deputy principal staff member of the Party Committee of the Fujian Provincial Department of Machinery, deputy principal staff member of the Party Committee, principal staff member of the Party Committee, principal staff member of the Enterprise Division, and deputy director of the Enterprise Division, executive deputy secretary of the Party Committee and the director of the Investment and Planning Division of the Fujian Provincial Economic and Trade Commission, the director of Investment and Planning Division of Fujian Provincial Commission of Economy and Information Technology, deputy department-level inspector of the State-owned Assets Supervision and Administration Commission of Fujian Provincial People's Government and deputy department-level inspector of Fujian Provincial Department of Audit. He currently serves as the deputy secretary of the Party Committee, vice chairman and general manager of Fujian Investment & Development Group Co., Ltd.

Appointments or concurrent appointments in organizations other than the Company or shareholder entities: director of Xiamen International Bank Co., Ltd., as well as the chairman and general manager of Fujian Industrial Investment Co., Ltd.

Sun Xiongpeng: Undergraduate academic background, master's degree, senior economist. He previously served as the deputy manager of the International Business Department, and manager of Business Department and Domestic Business Department of Quanzhou Branch of Industrial Bank, assistant to president 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 member of the Party Committee, director and vice president of Industrial Bank.

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

Ben Shenglin: PhD, professor, PhD tutor. He previously served as senior vice president of ABN AMRO Bank, 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 International Business School, dean of the Academy of Internet Finance of Zhejiang University.

Appointments or concurrent appointments in organizations other than the Company or shareholder entities: professor, dean of the International Business School and dean of Academy of Internet Finance of Zhejiang University, director of International Monetary Institute of Renmin University of China, the founder and dean of Beijing Frontier Institute of Regulation & Supervision Technology, 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 and deputy secretary (concurrent) of Zhengjiang Provincial Committee of the Chinese People's Political Consultative Conference and deputy director of the Economic Committee of Zhejiang Province, counsellor of the People's Government of Zhejiang Province, cochairman of Zhejiang Association of Fintech, advisory member of Financial Experts Advisory Committee for Guangdong and executive editor of China Journal of Finance, the independent director of Zhejiang Orient Financial Holdings Group Co., Ltd., the independent director of Caitong Securities and the supervisor of China Construction Bank.

Xu Lin: Master's degree. He previously served as the deputy director of Development Planning Department of the former State Planning Commission, the director of Department of Fiscal and Financial Affairs, director of Department of Development Planning, Director of the China Center for Urban Development of the National Development and Reform Commission, chairman of China-US Green Investment Management Co., Ltd. He currently serves as the chairman of China-U.S. Green Fund Management Co., Ltd. and China-U.S. Green Yangtze River Delta (Shanghai) Private Fund Management Co., Ltd.

Appointments or concurrent appointments in organizations other than the Company or shareholder entities: secretary of the CPC Committee and executive vice president of China Mergers & Acquisition Association, chairman of China-U.S. Green Yangtze River Delta (Shanghai) Private Fund Management Co., Ltd., director of Farsoon Technologies Co., Ltd., supervisor of Bank of Beijing, independent director of Guomin Pension Insurance Co., Ltd., chairman of China-U.S. Green Fund Management Co., Ltd., executive partner of Beijing Tonghui Green and Intelligent Enterprise Management Center LLP, director of Nanjing Longying Green Management Services Co., Ltd., chairman of China-U.S. Green Juyuan (Nanjing) Investment Management Co., Ltd., chairman of Shanghai Meixin Integrated Energy Power Development Co., Ltd., executive director of Beijing Duomulin Green Technology Development Co., Ltd., director of Zhejiang Zhenshen Insulation Technology Corp. Ltd., director of Shanghai Geopoly New Materials Co., Ltd., independent director of China Petroleum & Chemical Corporation, director of Shanghai Meihe'an New Energy Technology Co., Ltd., chief supervisor of Chinese Society for Urban Studies, chairman of Beijing Green Finance Association, chairman of Pangu Institution, and senior researcher of China Institute for Development Planning, Tsinghua University.

Wang Hongmei: PhD and professor-level senior engineer. She previously served as the deputy director of the Research Center for Economic and Technological Development of the Ministry of Posts and Telecommunications, general manager of Development Strategy Department of China Mobile Communications Group Co., Ltd., secretary general of the executive organization of China Mobile Charity Foundation, the director of the Reform Office of the Group Corporation, and director of China Mobile's Office in Xiong'an New Area, director of Shanghai Pudong Development Bank Co., Ltd. and director of China Mobile Equity Fund Management Co., Ltd. Currently, she has retired.

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

Zhang Xuewen: PhD in economics, senior economist. He previously served as deputy director of the Internal Trade Division II of the Trade Finance Department of the MOF, deputy director of the Grain Division of the Economy and Trade Department of the MOF, deputy director and director of the Grain Division of the Economic Development Department of the MOF, and deputy director general of the Economic Development Department of the MOF, assistant to general manager of China Post Group Co., Ltd., executive director and vice president of the Postal Savings Bank of China. Currently, he has retired.

Appointments or concurrent appointments in organizations other than the Company or shareholder entities: deputy chairman of the Banking Accounting Society of China and deputy chairman of the Rural Social Insurance Commission of China Social Insurance Association.

Zhang Guoming: Bachelor's degree with an undergraduate academic background. He previously served as deputy director (director level) of the Cadre Management Office of the Fujian Discipline Inspection Committee, special deputy secretary of the Party Committee of the Fujian Discipline Inspection Committee, and deputy director (deputy chief level) of the Inspection Office of the Fujian Provincial Party Committee, a member of the Party Committee, Secretary of Discipline Inspection Committee and Supervisor of Industrial Bank. 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 entities: none.

Yu Zusheng: Undergraduate academic background, master's degree, senior accountant. He has successively served as manager of the Finance Department of Fujian Provincial Communication Transportation Group Co., Ltd., deputy general manager and chief accountant of Fujian Province Overseas Chinese Industrial (Group) Co., Ltd., secretary of the Party Committee and supervisor of Fujian Provincial Pharmaceutical Group. He currently serves as the manager of the Finance Department of Fujian Port Group.

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

Lin Shu: Bachelor's degree with an undergraduate academic background. He previously had positions including general manager of the Planning & Finance Department, assistant to president and vice president at Jinan Branch of Industrial Bank, president of the Urumqi Branch of Industrial Bank, general manager of the Corporate Finance Marketing Management Department and the Institutional Business Department at the Corporate Finance Headquarters of the Head Office of Industrial Bank, deputy president of the Corporate Finance Headquarters of the Head Office of Industrial Bank, general manager of the Investment Banking Department and the Large Corporate Clients Department at the Head Office of Industrial Bank, chairman of China Industrial International Trust Asset Management Company Limited. Currently he serves as the general manager of the Planning & Finance Department at the Head Office of Industrial Bank.

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

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), a senior visiting scholar at State University of New York and University of California, Berkeley in the U.S.A. He currently serves as a professor at the School of Finance at Renmin University of China.

Appointments or concurrent appointments in organizations other than the Company or shareholder entities: professor at the School of Finance at Renmin University of China, independent director of Zhongtai Trust Co., Ltd., China Great Wall Asset Management Co., Ltd., Jangho Group Co., Ltd., Dajia Insurance Group Co., Ltd. and Dongxing Securities Co., Ltd., external supervisor of China Trust Protection Fund Co., Ltd., vice chairman of the Chinese Tax Institute, executive director of Society of Public Finance of China, honor professor of University of Chinese Academy of Social Sciences, adjunct professor of Beijing National Accounting Institute and Xiamen National Accounting Institute.

Sun Zheng: Doctoral degree, professor. He successively served as lecturer, associate professor and professor in accounting of Shanghai University of Finance and Economics and former vice president of Shanghai University of Finance and Economics. Now he is a professor of College of Business of Shanghai University of Finance and Economics.

Appointments or concurrent appointments in organizations other than the Company or shareholder entities: professor of College of Business of Shanghai University of Finance and Economics, and independent director of China Eastern Airlines Co., Ltd., SAIC Motor Corporation Limited and Advanced Micro-Fabrication Equipment Inc. China.

Yang Liu: Doctoral degree with a postgraduate academic background. She previously served as a cadre at the Department of Western European Affairs of the Ministry of Foreign Affairs; senior executive for China operations at foreign financial institutions such as AXA and HSBC, deputy general manager of ABC Life Insurance Co., Ltd., deputy general manager of the Asset Management Department at Agricultural Bank of China, chairwoman of the Board of Supervisors at ABC Wealth Management Co., Ltd.; vice mayor of Ningde Municipal People's Government in Fujian Province (on secondment). She currently is the proposed appointee for vice president of Industrial Bank.

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

Zhang Min: Undergraduate academic background, master's degree. He successively served as the vice president and general manager of the Interbank Business Department of Yiwu Sub-branch, Hangzhou Branch of Industrial Bank, assistant to president of Hangzhou Branch of Industrial Bank, president of Yiwu Branch of Industrial Bank, vice president of Ningbo Branch of Industrial Bank, president of Ningde Branch of Industrial Bank, president of Chongqing Branch of Industrial Bank and president of Hangzhou Branch of Industrial Bank. He is currently a member of the Party Committee and vice president of Industrial Bank.

Appointments or concurrent appointments in organizations other than the Company or shareholder entities: supervisor of the Board of Supervisors of China UnionPay.

Zhang Ting: Undergraduate academic background, master degree, senior economist. He successively served as person in charge of Yangqiao office of Industrial Bank, vice president and president of Gulou Sub-branch, Fuzhou Branch of Industrial Bank, vice president (person in charge) of Longyan Branch of Industrial Bank, president of Longyan Branch of Industrial Bank, president of Quanzhou Branch of Industrial Bank, president of Ji'nan Branch of Industrial Bank, and president of Beijing Branch of Industrial Bank. He currently serves as a member of the Party Committee and vice president of Industrial Bank.

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

Zeng Xiaoyang: Master degree in economics, senior economist. He successively served as vice president of Quanzhou Branch of Industrial Bank, president of Longyan Branch of Industrial Bank, president of Wuhan Branch of Industrial Bank, general manager of Corporate Financial Risk Management Department and Chief Approval Officer of Corporate Financial Credit Business of the Head Office of Industrial Bank. He currently serves as a member of the Party Committee, and vice president of Industrial Bank.

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

Xia Weichun: Master's degree with a postgraduate academic background. He previously served as the secretary (deputy division-level) at the General Office of Fujian Provincial People's Government, assistant to general manager and deputy general manager of the General Office at the Head Office of Industrial Bank, president of the Ningde Branch, Shijiazhuang Branch, Hong Kong Branch and Shanghai Branch of Industrial Bank. He currently serves as the Board secretary of Industrial Bank and general manager of the Board of Directors and Board of Supervisors Office at the Head Office.

Appointments or concurrent appointments in organizations other than the Company or shareholder entities: member of the ESG Special Committee of China Association for Public Companies.

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, general manager of Audit Department of Industrial Bank and general manager of Planning & Finance Department of Industrial Bank. He currently serves as the chief risk officer and general manager of the Risk Management Department of Industrial Bank.

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

Zhao Chaoqing: Master's degree with a postgraduate academic background, senior auditor and senior economist. He previously served as the assistant to manager and deputy manager of the Planning & Finance Department at Fujian Investment & Development Group Co., Ltd. (Zhongmin Company), deputy general manager of Fujian Hongfa Economic Development Corporation (a subsidiary of Zhongmin Company), deputy director of the Supervision and Audit Department at Fujian Construction Engineering Group Corporation, deputy manager and manager of the Finance Department at CWYC, manager of the Planning & Finance Department at Fujian Construction Engineering Group Corporation, assistant to general manager and deputy general manager of the Planning & Finance Department and general manager of the Operations Management Department at the Head Office of Industrial Bank, and president of Kunming Branch of Industrial Bank. He currently serves as the chief auditor of Industrial Bank and general manager of the Audit Department at the Head Office.

Appointments or concurrent appointments in organizations other than the Company or shareholder entities: member of the 8th Council of the China Institute of Internal Audit, member, executive council member, and vice president of the 6th Council of the Fujian Institute of Internal Audit.

Tang Jiakai: Master's degree with a postgraduate academic background, senior engineer. He served as the director at the Software Development Center of the Agricultural Bank of China; technical director of the Microfinance Division at Ant Financial, vice president and chief information officer of Zhejiang E-commerce Bank, senior director of the Scenario-Based Finance Division at Alibaba Group, assistant to president and chief information officer at Ping An Bank. Currently he serves as the chief information officer and general manager of the Technology Management Department at Industrial Bank.

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

4.9.4 Changes of directors, supervisors and senior management

4.9.4.1 Change of directors

1. Completion of the re-election of the Board of Directors. Pursuant to the nomination at the 24th meeting of the 10th Board of Directors held on May 30, 2024, and the individual elections conducted at the 2023 annual general meeting on June 20, 2024, the following individuals were elected as members of the 11th Board of Directors of the Company: Lyu Jiajin, Chen Xinjian, Huang Hanchun, Qiao Lijian, Zhang Wei, Zhu Kun, Chen Gongxian, Sun Xiongpeng, Ben Shenglin, Xu Lin, Wang Hongmei, Zhang Xuwen, and Zhu Yuhong. Among them, the appointments of Zhang Wei and Zhu Yuhong are pending approval of their qualifications by NFRA. Directors Chen Yichao, Xiao Hong, and Qi Yuan have stepped down from the Board and its committees upon the expiration of their terms. Meanwhile, Mr. Chen Gongxian has served as a director since January 31, 2024 (upon NFRA's approval of his qualification); Mr. Zhu Kun has served as a director since June 25, 2024 (upon NFRA's approval of his qualification); and Mr. Huang Hanchun has served as a director starting from February 25, 2025 (upon NFRA's approval of his qualification).
2. On June 20, 2024, the first meeting of the 11th Board of Directors was convened, at which Mr. Lyu Jiajin was elected as the chairman and Mr. Chen Xinjian as the vice chairman of the 11th Board.

4.9.4.2 Change of supervisors

1. Completion of the re-election of the Board of Supervisors. On May 29, 2024, the 18th meeting of the Company's 8th Board of Supervisors was held, at which Yu Zusheng, Zhu Qing, and Sun Zheng were nominated as candidates for the 9th Board of Supervisors. On June 18, 2024, at the 16th meeting of the 2nd Employee Representative Conference, Zhang Guoming and Lin Shu were elected as employee supervisors of the 9th Board of Supervisors, with their terms commencing on June 20, 2024. On June 20, 2024, at the Company's 2023 annual general meeting, Yu Zusheng, Zhu Qing, and Sun Zheng were elected as supervisors of the 9th Board of Supervisors. Lai Fulong and Paul M. Theil ceased to serve as supervisors and members of the Board of Supervisors and affiliated committees upon the expiration of their terms.
2. On June 20, 2024, the 9th Board of Supervisors held its first meeting and elected Mr. Zhang Guoming as the acting convener of the 9th Board of Supervisors.

4.9.4.3 Changes in senior management members

1. On March 27, 2024, Mr. Hua Bing submitted a written resignation to the Board of Directors, resigning from the position of Board Secretary due to work adjustments.
2. On March 28, 2024, at the 22nd meeting of the 10th Board of Directors, Mr. Xia Weichun was appointed as the Board Secretary. He assumed the role on December 3, 2024, (upon NFRA's approval of his qualification).
3. On June 20, 2024, at the first meeting of the 11th Board of Directors, the following appointments were made: Mr. Lai Fulong as Chief Risk Officer, Mr. Zhao Chaoqing as Chief Auditor, and Mr. Tang Jiakai as Chief Information Officer. Upon NFRA's approval of their qualifications, they assumed their positions on December 6, 2024, December 6, 2024 and December 17, 2024, respectively.
4. On February 20, 2025, at the 6th meeting of the 11th Board of Directors, Ms. Yang Liu was appointed as the Vice President. She took office upon NFRA's approval of her qualification.

4.10 The directors' performance of their duties

4.10.1 The attendance of directors in the Board of Directors and the shareholder's meeting

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

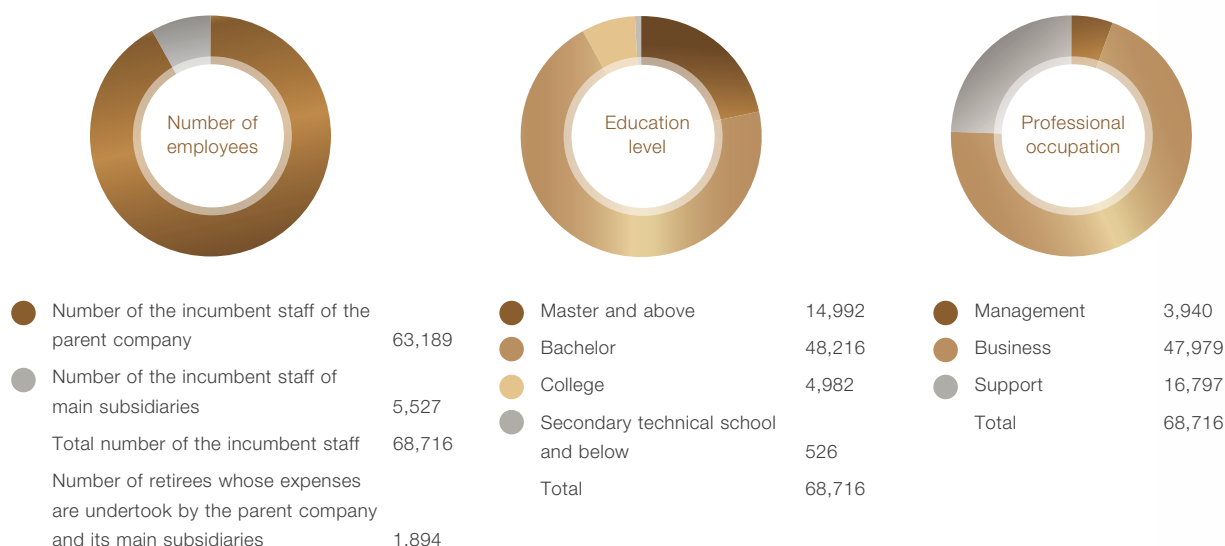
Name of directors	Whether an independent director	Attendance at meetings of the Board of Directors						Attendance of general meetings
		Expected attendance during the year	Attendance in person	Attendance through teleconference	Attendance by proxy	Absence	Failure to attend in person for two consecutive times	Number of general meetings attended
Lyu Jiajin	No	8	7	2	1	0	No	1
Chen Xinjian	No	8	8	2	0	0	No	1
Qiao Lijian	No	8	8	2	0	0	No	1
Zhu Kun	No	4	4	1	0	0	No	0
Chen Gongxian	No	8	8	2	0	0	No	1
Sun Xiongpeng	No	8	7	2	1	0	No	1
Ben Shenglin	Yes	8	8	2	0	0	No	1
Xu Lin	Yes	8	8	2	0	0	No	1
Wang Hongmei	Yes	8	8	2	0	0	No	1
Zhang Xuewen	Yes	8	8	2	0	0	No	1

4.10.2 Situation of objections to the issues of the Company raised by directors

During the reporting period, none of the directors had objections to the issues of the Company.

4.11 Employees

4.11.1 General information of employees



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

4.11.2 Employee remuneration policy

The Company adheres to the principles of alignment with corporate governance requirements, compatibility with the Bank's competitiveness and sustainable development, consistency with business performance for its remuneration management, supplemented with a balanced approach to short – and long-term incentives. The policy ensures internal fairness and external competitiveness, supports the implementation of strategic goals, and meets the business development needs at various stages of the Company. It is designed to attract and retain talent, especially key personnel.

4.11.2.1 Remuneration structure

In accordance with the Company's internal control mechanisms, employees in different positions bear varying levels of responsibility and risk, resulting in differentiated remuneration structures. The higher the correlation between an employee's performance and the Bank's overall performance, the greater the proportion of variable bonuses.

4.11.2.2 Remuneration policy

The remuneration of the Company's senior management is strictly paid in accordance with plans reviewed and approved by the competent authorities and through the Company's corporate governance procedures, and is directly linked to the results of business performance evaluations. The Company has established a comprehensive evaluation system that combines quantitative indicators, such as profitability, asset quality, solvency, and business growth, with qualitative indicators, including contributions to high-quality development (e.g., support for economic and social development, major project construction, targeted poverty alleviation, and rural revitalization) and the development of green finance (e.g., green finance institutional building, brand development, and business growth). By doing so, the Company integrates short-term and long-term incentives to strengthen the accountability of senior management, level up its operation and management, and promote sustainable and sound development.

The Company's employee performance-based remuneration is closely tied to the overall performance of the Bank, institutions (departments), and individual performance outcomes. Performance evaluation indicators are designed around multiple dimensions, including financial efficiency, development and transformation, customer development, risk compliance, and social responsibility. Evaluation results are linked to recognition and reward for management teams and are directly tied to performance distribution. Individual employee performance-based remuneration is aligned with team performance, while the individual's contribution to the team is also fully considered. Overall, remuneration levels are matched with overall performance outcomes to motivate employees to continuously improve their performance and enhance value creation.

To improve the incentive and constraint mechanisms of performance-based remuneration and to ensure its guiding role in the Company's operation and management, the Company has established a deferred payment and clawback mechanism for performance-based remuneration. For senior management and employees who have a direct or significant impact on the Company's operational risk, no less than 40% of their performance-based remuneration is subject to deferred payment, with a deferral period of no less than three years. In cases of violations of laws, regulations, or disciplinary rules, or where there is abnormal risk exposure within the scope of responsibilities, the Company may, in accordance with regulatory policies and internal rules, claw back or withhold the corresponding portion of performance-based remuneration based on the severity of the situation. This ensures that remuneration levels are aligned with risk-adjusted performance outcomes.

4.11.2.3 Specific remuneration information for employees in risk-sensitive positions

The Company follows the fundamental principle of compensation distribution based on position value and individual contribution. The value of a position is assessed by factors such as the level of technical or managerial complexity, degree of risk, and its contribution within the banking system. Employee remuneration is aligned with the value of their position and the responsibilities they undertake. Remuneration distribution aims to balance efficiency and fairness, with reasonable differentiation across positions. It fully motivates frontline and community-level employees while maintaining a well-balanced income structure among senior management, middle management, and community-level employees. For employees engaged in risk and compliance management, their remuneration is determined by individual capabilities, duty performance, as well as team and personal performance evaluations, but not directly linked to the performance of the business areas. This ensures that remuneration for risk and compliance personnel remains independent of the performance of the business lines they supervise, supporting prudent operation and sustainable development.

4.11.3 Staff training schemes

With the goal of developing modern and high-quality vocational education, the Company established and improved the "5+N" training system and the "1+N" responsibility system, improved the training operation system, and complied with the principles of compliance, foresight, systematicness, effectiveness and pertinence. The Company focused on "Party building guidance, development of teacher's courses, strategic focus, examination and certification, operation management, platform empowerment, brand training" and other aspects in a bid to build a comprehensive "university" that is satisfactory to the Party Committee of the head office and all employees.

During the reporting period, the Company made significant progress **in system development**. The Company formulated the Education and Training Master Plan for Officers and Employees of Industrial Bank (2023-2027), establishing a standardized and effective training system. This system is guided by the training plan and the Measures for the Management of Training of Industrial Bank, and supported by six measures covering quality evaluation, operational management, instructors, courses, examinations, and the Xingzhi Platform, along with various operational manuals serving as guidelines. **In talent training**, the Company emphasized the development of employees' comprehensive capabilities, organized and conducted the "Quan Xing Xue" initiative to study the guiding principles of important conferences, offering 11 themed series with 17 exams, attracting over 55,000 employees. It also organized advanced training programs focused on digital transformation and high-quality financial development. The Company strengthened the building of cadre echelon by holding 10 sessions of training programs for senior and newly appointed middle-level cadres, covering over 1,400 individuals. It also supported the implementation of the 14th Five-Year Talent Plan with targeted training across digital talent, integrated finance, professionals, and new hires. For new employees, a long-term, phased, and progressive development model was adopted. This included foundational onboarding education, continuous "on-the-job professional development + personal learning," and an innovative talent acceleration mechanism to support early career growth. During the reporting period, a total of 4,757 training programs were organized, with a training coverage rate of 99.28%. **In examination and certification**, the Company organized internal examinations with an attendance of over 70,000, covering more than 90 types of subjects, including talent conversion, professional technical tracks, and job-specific proficiency. On average, each employee participated in at least one exam, reaching a 59% participation rate. Employees were encouraged to pursue external professional certifications, resulting in nearly 40,000 certificates across 113 categories, promoting a shift from "multi-skilled learning" to "multi-certification proficiency." **In instructor and course resources development**, the Company continuously refined its instructor and course system by reassessing and planning 5,162 head office-level courses, completing learning maps and course development for areas such as risk management, IT, and treasury business, and updating key special program systems like Green Finance and Technology "10,000 Talents Programs". It advanced digital transformation through special governance of online courses. Additionally, the Company appointed around 1,500 head office-level instructors and over 2,000 branch-level instructors, while launching instructor development programs to enhance their teaching skills and lecturing quality. **In launching open learning initiatives**, the Company released Opinions on Strengthening and Advancing the Coordinated Management of University Training Cooperation, and actively engaged in partnerships with governments, universities, research institutes, enterprises, and education and training organizations to enhance bank-university cooperation. During the reporting period, the Company's branches and subsidiaries co-hosted 27 training sessions with 13 leading universities, including Peking University, Tsinghua University, and Zhejiang University. Cooperation agreements were signed with Fujian Provincial Party School and Renmin University of China. The Industrial Bank digital finance talent program with Minjiang University successfully completed its inaugural class, with graduates officially hired upon completion.

During the reporting period, the Company won the third place in the National Commercial Bank-Employee Notification Ability Ranking of the "GYROSCOPE" system; the Industrial Bank Fintech Integration Training Program was awarded the "Best Digital Intelligence Learning Practice Award" at the 16th Boao Awards; Hangzhou Branch's "Xing Hang Cheng" All-Staff Capability Enhancement Project was recognized as the "Best Corporate Training Learning Program in China"; Guangzhou Branch's "Industrializing the Masses" Integrated Combat Training Program and the "Xing Huo • Liao Yuan" Innovation Marathon Competition and series of training projects won the Gold and Silver Awards at the 9th CSTD Enterprise Learning Program Design Competition.

4.11.4 Anti-bribery and anti-corruption policy of the Company

The company adheres to Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era as its guiding ideology, continuously improving a supervision system characterized by unified Party leadership, comprehensive coverage, and authoritative efficiency. This ensures strong support for high-quality development through ongoing efforts to improve conduct, enforce discipline, and combat corruption. Focusing on the "Two Upholds" (i.e., uphold General Secretary Xi Jinping's core position on the CPC Central Committee and in the Party as a whole and uphold the Central Committee's authority and its centralized, unified leadership), the Company dynamically updates its political supervision ledger, strengthens oversight of inspection and remediation efforts, enforces accountability for corrective actions, and integrates the Party's overall leadership into the whole process and all aspects of corporate governance. By keeping a close watch on key areas and strictly enforcing discipline and accountability, the Company highlights the deterrent power of "not daring to be corrupt". It handles cases with firm resolve, waging a resolute, protracted, and comprehensive battle against corruption. The Company enhances its supervision systems to boost effectiveness and reinforce institutional safeguards of "not having opportunity to become corrupt". The Company improves mechanisms such as the "Party Building +1+N" evaluation system, overseas integrity risk prevention, and dynamic monitoring of integrity risks among cadres. It also strengthens coordination between disciplinary inspection and other supervisory functions like audit, finance, accounting, and risk compliance, carrying out joint "audit-inspection-discipline" supervision to enhance synergy. Through strong ideological guidance, the Company fosters internal motivation and strengthens the consciousness of "not having the desire to be corrupt". It rigorously promotes education on Party discipline, deepens efforts to tackle pointless formalities, bureaucratism, hedonism, and extravagance, and foster new norms, implements the Eight Rules set by the Political Bureau of the 18th CPC Central Committee, and actively promotes an "Integrity Industrial" culture, thereby consolidating and enhancing a sound political ecosystem.

4.12 Proposal of profit distribution of ordinary shares or transfer of capital reserve

4.12.1 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; 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.

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.

The Company fulfilled the above profit distribution policy and cash bonus on schedule. The Company implemented the 2023 annual profit distribution plan in July 2024, based on the total share capital of 20,774,300,296 shares, the Company distributed cash dividend of RMB10.40 for every 10 shares (tax inclusive), issued RMB21,605 million cash dividends in total, whereas balance of the undistributed profit would be used for supplementing capital and carried forward to the next year.

4.12.2 2024 profit distribution proposal

In light of relevant provisions in the Company Law of the People's Republic of China, the Articles of Association of the Company, 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 reporting period, and no additional reserve will be provided for in accordance with the Company Law; the Company planned to transfer RMB4,531 million to general reserve; the dividend of preferred shares payable was RMB2,597 million. The Company also distributed dividend of ordinary shares based on a cash dividend of RMB10.60 for every 10 ordinary shares (tax inclusive). The Company is proposed to distribute a cash dividend of RMB22,021 million in total based on the total ordinary share capital of 20,774,308,106 shares as at December 31, 2024. As the convertible corporate bonds issued by the Company are in the conversion period, if the total ordinary share capital of the Company changes before the record date for implementation of interest distribution, the Company will propose to maintain the distribution ratio per share and adjust the total amount of distribution accordingly, and will make disclosure in the announcement on implementation of interest distribution.

The main considerations for this year's profit distribution are as follows: 1. Enhancing the internal capital accumulation of commercial banks. Capital serves as the cornerstone for the sound operation and risk resilience of banks. Given the continued complexity and severity of the external operating environment faced by commercial banks, it is essential to keep strengthening internal capital accumulation, maintain a healthy level of capital adequacy, and improve the ability to withstand risks. 2. Heightened capital regulatory requirements. The Systemically Important Banks Assessment Measures, the Provisions on the Additional Regulation of Systemically Important Banks (Trial) issued by the PBOC and the former CBIRC and the Rules on Capital Management of Commercial Banks issued by the NFRA in 2023 imposed stricter requirements on the capital adequacy and risk management for commercial banks. 3. The needs of serving economic development. The Company will coordinate efforts around the "five priorities" of the financial sector and the "five new arenas", increase loan granting, fully support the high-quality development of the real economy, and continuously strengthen the Bank's ability to operate prudently. In view of the above internal and external factors, the Company has maintained the continuity and stability of its dividend policy on the whole, the cash dividend rate is rising year by year, and consideration was given to the interests of the Company's shareholders as well as sustainable development of the Company.

This profit distribution proposal shall be executed within two months after approval by the 2024 annual general meeting.

4.12.3 Plan or proposal on profit distribution for ordinary share s of the previous three years (including the reporting period)

Unit: RMB million

Dividend year	Amount of declared dividend for every 10 shares (RMB Yuan) (tax inclusive)	Amount of Cash dividends (tax inclusive)	Net profit attributable to the ordinary shareholders of the listed company in the consolidated financial statements for the cash dividend year	Percentage of cash dividends to net profit attributable to the ordinary shareholders of the listed company in the consolidated financial statements (%)	Net profit attributable to the shareholders of the listed company in the consolidated financial statements for the cash dividend year	Cash dividends to net profit attributable to the shareholders of the listed company in the consolidated financial statements (%)
2024	10.60	22,021	72,993	30.17	77,205	28.52
2023	10.40	21,605	72,904	29.64	77,116	28.02
2022	11.88	24,680	87,165	28.31	91,377	27.01

Notes: 1. Amount of cash dividends for 2024 was calculated on the basis of the total ordinary share capital of share capital of 20,774,308,106 shares of the Company as at December 31, 2024. As the convertible corporate bonds issued by the Company are in the conversion period, if the total ordinary share capital of the Company changes before the record date for implementation of interest distribution, the Company will propose to maintain the same total amount of distribution and adjust the distribution ratio per share accordingly, and will make disclosure in the announcement on implementation of interest distribution.

2. For details of the preferred shares dividend plan, please refer to Chapter 8 "MATTERS REGARDING PREFERRED SHARES".

4.13 The description of independence of the Company from its largest shareholder

As at the end of the reporting period, the Finance Bureau of Fujian Province and Fujian Financial Investment Co., Ltd., a company established and fully contributed by the Finance Bureau of Fujian Province, which held 3,965,181,007 ordinary shares of the Company in aggregate, representing 19.09% of the total share capital of the Company, is the largest shareholder of the Company with its shareholding in aggregate. The Company is fully independent from its largest shareholder with its shareholding in aggregate 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.

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

During the reporting period, in accordance with the relevant policies of Fujian Province on the remuneration reform of the heads of the provincial financial enterprises, the Company's Board of Directors assessed and evaluated the senior management of the Company, and linked the remuneration of the senior management with responsibilities, risks and business performance. 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.

4.15 Construction and implementation of internal control system during the reporting period

During the reporting period, the Company carried out special system reorganization, promoted the establishment of a more rigorous, clearer, more sound and efficient system and mechanism, continued to optimize system management mechanism, improved management process of the system in the whole life cycle, continuously promoted the digital transformation of system management, and improved the accuracy and effectiveness of the implementation of system.

4.16 Management and control of subsidiaries during the reporting period

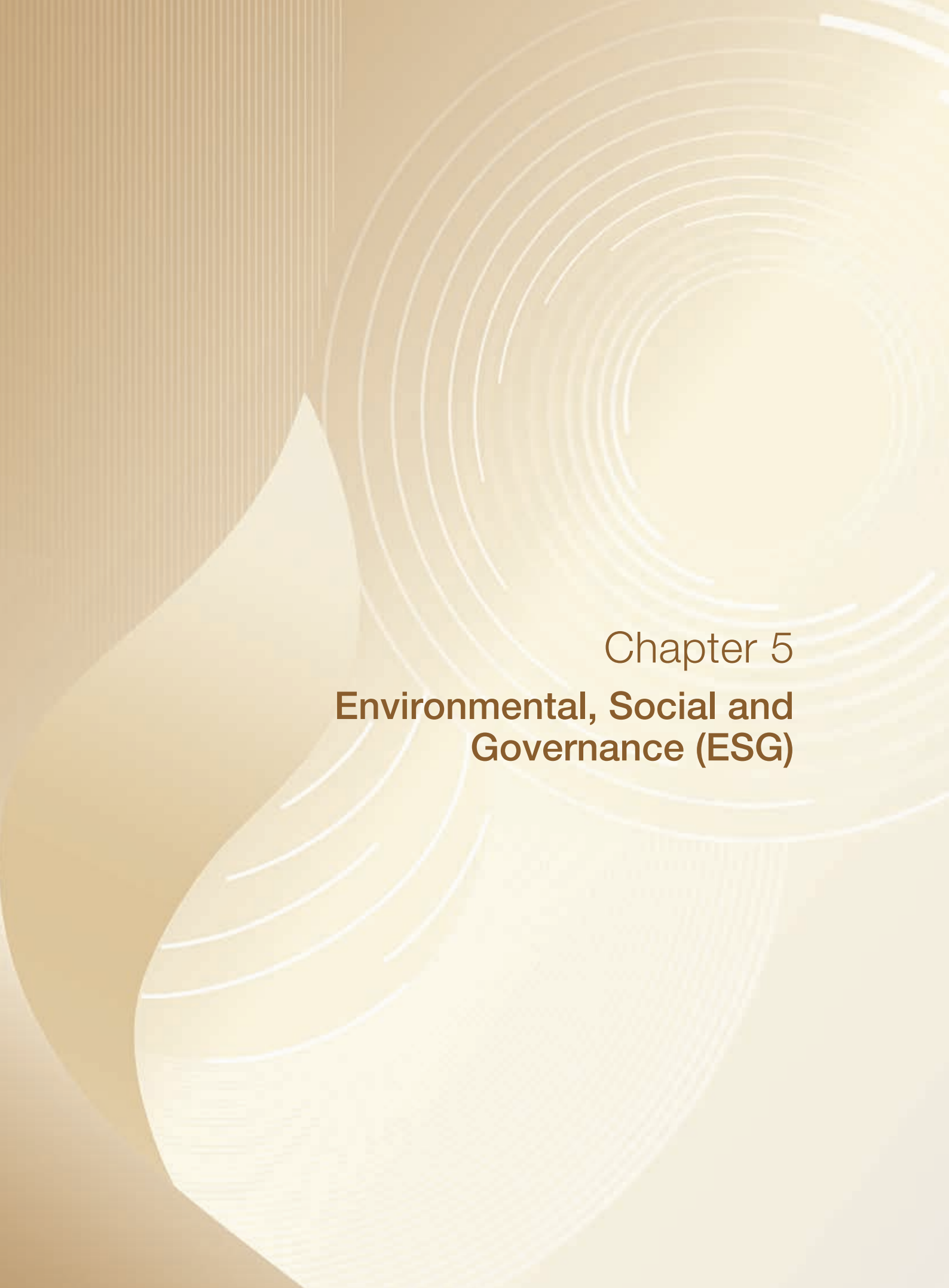
During the reporting period, according to the Guidelines for Consolidated Management and Supervision of Commercial Banks, provisions on management of state-owned financial capital and other relevant policies and regulations, the Company implemented effective and penetration management for subsidiaries at all levels in accordance with the principles of step-by-step consolidation management and hierarchical management, continued to establish and improve the corporate governance structure of the banking group covering all subsidiaries, conducted comprehensive and continuous control on the corporate governance, capital and finance of each subsidiary, and effectively identified, measured, monitored and controlled the overall risk status of the banking group. During the reporting period, no subsidiaries were purchased, added or integrated.

4.17 Assessment report on internal control

During the reporting period, no material deficiencies were identified in the internal control mechanisms or systems of the Company in terms of completeness and reasonableness. The Board of the Company has issued 2024 assessment report on internal control. Please see the announcement published on the Shanghai Stock Exchange for details.

4.18 Description of the internal control audit report

The Company has disclosed the 2024 internal control audit report. The Company engaged KPMG Huazhen 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, 2024.



Chapter 5

Environmental, Social and Governance (ESG)

Chapter 5 Environmental, Social and Governance (ESG)

As a pioneer in the ESG field, the Company has thoroughly implemented the guiding principles of the 20th CPC National Congress, the third plenary session of the 20th CPC Central Committee, the Central Economic Work Conference, and the Central Financial Work Conference. In response to the national strategies of realizing carbon peaking and carbon neutrality goals, common prosperity, and technological innovation, the Company actively upholds the political and people-oriented nature of financial work. Staying committed to the philosophy of “integrating righteousness with profit” and “pursuing profit through righteousness”, the Company has integrated ESG practices with the new development philosophy, and aligned them with the “five priorities” of the financial sector to explore a Chinese path to ESG development, and promote the building of a value bank. Through these efforts, the Company aims to make its contributions to building China into a financial powerhouse.

In 2024, the Company maintained its industry-leading position in ESG ratings within the banking sector. Its ESG rating from MSCI was elevated to AAA, the highest level globally for banks, making it the only bank to have received the highest ESG rating in China's banking industry for six consecutive years. In the meantime, the Company was recognized five consecutive times by the China Banking Association as an “Advanced Organization in Green Bank Evaluation”, and continues to lead across multiple mainstream ESG rating systems, including Wind, China Securities Index (CSI), ChinaBond, Sino-Securities Index Information Service (Shanghai), CCXGF, and CFMC. Furthermore, it became the first domestic bank to be included in the S&P Global's Sustainability Yearbook 2024 (China Edition), and remains the only Chinese bank named “Industry Mover” by S&P Global.

5.1 Sustainable development and ESG management

5.1.1 ESG structure

The Company upholds the concept of sustainable development and is actively establishing a Group-wide ESG management structure featuring top-down coordination across the decision-making, management, and execution levels of the Head Office, branches and subsidiaries. This integrated structure ensures that each ESG issue is decided by the Board of Directors, deployed by management, and carried out by the executives, thereby providing strong organizational support for the integration of ESG into operation and management.

At the decision-making level, the Board of Directors is responsible for determining the overall strategy, major policies, and fundamental systems related to sustainable development and ESG, and assumes ultimate responsibility for ESG management. A “Strategy and ESG Committee” has been established under the Board, chaired by the Chairman, with directors possessing ESG expertise included in the Board to build an industry-leading ESG decision-making mechanism. During the reporting period, the Board reviewed or was briefed on topics such as the sustainable development management measures, the welfare management measures of Industrial Bank, consumer protection, personal information protection, and the clawback of performance-based remuneration, thereby promoting the overall enhancement of ESG management across the Bank.

The Company's senior management is responsible for coordinating all aspects of ESG development, including goals, policies, plans, and initiatives. An ESG Steering Committee has been established as the direct leadership body for ESG management, with the Chairman serving as the head, the President as the deputy head, and members from 41 departments at the Head Office. This structure ensures the comprehensive integration of ESG management with the Group's strategic deployment, extending its reach to 45 domestic and overseas branches and nine subsidiaries.

5.1.2 ESG management system

The Company integrates ESG principles into its development strategy planning and embeds them comprehensively into operation management to drive the in-depth development of its ESG management system. During the reporting period, the Company formulated and obtained the approval of the Board of Directors after review for the Sustainable Development Management Measures of the Industrial Bank for the first time. By doing so, the Company established an industry-leading ESG decision-making and management mechanism, fully set up a closed-loop management system with Industrial characteristics, featuring four core modules: Strategy, Execution, Performance, and Communication. This system serves as the institutional foundation for the Company's sustainable development efforts. Additionally, the Company has developed a “3-dimensional, 9-directional” ESG indicator system, which is further refined into 20 key issues. It transforms the ESG indicator system into a management tool, comprehensively embedding ESG considerations into the Company's strategy, major decision-making, daily operations, and employee conduct, continually enhancing internal governance capabilities.

5.1.3 Ensuring operation and management compliance

The Company strictly complies with national laws, regulations, and regulatory requirements, continuously improves its long-term mechanisms for risk, compliance, and internal control management. It upholds business ethics and consistently strengthens compliance supervision. The Company remains committed to promoting integrity, discipline, and anti-corruption efforts, and conducts training on compliance, internal control, business ethics, and Party discipline. A comprehensive anti-money laundering and counter-terrorist financing policy applicable across the Company has been established to effectively mitigate related risks. The Company has also built a coordinated, proactive, multilayered, and highly efficient anti-fraud risk prevention and control system, leaving no blind spots and effectively safeguarding the security of customers' assets by building a safe bank. In accordance with regulatory and internal requirements, the Company organizes regular audits and inspections related to business ethics to ensure all branches and subsidiaries within the Group are covered over a three-year cycle. The Company strictly protects the confidentiality of whistleblowers and prohibits any disclosure of their information to the individuals or entities being reported. Any retaliatory actions against whistleblowers are dealt with seriously and held accountable in accordance with relevant laws, regulations, and disciplinary rules.

5.1.4 Innovating one-stop ESG services for pooling intelligence and financing

The Company has optimized its ESG service solutions for customers, created an ESG service ecosystem that offers one-stop ESG services for pooling intelligence and financing. During the reporting period, the Company actively aligned with the high-level opening-up of the financial sector and further supported the development of the Belt and Road Initiative to transform its ESG leadership advantages into a differentiated service capability. In April 2024, under a collaborative model involving banks, universities, and enterprises, the Company launched a Global Consulting Cooperation Project in partnership with the International Business School of Zhejiang University, Cambridge Judge Business School, and Honor Device Co., Ltd. The project focused on addressing the challenges and pain points faced by Chinese enterprises going global amid the EU's green transition. Through this collaboration, the Company became the first commercial bank to sign a strategic cooperation agreement with Honor.

5.2. Green finance and climate change response

5.2.1 Green finance

5.2.1.1 Steadily advancing group-wide green transition

During the reporting period, the Company practiced the concept of green development in depth, aiming to coordinate efforts in carbon reduction, pollution control, ecosystem enhancement, and sustainable growth. It continued to improve and optimize a three-tier green finance product and service system, consisting of diversified Group-wide financial products, specialized services for carbon peaking and carbon neutrality, and tailored solutions for key industries, contributing to the building of a Beautiful China. As at the end of the reporting period, the Company had served 71.8 thousand green finance customers, a 23.14% increase compared to the end of the previous year. The green finance balance reached RMB2.19 trillion, marking a 15.88% year-on-year growth. As at the end of the reporting period, according to the standards and definition of the People's Bank of China, the Company's green loan balance stood at RMB967,931 million, up 19.64% from the end of the previous year, ranking first among joint-stock commercial banks. The supported green projects were expected to achieve annual savings of 10,497,200 tons of standard coal, annual CO₂ emission reductions of 25,244,100 tons, and annual water savings of 10,861,900 tons, delivering significant economic, environmental, and social benefits. As at the end of the reporting period, the balance of supply chain finance under green scenarios reached RMB75,337 million; green leasing business balance was RMB79.8 billion; the balance of green trust assets totaled RMB17.1 billion; and the outstanding balance of green fund business reached RMB20.7 billion. During the reporting period, the scale of green investment banking business reached RMB156,266 million; CIB Wealth Management issued a total of RMB220.3 billion in ESG and green wealth management products; and total green bond investments amounted to RMB21,924 million for the year.

5.2.1.2 Developing specialized products for carbon peaking and carbon neutrality services

The Company is accelerating the development of carbon accounting for financial assets and has established a carbon footprint management system to actively seek qualifications to participate in carbon trading. Leveraging its “Dual-carbon Management Platform”, the Company has built three key modules including corporate carbon accounts, individual carbon accounts, and Group-level operational carbon management, comprehensively enhancing its carbon finance product and service capabilities. The Company continues to enrich application scenarios for carbon accounts of corporate customers, and has launched a variety of innovative carbon finance products based on carbon accounts, including carbon emission reduction-linked products, and offered financial services such as carbon asset pledges. As at the end of the reporting period, the Company’s balance of financing in support of the green and low-carbon transition of carbon-intensive industries reached RMB192,739 million, representing a 45.85% increase from the end of the previous year. The number of carbon emission reduction-linked loans and sustainability-linked loans issued increased by 94.50% compared to the end of the previous year, while the total financing amount rose by 325.71%.

5.2.1.3 Expanding key industry-specific solutions

The Company focuses on key areas and regions that drive carbon reduction and pollution control for synergistic efficiency, continuously innovates its service models, increases investments in green assets, and leverages its leading role. As at the end of 2024, the green financing balance in the carbon reduction sector increased by 19.40% to RMB1.27 trillion, while the green financing balance in the pollution control sector grew by 16.15% to RMB487,251 million.

5.2.2 ESG and climate risk management

The Company integrates ESG and climate risk management into its comprehensive risk management system, and clearly defines the responsibilities of the Risk Management Committee of the Head Office regarding ESG and climate risk management. These responsibilities include regularly reporting ESG and climate risks to senior management and the Board of Directors for credit and investment policy adjustment and improvement. The Board of Directors forms a communication letter to convey related opinions to the operational management and relevant departments at the Head Office, driving the enhancement of climate risk management. At the same time, the Company actively promotes the process of embedding credit into ESG, strengthens the entire investment and financing process, including due diligence, compliance review, approval management, contract terms, fund disbursement management, and post-lending (post-investment) management. Additionally, the Company accelerates the development of processes and tools for climate risk management, enhances its ability to identify, assess, calculate, manage, and apply carbon assets, formulating and improving eco-friendly credit policies while strengthening its ability to provide financial services for biodiversity protection.

5.2.2.1 Embedding ESG in the entire risk management process of investment and financing credit business

The Company has fully integrated the ESG risk assessment system into the credit processes across its three main business lines: corporate finance, retail finance, and financial markets. Customers are categorized into four groups based on the degree of ESG-related risk: Category A (Excellent), Category B (Standard), Category C (Watchlist), Category D (High Risk). Differentiated management strategies are applied accordingly. ESG considerations are embedded in all stages of the credit process, including due diligence, risk assessment, contract signing, fund disbursement, and post-lending management.

The Company strictly reviews the implementation of ESG-related approval requirements and the signing of legal documents. According to the approval notice, control measures must be enforced for Category C and D customers, such as remediation of legal violations, capital contribution in place, and capital injection. The Company verifies the implementation of environmental, social, and governance risk control measures specified in the approval notice. In accordance with relevant policies and approval requirements, supplementary clauses are added to financing contracts, or customer are required to issue corresponding letters of commitment. During the post-lending management phase, in addition to routine risk monitoring, ongoing ESG risk monitoring and follow-up are conducted. ESG assessments for Category C and D customers are performed regularly to track the implementation of relevant management requirements in the approval notice and monitor changes in the customers’ ESG practices. These findings are reflected in the post-lending management reports. For customers who have committed violations and fail to take corrective action, the Company will adopt risk control measures such as issuing warnings, increasing risk mitigants, and controlling credit limits.

5.2.2.2 Control strategy for carbon-intensive and high-risk industries

During the reporting period, the Company developed the seventh edition of the Notice on Adjusting and Optimizing Control Requirements for Carbon-Intensive Industries. For nine key high-risk sectors, including coal, coal power, coal chemical, and petrochemical industries, the Company continued to improve its control strategies. It steadily advanced the approach of “reducing high risks and promoting green transition”, ensuring the optimization and stability of the carbon-intensive asset structure, while strictly controlling new credit extensions to carbon-intensive and high-risk industries.

5.2.2.3 Climate risk identification and assessment

The Company closely monitors the impacts related to climate risk and proactively conducts assessments of both the risks and opportunities brought by climate change. These assessments are integrated into the existing risk management framework and are regularly analyzed and assessed to formulate appropriate response strategies. During the reporting period, in accordance with regulatory requirements, the Company submitted the Climate Risk Statistics Report of Industrial Bank to the regulatory authorities.

The Company regularly conducts climate risk stress testing to evaluate its capability to manage transition risks under the goals of carbon peaking and carbon neutrality, while exploring physical risk stress testing. Since 2021, the Company has carried out periodic climate risk stress tests to assess its resilience to transition risks under the goals of carbon peaking and carbon neutrality and has voluntarily disclosed the results. During the reporting period, the industry coverage of the stress tests was further expanded to include eight major carbon-intensive sectors including power, steel, building materials, petrochemicals, chemicals, papermaking, aviation, and non-ferrous metal smelting, as well as the upstream coal industry. By enriching stress scenarios and taking into account factors such as carbon emission pricing and energy consumption levels, the Company assessed the impact on the repayment capacity of customers in carbon-intensive industries, and analyzed subsequent effects on the quality of credit assets and capital adequacy. The stress was designed with three levels: mild, moderate, and severe, using the end of 2023 as the baseline, with the testing duration extending to 2030. Results indicate that if customers in the carbon-intensive sectors fail to carry out low-carbon transition, their repayment capacities will decline to varying degrees under the stress scenarios. But the overall risk remains controllable. Under the severe scenario, by the end of 2030, the Company's capital adequacy ratio is projected to decline by approximately 0.44 percentage points, yet the capital adequacy indicators remain compliant with regulatory requirements across all scenarios.

5.2.3 Green operation

The Company actively responds to and make efforts towards the goals of realizing carbon peaking by 2030 and carbon neutrality by 2060. As a pioneer in China's banking sector, it is among the first to adopt Climate Neutral Now Initiative of the United Nations Framework Convention on Climate Change. The Company has scientifically planned and established its carbon neutrality goals and a phased roadmap. It has launched coordinated efforts across green office operation, green transportation, green events, green consumption, and green construction to systematically carry out its own carbon reduction actions.

Relying on its self-developed Dual-carbon Management Platform, the Company conducts comprehensive carbon audits across the Company through collecting, analyzing, and calculating carbon emissions data from various institutions. By identifying key emission sources, it guides institutions at all levels to implement energy-saving and carbon-reducing measures, aiming to cut unnecessary energy expenditures. This not only reduces operational costs at the branch level but also strengthens the green operation and carbon management system capabilities across the Bank.

The Company also actively participates in environmental initiatives such as the Earth Hour, encouraging institutions at all levels to organize thematic environmental campaigns. Through concrete actions, it promotes environmental awareness and advocates for a green and low-carbon lifestyle among the public and consumers. It also works together with stakeholders to advance the green and low-carbon transition.

5.3 Financial service availability

5.3.1 Inclusive finance

The Company has continued to build a high-level inclusive finance system with the aim to effectively ease financing delays and difficulties faced by small and micro enterprises. Through the innovation of inclusive financial scenarios and products, the Company supports the high-quality development of inclusive finance and contributes to achieving common prosperity. As of the end of the reporting period, the balance of inclusive loans to small and micro enterprises reached RMB555,932 million, representing an increase of 10.97% from the end of the previous year, with a non-performing loan ratio of 1.09%. The number of inclusive loan customers stood at 255.2 thousand, up 10.03% from the end of the previous year. The average interest rate for newly issued inclusive loans to small and micro enterprises during the reporting period was 3.53%.

Upholding the concept of open banking, the Company has focused on “putting products online and digitalizing scenarios”, and has steadily enhanced its “Industrial Inclusion” platform by continuously innovating inclusive financial services and products. As at the end of the reporting period, the platform had registered 384.5 thousand users, an increase of 206.3 thousand users or 115.81%. Since its launch, the platform has facilitated a total financing amount of RMB395,502 million, an increase of RMB126,286 million or 46.91% from the end of the previous year.

Remaining committed to a “people-centered” philosophy, the Company promotes common prosperity by advancing high-quality development in wealth management, meeting people’s aspirations for a better life. The average daily product scale of CIB Wealth Management grew by 2.91% year-on-year, maintaining a leading position in the market. The Company has ranked first in the comprehensive wealth management capability ranking by PY Standard among nationwide wealth management institutions for 28 quarters. Income from new wealth management products also increased by 2.60% year-on-year.

5.3.2 Rural revitalization

The Company has continued to consolidate and expand the achievements of poverty alleviation. It has established a Leading Group for Consolidating Financial Poverty Alleviation Achievements and Advancing Rural Revitalization at the Head Office, with the aim of thoroughly carrying out relevant policies and strategic decisions of the central government and regulatory authorities regarding rural revitalization. Focusing on specific scenarios such as specialized markets, financial service commissioners, technology-enabled rural revitalization demonstration projects, national geographical indications, and urban-rural integrated development, the Company has developed a financial service model for rural revitalization with the characteristics of Industrial Bank. The Company is exploring a service framework that uses financial service commissioners as “friends”, the Internet of Things (IoT) as “hands”, and satellites as “eyes”, to bridge the “last mile” of financial services reaching rural areas, thereby effectively empowering rural revitalization. As at the end of the reporting period, the balance of agriculture-related loans in the new standards and definition was RMB539,467 million (Note: This adjustment follows the revised classification standards for rural and urban areas in agriculture-related loans based on the Notice of the People’s Bank of China on Matters Related to Financial Statistics of Financial Institutions in 2024 (Yinfa [2024] No. 1) and the Notice of the Statistics and Analysis Department of the People’s Bank of China on the Issuance of Revised Financial Statistical Content for Financial Institutions in 2024 (Yindiaofa [2024] No. 2)). This represents an increase of 11.55% compared to the end of the previous year. The balance of inclusive agriculture-related loans was RMB69,419 million, up 23.78% from the end of the previous year.

In addition, as at the end of the reporting period, the Company had established wealth management agency sales partnerships with more than 550 small and medium-sized banks through its “Wealth Cloud” platform. The total retained scale of wealth management products sold to both individual and corporate customers of these banks reached nearly RMB200 billion. This has extended empowerment the corporate and retail customers of peer institutions, continuously enriching the supply of modern financial services and products in underdeveloped regions, benefiting a broader population, and effectively supporting rural revitalization.

5.3.3 Pension finance

Since launching the industry's first comprehensive pension financial service plan "Anyu Life" in 2012, the Company has adhered to the service philosophy of "Finance for the People", dedicating over a decade to the development of pension finance. The Company actively responds to the national strategy for addressing the aging issue, focusing on the diverse pension needs of the public. It has introduced the "365" Action Plan of Industrial Bank for Pension Finance, which promotes the coordinated development of three key areas: pension finance, pension service finance, and pension industry finance. The Company has established 85 "Anyu Life" pension financial service centers nationwide, aiming to build a "professional pension financial bank". As at the end of the reporting period, the Company had opened 6.2745 million individual pension accounts, ranking among the top in the industry. The total balance of financing serving the pension industry reached RMB104,703 million, a 10.56% increase compared to the end of the previous year. With the "Wealth + Pension" approach, the Company has introduced and promoted individual pension products, commercial pension products, and specialized pension financial products, contributing to the development of the third pillar of pension. These efforts enhance pension wealth strategies, diversify retail customers' pension options, and improve the experience of pension financial services for customers.

5.3.4 Digital finance

The Company adheres to the strategy of "Technology Enhancement", integrating digital Industrial Bank with digital finance to enhance digital operation efficiency through a solid information technology foundation. Leveraging mobile banking and five major online platforms as key service channels, the Company focuses on a data-driven strategy to explore intelligent and efficient online operation. During the reporting period, the number of active mobile banking customers reached 62.7885 million, representing an 11.97% increase from the end of the previous year. Corporate WeChat services covered 9.68 million customers, with total remote service interactions reaching 67.11 million. The remote digital business enabled the creation of 150 marketing scenarios, resulting in 69.3875 million customer engagements and an incremental increase of RMB109.83 billion in the AUM of retail business.

Relying on the "Bank-to-Bank Platform", the Company has capitalized on its strong foundation of industry partnerships, combining technology exports with customized solutions to improve accessibility and convenience of financial services. As at the end of the reporting period, the Company had signed service agreements with 133 partner institutions. It also collaborated with multiple institutions on several innovative scenarios, including services for residents in Hong Kong, Macao, and Taiwan, China, cross-border remittance pilots, and the central bank digital currency bridge project, providing strong support for deepening cross-border financial cooperation.

5.4 Consumer protection

5.4.1 Consumer complaint channels and mechanisms

The Company remains committed to a people-centered development philosophy, firmly upholding the business principle of "rooted in quality service and paved by consumer protection". During the reporting period, the Company regularly convened special meetings on consumer complaints and issued monthly complaint reports to communicate updates on complaint resolution measures, leadership accountability, and complaint management trends. These efforts reinforce the primary responsibility of all business departments and branches for consumer protection. At the same time, to enhance the quality and efficiency of complaint resolution and improve customer service experience, the Company continuously optimized both online and offline complaint channels and handling processes based on actual needs, ensuring timely responses and effective handling of customer complaints.

Information regarding "Consumer Complaint Channels and Handling Procedures" has been made fully accessible through the Company's official website, mobile banking app, WeChat official account, and outlets. During the reporting period, to further facilitate the complaint channels, the Company refined and updated content related to complaint channels and handling procedures. This included revising the complaint handling workflows in the WeChat official account and letters & visits, and clarifying response timelines and request-for-review procedures. The Company offers 24/7 live customer service to ensure efficient handling of customer complaints. In addition, an online service team has been established to manage customer inquiries, requests, transactions, feedback, and complaints across multiple digital platforms, including the Industrial Bank App, "Industrial Living" App, WeChat official account, and online banking. Responses are provided in real time, and straightforward requests are processed immediately.

5.4.2 Enhancing diversified dispute resolution

During the reporting period, to further standardize and strengthen complaint management while deeply implementing the customer-centric service philosophy, the Company formulated the Administrative Measures for the Diversified Resolution of Financial Consumer Disputes of Industrial Bank in accordance with regulatory requirements. This established a multi-dimensional complaint management system. At the same time, the Company streamlined the processes for diversified dispute resolution to enhance the efficiency of complaint handling and response. Institutions were actively encouraged to set up online mediation channels to expand resolution pathways, enabling disputes to be resolved through real-time online negotiation without the limitations of time or geography. These efforts have significantly contributed to the prompt and effective settlement of consumer complaints and disputes.

5.4.3 Consumer complaint overview

During the reporting period, the Company received a total of 225,004 consumer complaints across all channels, representing a decrease of 131,494 cases or 36.88% compared to the same period of the previous year. The average number of daily complaints per outlet was 0.30, with a complaint rate of 0.20%. The main characteristics of consumer complaints are as follows:

- (1) **In terms of regional distribution of complaints**, the top five provinces/municipalities in complaint volume were Shandong Province: 22,089 cases, accounting for 9.82%; Guangdong Province: 20,203 cases, 8.98%; Fujian Province: 17,839 cases, 7.93%; Jiangsu Province: 12,801 cases, 5.69%; and Hebei Province: 12,123 cases, 5.39%.
- (2) **In terms of complaint channels**, the front-end channels received a total of 119,503 complaints, accounting for 53.11% of the total, including 94,455 from electronic channels, 22,975 on-site complaints, 2,073 from self-service machines, third-party platforms, and other channels. The middle- and back-office channels received 105,501 complaints, accounting for 46.89%.
- (3) **In terms of business areas**, there were 174,864 complaints for credit card services, accounting for 77.72%; 19,975 for debit card-related services, 8.88%; 19,378 for loan services, 8.61%; 3,492 for proprietary and agency wealth management products, 1.55%; 674 for payment and settlement services, 0.30%; 630 for RMB savings and RMB management services, 0.28%; and 5,991 for other services including foreign exchange, precious metals, and personal financial information, 2.66%.
- (4) **In terms of causes of complaints**, 91,086 complaints were raised for major reasons for debt collection forms and methods, accounting for 40.48%; 87,547 for institutional management systems, business rules, and process, 38.91%; 36,145 for marketing forms and methods, 16.06%; 4,423 for service attitude and service quality, 1.97%; 3,016 for infrastructure, equipment, and business systems of financial institutions, 1.34%; 1,272 for concerns over customer fund security, 0.57%; 673 for pricing and service charges, 0.30%; 344 for product returns, 0.15%; and 498 for other reasons including contract terms, customer information security, information disclosure, and the right to make independent choices, 0.22%.

5.4.4 Financial education

The Company adheres to the philosophy of “rooted in quality service and paved by consumer protection”, driven by innovation and integration, strengthening collaboration and continuously enriching financial education content. It actively explores new platforms and formats for financial education with the aim to build a diversified, comprehensive, and intelligent financial education system, and create an open and shared financial education channel network. This ensures the continuous optimization of the financial service loop, making financial knowledge “easily accessible”.

The Company integrates various resources to create a strong collaborative communication effect. Special content is published on external media channels, including Study Times, Economic Daily, Consumption Daily, China Consumer News, and Tencent News. These efforts span central, national mainstream media, provincial-level local media, and specialized print media, creating a synergistic communication impact. The Company deepens the role of technology, leveraging integrated information platforms such as “Industrial Bank News” (Xingqiushuo) and creating online theaters, dynamic comics, and digital avatars in an innovative manner. Various distinctive financial education content, such as “Case Studies on Risks” and “Digital Avatar Classes”, have been launched, marking the beginning of a digitally intelligent financial education era. The Company tailors its efforts to specific target audiences, focusing on key areas such as rural regions, remote areas, and ethnic minority communities, and targeting key groups such as the elderly, young people, and new citizens. The goal is to conduct financial education activities in a tiered manner, ensuring “no gaps in regions, no omissions among the public” for financial knowledge communication. The Company strengthens its strategic planning by launching a full-time financial education initiative. Ten major activities of special topics on consumer protection were introduced across the Bank, with full coverage at outlets and participation from employees in all regions. The Company emphasizes senior leadership involvement in a bid to set a leading benchmark for consumer protection advocacy. Company leaders attach great importance to the protection of financial consumer rights and interests, and consistently lead the efforts to focus on and promote consumer protection as the pacemaker for financial education.

During the reporting period, the Company conducted 19,997 online and offline financial education activities, distributed 34.0013 million pieces of original promotional materials such as brochures, posters, graphic posts, and press releases, and reached approximately 210.7497 million financial consumers, achieving remarkable results.

5.4.5 Standardizing collection management

During the reporting period, the Company integrated consumer protection requirements into the entire process of personal loan collection, in accordance with the latest regulatory policies and business development. The Company adheres to the principles of standardization, prudence, and integrity to ensure that the basic rights of financial consumers, such as the right to be informed, the right to be respected, the right to information security, and the right to seek legal compensation, are fully respected and consciously protected throughout the collection process.

The Company has established a convenient and efficient personal loan collection complaint handling mechanism and a collaborative consumer protection handling process involving both the Head Office and branches. The Head Office has developed and issued a standardized collection guidance manual, which clearly outlines requirements for collection procedures, operation standards, and other related matters. In managing key business collection cooperation institutions, the Company has improved the management mechanism of the cooperation institution list, including outsourced collection agencies in the Head Office's centralized procurement directory. The Company also employs a list-based management system, strengthening the entire process through measures such as pre-collection professional training, real-time monitoring and tracking during the process, and strict penalties and corrective actions in post-collection. This comprehensive process aims to reinforce the fundamental responsibility of collection businesses, ensuring effective standard constraint of outsourced collection agencies and their operations, while fully preventing improper collection practices. Furthermore, the Company includes debt collection in its annual consumer protection audit to ensure the protection of consumers' legitimate rights and interests.

5.4.6 Collection specialized training

The Company has held multiple compliance and consumer protection training sessions for the entire retail credit collection business, aiming to enhance compliance awareness among all collection staff and effectively protect the legitimate rights and interests of financial consumers. At the same time, the Company requires key business collection cooperation institutions to conduct professional training.

5.4.7 Consumer protection training

The Company places great importance on enhancing consumer protection awareness among all employees. At the beginning of the year, the Company formulated and released a consumer protection and service training plan, establishing a long-term training mechanism that combines "external outreach + internal reinforcement", integrates both online and offline methods, and uses traditional training formats and live broadcasts. This approach strengthens the consumer protection effectiveness within business processes. During the reporting period, the Head Office utilized the "Xingzhi" online learning platform and offline special sessions to conduct a variety of rich and diverse consumer protection training programs. These training sessions covered senior management, consumer protection staff, frontline marketing personnel, new hires, and other groups. Training frequency was increased for key business areas with higher complaint rates or greater risk based on different positions and working requirements. The Company organized a "Xinglian Power" practical competition for branches, subsidiaries, and members of the consumer protection service leadership group at the Head Office. Using the method of "one category, one group, one case", the Company actively explored case-based teaching practices and promoted learning and knowledge sharing throughout the Company. This initiative aimed to implement strategies and enhance the effectiveness of consumer protection within the Company's strategy and tactic system.

During the reporting period, the Company conducted a total of 802 training sessions on financial consumer protection, including training on fair marketing, with an attendance of approximately 212 thousand. The training coverage and employee participation rates both reached 100%.

5.4.8 Fair and compliant marketing

The Company has established the Fair Advertising and Marketing Policy and the Management Measures of Industrial Bank for Consumer Protection in Financial Marketing and Promotion, which clearly stipulate that financial marketing and promotional content must undergo consumer protection reviews before reaching consumers. Relevant marketing and promotional activities are included in the scope of internal supervision and accountability for consumer protection, and the monitoring and management of financial marketing and promotional activities is incorporated into the consumer protection evaluation. The Company conducts regular monitoring and inspection of financial marketing and promotional activities through various methods, including advertising and new media operation and maintenance updates, monitoring of marketing message content, post-review of consumer protection evaluation, consumer protection complaint reminder letters, and third-party outlets' consumer protection service quality monitoring. These measures ensure that consumers are not subjected to forced or disguised coercion to accept products or services, fully respecting their rights to be informed and to make independent choices.

5.4.9 Fair and compliant marketing training

During the reporting period, the Company organized multiple specialized training sessions for all employees, covering consumer protection management personnel at the Head Office, branches, subsidiaries, as well as staff from service lines and outlets. The training closely aligned with the eight core consumer rights and key regulatory requirements, explaining the standardized language guidelines, risk warning points, and typical cases closely related to marketing and promotional activities.

5.4.10 Consumer protection audit

The Company continues to improve its internal consumer protection audit requirements. It has revised the Industrial Bank Consumer Protection Audit Management Measures (revised in September 2024) and issued the Notice on Further Strengthening Consumer Protection and Service Fee Auditing, once again emphasizing the importance of consumer protection audits and relevant requirements.

The Company regularly and systematically conducts consumer protection audits. As part of the annual audit plan, it carries out special consumer protection audit across the Bank, evaluating the remedial actions taken in response to issues identified in the previous year's special audit. This process helps to fully uncover existing issues in current consumer protection management and ensures prompt remedial actions. In branch audit, consumer protection work is prioritized as an audit focus, driving institutions at all levels to strengthen consumer protection efforts.

5.5 Information security and privacy protection

The Company adheres to the information security policy of "compliance, professionalism, and cooperation" and has established a top-down information security governance framework. The Company continuously builds and improves the information security system across multiple levels, including governance, management, technology, and operation, to protect the privacy and data security of its customers. The Company strives to strike a balance between information utilization and security, promoting the long-term development of the digital economy. During the reporting period, the Company's data security investment amounted to RMB134 million, an increase of 11.67% compared to the previous year. Over the past three years, the total investment in data security reached RMB378 million, fully ensuring the financial resources necessary to protect the Company's information and data security.

5.5.1 Personal information and privacy protection policies and measures

The Company strictly complies with the Personal Information Protection Law of the People's Republic of China, fully respects individual rights and interests, and has established and implemented security requirements covering the entire lifecycle of personal information. It rigorously adheres to the principles of clear purpose, transparency, informed consent, data minimization, secure processing, and data subject participation. In the meantime, the Company has published the Industrial Bank Privacy Policy Highlights on its official website, updating it annually as needed. The policy embeds customer privacy protection requirements throughout the entire personal information processing lifecycle, and effective measures are taken to fully safeguard the rights and interests of customers. In 2024, no regulatory penalties were imposed on the Company due to customer information leaks or failures to comply with personal information protection requirements.

5.5.2 Customer rights to control personal information

The Company strictly adheres to relevant laws, regulations, and regulatory requirements, and is committed to fully respecting and protecting customers' rights to control their personal information. These rights include the right to be informed, the right to choose, and the rights to access, copy, correct, and update their personal information, as well as the right to request account cancellation and deletion of personal data.

5.5.3 Third-party data security management

The Company has issued the Industrial Bank External Data Exchange Security Management Measures, which standardize data security requirements for external data exchange activities as an essential aspect of data security protection. Additionally, the Company has released supporting documents such as the Supplementary Agreement Template for External Data Sharing, Data Security Assessment Requirements, and the Industrial Bank Data Security Assessment Report Template, all aimed at enhancing the security and compliance of third-party data interactions and ensuring the safety of customer information and financial transaction data. The Company strictly limits the purposes and uses for which authorized third parties may handle customer information. Moreover, the Company has included the implementation in institutions at all levels in its data security performance evaluations, and strengthened inspection on branch institutions.

5.6 Human resources development

5.6.1 Talent management system

The Company is dedicated to fostering a diverse, equitable, and positive corporate culture, as well as a clean, efficient, and inclusive workplace environment. It aims to create fertile ground for equal communication, collaborative innovation, and shared growth among talents. In recruitment and employment practices, the Company strictly complies with the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, and other laws and regulations. Employment contracts are lawfully signed, and employees' rights, such as rest and leave entitlements and union participation, are fully protected. Under the supervision and leadership of the Chairman, the Company upholds international conventions on human rights, including the Universal Declaration of Human Rights, the UN Global Compact, the UN Guiding Principles on Business and Human Rights, and the Convention on the Elimination of All Forms of Discrimination against Women. These frameworks guide the Company's strong commitment to diversity and inclusion, ensuring equal employment opportunities for qualified candidates. The Company actively prevents discrimination based on gender, age, ethnicity, family status, religion, sexual orientation, social background, or origin, while respecting every employee's personal will and preferences, helping them achieve both professional and personal aspirations. At the same time, the Company continues to attract talents from all over the country and abroad. By promoting diversity and eliminating regional barriers, it implements a dynamic and adaptive talent introduction mechanism that aligns with both domestic and overseas branch staffing needs and local industry strengths, effectively avoiding regional bias in talent selection.

5.6.2 Talent reserve and employee development

Industrial Bank attaches great importance to talent cultivation and employee development, upholding the philosophy of "helping others succeed to achieve personal success" as the core mission of its human resources management. The Company encourages every employee to find a suitable career development path within Industrial Bank, growing alongside the Bank while continuously realizing their personal value.

In alignment with the Bank's strategic priorities, the Company has launched a series of major talent development initiatives, including the "Tens of Thousands of Technology Talent Program", the "Tens of Thousands of Green Finance Talent Program", the "Tens of Thousands of Wealth Management Talent Program", the "Investment Banking Talent Multiplication Plan", the "International Talent Cultivation Program", and the "Modeling Talent Program". These efforts are aimed at cultivating seven key types of talent, including digital, interdisciplinary, specialized, high-end, versatile, international, and craftsmanship-oriented professionals, thereby continuously strengthening the Bank's key talent reserves.

During the reporting period, the Company actively promoted both internal and external talent exchanges and established staff exchange channels with multiple external institutions. Through mechanisms such as two-way exchanges, job shadowing, and rotational assignments, the Company has jointly nurtured outstanding cadres and professional talents.

5.6.3 Career development pathways for employees

The Company adopts a dual-track development model encompassing both managerial and professional career paths. Guided by the career stage goals of “steady start for newcomers, progressive growth for managers, and strategic leadership for decision-makers”, the Company has formulated and implemented diversified personal career development plans to broaden talent development channels and stimulate innovation vitality.

Upholding the philosophy of professional excellence and expert management, the Company has established the Industrial Bank Professional Technical Career Path Management Measures. It focuses on key professional tracks such as marketing, technology, risk management, capital, product, and operation support. It improves a talent evaluation system centered on innovation value, professional competence, and performance contribution. By creating vertically connected and horizontally integrated growth pathways, the Company ensures that the professional track further serves as a benchmark in cultivating a high-quality, specialized talent force.

5.6.4 Employee training system

The Company provides high-quality training and development opportunities to all regular and dispatched employees, aiming to help them fully tap into their potential. Leveraging a digital management system, the Company offers diverse learning opportunities and resources tailored to employees at different stages of their careers and personal development, supporting both personal growth and professional advancement. The Company places great emphasis on full-cycle career development for employees. In response to the training needs of new hires, newly transferred staff, and newly promoted personnel, it has established a systematic and professional training system.

5.6.4.1 “5+N” training system

The Company continues to refine its “5+N” training system, actively builds and improves a comprehensive training system and increases investment in training to foster a learning-oriented organization and empower cadres and employees at all levels. During the year, the Company issued training-related policies such as the Notice on Further Strengthening Training Management and the Opinions on Strengthening and Advancing the Coordinated Management of University Training Cooperation. These initiatives support the unified planning of training programs across the Bank and promote strategic training for talent development, with a continued focus on cultivating employees' lifelong employability.

5.6.4.2 New employee cultivation

The Company has innovated its cultivation mechanisms and strengthened onboarding education. Following the approach of “full-cycle training, phased implementation, and progressive talent cultivation”, the Company, in collaboration with the Human Resources Department, launched the “Qinglan Feiyang” onboarding training program, achieving full coverage of new employees at the Head Office. For the first time, tailored training sessions were held for new hires at different development stages, promoting long-term development.

5.6.4.3 Specialized talent training

The Company adheres to the core philosophy of “cultivating employees' lifelong employability”, guided by Party building, and implements the overall training direction of the “Four Integrations” and the general training requirements of the “Three Transformations”. A multi-level, comprehensive training system for the cadre echelon has been established. Upholding the principle of “people foremost, teaching according to aptitude”, the Company aligns training programs with the capability and quality requirements for cadres, designing targeted and specialized training projects. These programs provide systematic and professional growth paths for cadres at all levels, offering tiered, field-specific, and thematic training in political education, Party spirit, and job competence. At the same time, leadership training is made available to all employees, including outsourced staff, covering key skills such as time management, emotion management, image management, and interpersonal management. For overseas talent, the Company leverages its Hong Kong Branch to enhance overseas training efforts, supporting employees in strengthening their cross-border financial service capabilities. In 2024, Hong Kong Branch organized four key training sessions, focusing on areas such as law, capital pool products, green taxonomy, and greenwashing risk.

5.6.4.4 Support for continuing education

The Company encourages employees to progress from “multi-skilled learning” to “multi-certification proficiency”. All employees are encouraged to actively participate in external educational programs and certification exams. This initiative aims to enhance employees’ professional knowledge structure and overall competence. Furthermore, the Company provides financial support for such activities in a legal and compliant manner.

5.6.4.5 Cooperation with external educational institutions

During the reporting period, the Company continued to actively cooperate with renowned universities, third-party professional organizations, and educational or research institutions to develop or provide joint training programs for employees. In response to the national call for high-quality development of modern vocational education, the Company is also exploring new educational models such as university-enterprise partnerships and industry-education integration. Notably, it has made steady progress in its cooperation with Minjiang University to implement a customized training program for cultivating digital finance talent for Industrial Bank.

5.6.5 Employee democratic management

The Company actively promotes the development of labor union organizations, encourages employee participation in democratic management, and strengthens the protection of employee rights and interests. In 2024, a total of five sessions of the Bank-wide employee representative conference were held to review proposals directly related to employees’ vital interests, ensuring their rights to know and supervise while safeguarding their interests.

Upholding the philosophy of “putting the people first”, the Company launched the “Xing Voice” Platform, an anonymous feedback and grievance channel for employees. This platform enables employees to voice concerns, contribute ideas, and enhances democratic oversight and management. By leveraging digital, routine, and efficient communication methods, the platform shortens the distance between employees and management, significantly reduces response time, and effectively addresses employees’ urgent needs and concerns. As at the end of the reporting period, employees had posted over 25.9 thousand messages, with over 169 thousand comments and a total of more than 80.57 million views, translating the commitment of “serving the people with practical actions” into real action.

5.6.6 Employee welfare and benefits

The Company actively improves its basic welfare system, providing comprehensive welfare and benefits based on long-term development goals and employee needs. The welfare offerings include statutory national benefits, company-wide benefits, special corporate benefits, and logistical support, covering all employees across the Company.

Beyond the basic benefits, the Company also provides supplementary medical insurance and actively promotes employee care initiatives. Tailored support is offered to meet the diverse needs of employees, ensuring both physical and mental well-being while fostering a harmonious and sustainable work environment. Examples include annual birthday gifts, regular health check-ups, and holiday care packages. Employees are also entitled to a full range of leave benefits, including annual leave, leave for only-child parental care, childcare leave, marriage leave, bereavement leave, paternity leave, prenatal check-up leave, and maternity leave. In addition, the Company offers support allowances in the event of marriage, childbirth, or the passing of a family member. To enrich employees’ cultural lives and promote a positive work atmosphere, the Company actively organizes a variety of well-received recreational and sports activities.

5.6.7 Employee satisfaction survey

During the reporting period, the Company actively conducted an employee satisfaction survey by inviting all employees to anonymously evaluate overall satisfaction in areas such as local human resources management, management performance, and the fulfillment of duties by middle cadres. The survey aimed to gain an in-depth understanding of employee perceptions regarding corporate culture, work environment, promotion opportunities, as well as compensation and benefits across various institutions and levels. In the meantime, through thorough analysis and comparison, the Company disclosed the survey results and identified issues to the relevant institutions, along with offering effective recommendations and improvement measures. In 2024, the survey covered more than 90 institutions of the Company, achieving 100% coverage of the targeted population and receiving feedback from 75% of participants. The overall employee satisfaction score reached 96.38, with sub-scores exceeding 96 in key areas: job satisfaction, 96.77, management satisfaction, 96.24, and work environment satisfaction, 96.37.

5.7 Charitable initiatives and public welfare

The Company has consistently upheld the principle of promoting goodness through finance, and has continuously innovated and explored sustainable charitable models. It actively responds to and supports customers' social responsibility needs by building more diverse and high-quality platforms and channels for public welfare, contributing its professional expertise to help customers fulfill their social commitments and promote the concept of wealth for good. During the reporting period, the Bank donated a total of RMB31.19 million, and launched 105 charitable projects.

In the education support sector, charitable contributions amounted to RMB14.07 million. The Company strives to promote educational equity by establishing scholarships and grants at 16 universities nationwide and participating in the "Spring Bud Project", supporting over 6,000 students in completing their education. It also delivered quality educational resources, advanced teaching equipment, and support for teacher capacity improvement to schools in remote and old revolutionary base areas, helping bridge the urban-rural education gap and ensuring every child has access to fair and high-quality education.

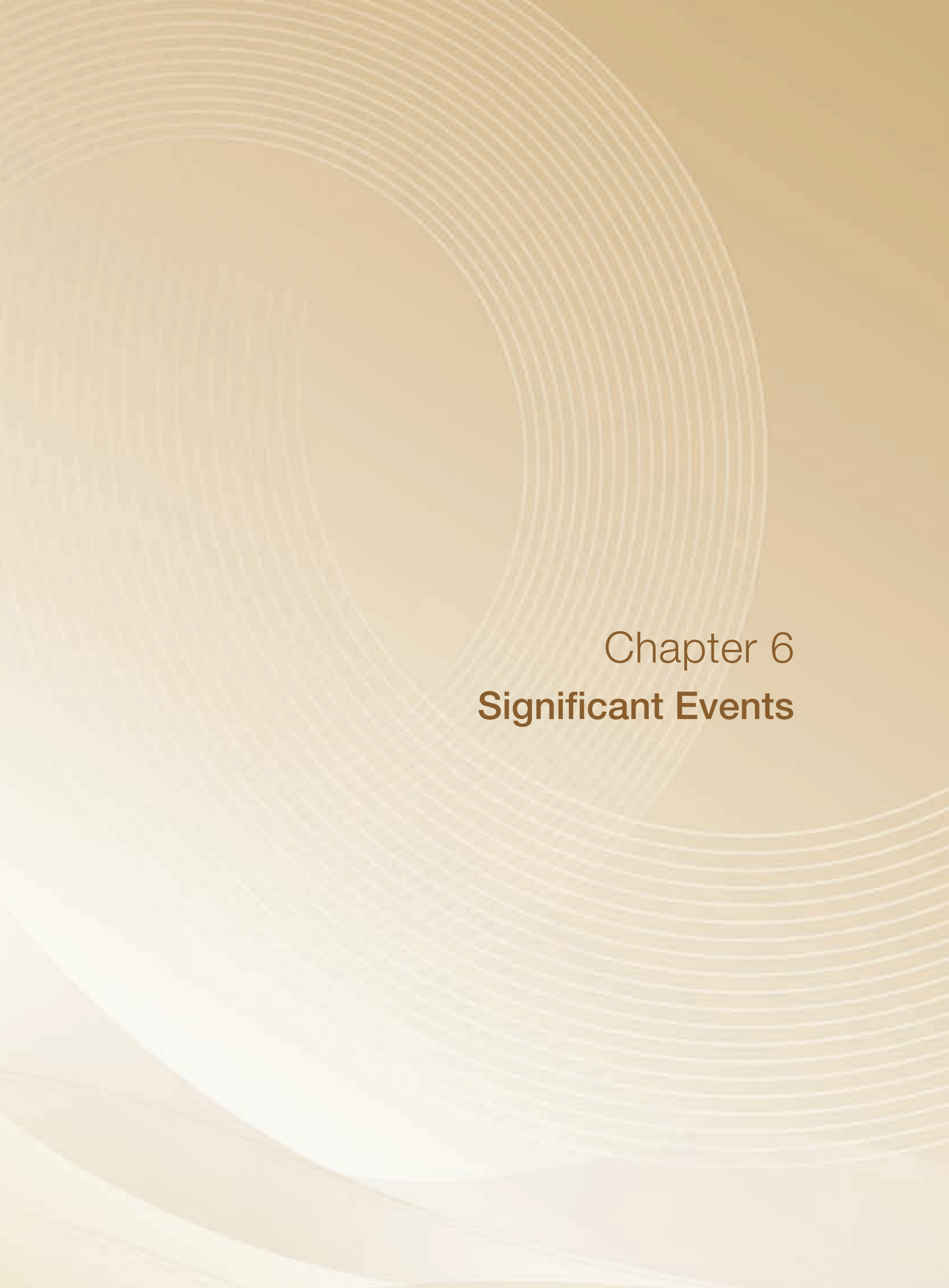
In the poverty alleviation and support for vulnerable groups sector, spending totaled RMB7.69 million. With a people-centered approach, the Company worked to enhance the well-being of the public by providing living subsidies and medical assistance to over 100,000 low-income, elderly, infirm, ill, and physically-challenged individuals across over 10 provinces and cities, helping secure the basic livelihood of those in need.

In the disaster relief sector, the Company contributed RMB1.8 million to emergency aid to flood-stricken areas such as Longyan (Fujian), Wenchang (Hainan), and Huludao (Liaoning). In the face of natural disasters, the Company acted with a strong sense of responsibility, and demonstrated its corporate commitment through concrete action.

In the rural revitalization sector, charitable expenditures reached RMB6.23 million, assisting over 30 villages across China in consolidating poverty alleviation achievements and connecting them with rural revitalization efforts. The Company supported these villages' initiatives in improving living environments, upgrading infrastructure, restoring public cultural facilities, and fostering local specialty industries. All these efforts are aimed to help rural areas transform and thrive while increasing farmers' incomes.

5.8 More ESG information

For more specific ESG information of the Company, please refer to the Company's Annual Sustainability Report 2024 publicly disclosed on the website of the Shanghai Stock Exchange and the ESG special column of the official website of the Company.



Chapter 6

Significant Events

Chapter 6 Significant Events

6.1 Commitment of the Company and its shareholders holding more than 5% of shares of the Company during the reporting period or remaining in effect in the reporting period

According to relevant rules of the CSRC, the Proposal on Current Period Dilutive Effect of the Public Issuance of A-share Convertible Bond and Replenishment Measures were considered and approved at the twenty-ninth meeting of the ninth session of Board of Directors and the 2020 annual general meeting. The proposal specified replenishment measures in respect of the potential dilutive effect that the public issuance of A-share convertible bond 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; continuing to reform business lines and expanding diversified profit channels; and further 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 May 22, 2021 and June 12, 2021.

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

6.2 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.

6.3 Appointment of the accounting firm

Upon approval of the 2023 annual general meeting, KPMG Huazhen was appointed to audit the 2024 annual report, review the semi-annual report and provide internal control audit services with the total audit fee amounting to RMB9.28 million, which included various advancement as well as related taxes. KPMG Huazhen has provided audit service for the Company for six consecutive years. Wu Zhongming, the signing certified public accountant has provided audit service for the Company for four consecutive years, and Pan Sheng, the signing certified public accountant has provided audit service for the Company for the first year.

6.4 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. As at the end of the reporting period, there were 212 outstanding lawsuits and arbitrations in which the Company was the defendant or respondent, involving an aggregate amount of RMB3,005 million.

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

During the reporting period, the Company, its directors, supervisors and senior management 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.

6.6 Integrity of the Company

During the reporting period, there were no material lawsuits, failure to implement effective judgments of a court or failure to meet debt repayment schedules in a relatively large amount by the Company.

6.7 Material related party transactions

The Company strictly adhered to the regulatory requirements of the NFRA, the CSRC and the Shanghai Stock Exchange, made great efforts on various work including enhancing identification and recognition of the related parties, strengthening the codes of conduct for major shareholders, establishing the regular examination and supervision mechanism for related party transactions and promoting the information construction of related party transactions, to ensure the effective operation of related party transaction management mechanism. During the reporting period, the Company adhered to the normal business principle for related party transactions, and the conditions and interest rates were subject to the relevant provisions of the business management of the Company, which were determined on the conditions not favorable than those of the similar transactions with non-related party, and its pricing was fair and such transactions was entered into based on the need of normal operations, which was in the interests of the Company and its shareholders as a whole.

According to the Administrative Measures for Related Party Transactions of Banking and Insurance Institutions of the former CBIRC, as at the end of the reporting period, the balance of credit granted by the Company for all related parties (after deducting bank deposits, margin and national debts, the same below) was RMB66.999 billion under the rules issued by the NFRA, accounting for 5.98% of net capital of the Company (represents the net capital at the Group level as at the reporting period, the same below); the balance of credit granted by the Company for the largest single related party was RMB11.03 billion, accounting for 0.98% of net capital of the Company; the balance of credit granted by the Company for the largest related party legal person's group was RMB20.726 billion, accounting for 1.85% of net capital of the Company; and the above were in line with the regulatory ratio requirements of the NFRA. As at the end of the reporting period, the balance of credit granted by the Company for related legal persons or unincorporated organizations was RMB65.677 billion under the rules issued by the NFRA, and the balance of credit granted by the Company for related natural persons was RMB1.322 billion under the rules issued by the NFRA. During the reporting period, the total amount of asset transfer transactions, service transactions and deposit and other transactions between the Company and related parties under the rules issued by the NFRA was RMB11.013 billion, RMB9.473 billion and RMB183.593 billion, respectively.

According to the definition of related party and scope of related party transactions as defined by the CSRC, Shanghai Stock Exchange and the accounting standards, as at the end of the reporting period, the credit balance of the Company's related party transactions with related natural persons was RMB154.6 thousand, the risk exposure was RMB3.9539 million. Please refer to the "Notes IX. Related Party" under the FINANCIAL STATEMENTS for further details on specific data on related party transactions.

6.7.1 Material related party transactions

As at the end of the reporting period, the material related party transactions of the Company that are considered at the shareholders' general meeting or the Board and are still valid include:

- (1) The thirteenth Meeting of the tenth session of the Board of Directors of the Company (the interim meeting) considered and passed the Proposal on the Granting of Related Party Transaction Quota to Industrial Trust and its Related Parties, and agreed to grant a quota of related party transactions of RMB190.7 billion to China Industrial International Trust Limited and its affiliated companies, including credit-type related party transaction quota of RMB72.4 billion and non-credit type related party transaction quota of RMB118.3 billion, with the term of validity of three years; agreed to grant a quota of related party transactions of RMB91.5 billion to CIB Fund Management Co., Ltd. and its affiliated companies, including credit-type related party transaction quota of RMB5 billion and non-credit type related party transaction quota of RMB86.5 billion, with the term of validity of three years; agreed to grant a quota of related party transactions of RMB56.6 billion to Industrial Bank Financial Leasing Co., Ltd. and its affiliated companies, including credit-type related party transaction quota of RMB50 billion and non-credit type related party transaction quota of RMB6.6 billion, with the term of validity of three years; agreed to grant a quota of related party transactions of RMB221.7 billion to CIB Wealth Management Co., Ltd. and its affiliated companies, including credit-type related party transaction quota of RMB40 billion and non-credit type related party transaction quota of RMB181.7 billion, with the term of validity of three years; agreed to grant a quota of related party transactions of RMB50.1 billion to Industrial Consumer Finance Co., Ltd., including credit-type related party transaction quota of RMB40 billion and non-credit type related party transaction quota of RMB10.1 billion, with the term of validity of three years; and agreed to grant a quota of related party transactions of RMB38.1 billion to Bank of Jiujiang Co., Ltd. and its affiliated companies, including credit-type related party transaction quota of RMB10 billion and non-credit type related party transaction quota of RMB28.1 billion, with the term of validity of three years. The related party transactions within the above limit were generated from the needs of normal business activities and conducted on terms no better than those for similar transactions with non-related parties, with fair pricing and in compliance with relevant laws, rules, regulations and relevant provisions of the regulatory system, and the payment methods and timing of the transactions were determined with reference to commercial practices. For details, please refer to the announcement in relation to material related party transactions posted on the website of the Company. As at the end of the reporting period, according to the rules issued by the NFRA, the credit balance of China Industrial International Trust Limited and its affiliated companies in the Company was RMB20,726 million, the credit balance of Industrial Bank Financial Leasing Co., Ltd. and its affiliated companies in the Company was RMB4,511 million, the credit balance of Industrial Consumer Finance Co., Ltd. in the Company was RMB11,030 million, and the credit balance of Bank of Jiujiang Co., Ltd. and its affiliated companies in the Company was RMB6,511 million. CIB Fund Management Co., Ltd. and CIB Wealth Management Co., Ltd. only carried out the daylight overdraft business with corporate account in the Company and have no credit balance as at the end of the reporting period.
- (2) The seventeenth Meeting of the tenth session of the Board of Directors of the Company considered and passed the Proposal on the Granting of Related Party Transaction Quota to Fujian Provincial Port Group Co., Ltd. and its Affiliated Companies, and agreed to grant a quota of related party transactions of RMB44.1 billion to Fujian Provincial Port Group Co., Ltd., including credit-type related party transaction quota of RMB29.1 billion and non-credit type related party transaction quota of RMB15 billion, with the term of validity of three years. The related party transactions within the above limit were generated from the needs of normal business activities and conducted on terms no better than those for similar transactions with non-related parties, with fair pricing and in compliance with relevant laws, rules, regulations and relevant provisions of the regulatory system, and the payment methods and timing of the transactions were determined with reference to commercial practices. For details, please refer to the announcement in relation to material related party transactions posted on the website of the Company. As at the end of the reporting period, the credit balance of Fujian Provincial Port Group Co., Ltd. and its affiliated companies in the Company was RMB5,082 million under the rules issued by the NFRA. The deposit balance, credit quota and credit balance in the Company of Fujian Provincial Port Group Finance Co., Ltd., an affiliated company of Fujian Provincial Port Group Co., Ltd., was RMB187 million, RMB300 million and RMB8,005,500, and there were no borrowings.

- (3) The twenty-second Meeting of the tenth session of the Board of Directors of the Company considered and passed the Proposal on Granting of Related Transaction Quota to Certain Related Parties, and agreed to grant a quota of related party transactions of RMB73,691 million to Fujian Investment and Development Group Co., Ltd. and its affiliated companies, including credit-type related party transaction quota of RMB37.1 billion and non-credit type related party transaction quota of RMB36,591 million, with the term of validity of three years. Among them, a quota of related party transactions of RMB37,241 million was granted to Fujian Investment and Development Group Co., Ltd., including credit-type related party transaction quota of RMB13.1 billion and non-credit type related party transaction quota of RMB24,141 million. The related party transactions within the above limit were generated from the needs of normal business activities and conducted on terms no better than those for similar transactions with non-related parties, with fair pricing and in compliance with relevant laws, rules, regulations and relevant provisions of the regulatory system, and the payment methods and timing of the transactions were determined with reference to commercial practices. For details, please refer to the Company's announcement on March 29, 2024. As at the end of the reporting period, the credit balance of Fujian Investment and Development Group Co., Ltd. and its affiliated companies in the Company was RMB3,799 million under the rules issued by the NFRA.
- (4) The twenty-third Meeting of the tenth session of the Board of Directors of the Company (the interim meeting) considered and passed the Proposal on the Granting of Related Party Transaction Quota to Xiamen International Bank Co., Ltd., and agreed to grant a quota of related party transactions of RMB39.2 billion to Xiamen International Bank Co., Ltd., including credit-type related party transaction quota of RMB22 billion and non-credit type related party transaction quota of RMB17.2 billion, with the term of validity of three years. The related party transactions within the above limit were generated from the needs of normal business activities and conducted on terms no better than those for similar transactions with non-related parties, with fair pricing and in compliance with relevant laws, rules, regulations and relevant provisions of the regulatory system, and the payment methods and timing of the transactions were determined with reference to commercial practices. For details, please refer to the Company's announcement on April 26, 2024. As at the end of the reporting period, the credit balance of Xiamen International Bank Co., Ltd. in the Company was RMB5,344 million under the rules issued by the NFRA.
- (5) The shareholders' general meeting in 2023 of the Company on June 20, 2024 considered and passed the Proposal on Granting of Related Transaction Quota to Certain Related Parties, and agreed to grant a quota of related party transactions of RMB80 billion to the People's Insurance Co. (Group) of China Ltd. and its affiliated companies, including credit-type related party transaction quota of RMB40 billion and non-credit type related party transaction quota of RMB40 billion; agreed to grant a quota of related party transactions of RMB193,501 million to China National Tobacco Corporation and its affiliated companies, including credit-type related party transaction quota of RMB23 billion and non-credit type related party transaction quota of RMB170,501 million; agreed to grant a quota of related party transactions of RMB205,152 million to Fujian Financial Investment Co., Ltd. and its affiliated companies, including credit-type related party transaction quota of RMB55 billion and non-credit type related party transaction quota of RMB150,152 million. The term of validity of the above related party transaction quotas was three years. The related party transactions within the above limit were generated from the needs of normal business activities and conducted on terms no better than those for similar transactions with non-related parties, with fair pricing and in compliance with relevant laws, rules, regulations and relevant provisions of the regulatory system, and the payment methods and timing of the transactions were determined with reference to commercial practices. For details, please refer to the Company's announcements on March 29, May 31 and June 21, 2024. As at the end of the reporting period, the credit balance of the People's Insurance Co. (Group) of China Ltd. and its affiliated companies, China National Tobacco Corporation and its affiliated companies, and Fujian Financial Investment Co., Ltd. and its affiliated companies in the Company was RMB777 million, RMB2,849 million, and RMB2,369 million respectively under the rules issued by the NFRA.

6.7.2 Financial business between the Company and finance companies that has related relationship with the Company

6.7.2.1 Deposit business

Unit: RMB0'000

Related party	Related relationship	Maximum daily deposit limit	Range of deposit interest rate (%)	Opening balance	Amount for the period		Closing balance
					Total amount deposited during the period	Total amount withdrawn during the period	
Fujian Provincial Port Group Finance Co., Ltd.	An enterprise controlled by a substantial shareholder	200,000	1.50-2.75	85,065.35	834,512.43	900,907.47	18,670.31
Total	—	—	—	85,065.35	834,512.43	900,907.47	18,670.31

6.7.2.2 Credit business

(1) Bill rediscounting business

Unit: RMB0'000

Related party	Related relationship	Pricing range of bill rediscounting (%)	Opening balance	Amount for the period	Closing balance
Fujian Provincial Port Group Finance Co., Ltd.	An enterprise controlled by a substantial shareholder	1.70-3.00	—	1,063.56	800.55
Total	—	—	—	1,063.56	800.55

(2) Bill rediscounting business

Unit: RMB0'000

Related party	Related relationship	Pricing range of bill rediscounting (%)	Opening balance	Amount for the period	Closing balance
Fujian Provincial Port Group Finance Co., Ltd.	An enterprise controlled by a substantial shareholder	1.40-2.00	800.00	—	—
Total	—	—	800.00	—	—

6.7.2.3 Credit limit

Unit: RMB0'000

Related party	Related relationship	Credit limit
Fujian Provincial Port Group Finance Co., Ltd.	An enterprise controlled by a substantial shareholder	30,000.00

6.8 Material contracts and performance thereof

6.8.1 Material custody, lease and contracting issues

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

6.8.2 Guarantees issues

During the reporting period, except for the normal financial guarantees within the business scope approved, the Company had no other material guarantees requiring disclosure, and did not concluded any guarantee contract in violation of laws, administrative regulations and the procedures for guarantee resolutions prescribed by the CSRC.

6.8.3 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.

6.9 Description of other major issues

6.9.1 Issuance of perpetual capital bonds: With the approval of the NFRA and the People's Bank of China, the Company issued 2024 perpetual capital bonds in the national inter-bank bond market, with an issuance scale of RMB30 billion, and the funds raised were used to supplement the Company's other Tier 1 capitals. For details, please refer to the Company's announcement on April 25, 2024.

6.9.2 Free transfer of shareholders' equity: On May 7, 2024, the Company's shareholder, China National Tobacco Corporation Fujian Branch (hereinafter referred to as Fujian Tobacco) and its wholly-owned subsidiary, Fujian Tobacco Haisheng Investment Management Co., Ltd. (hereinafter referred to as Fujian Haisheng), completed the formalities for free transfer registration of 441,504,000 RMB ordinary shares of the Company. After the transfer was completed, Fujian Tobacco held 573,954,303 shares, accounting for about 2.76%, and Fujian Haisheng no longer held shares. For details, please refer to the Company's announcement on May 10, 2024.

6.9.3 Issuance of tier 2 capital bonds: With the approval of the NFRA and the People's Bank of China, the Company issued the first and second tranches of tier 2 capital bonds in 2024 in the national inter-bank bond market, with a total amount of RMB30 billion and RMB20 billion, respectively, and all funds raised were used to supplement the Company's tier 2 capital and support the sustainable and stable development of the business. For details, please refer to the Company's announcement on May 23, 2024 and July 12, 2024.

6.9.4 Issuance of USD medium-term notes: According to the resolution of the Company's 2020 annual shareholders' general meeting on the issuance of financial bonds, the Company's Hong Kong Branch completed the issuance of USD500 million bonds overseas under the USD5 billion medium-term note program, and the funds raised were specifically used for eligible projects of "indirectly creating jobs through loans to small and micro enterprises". For details, please refer to the Company's announcement on August 15, 2024.

6.9.5 Exercise of redemption option on tier 2 capital bonds: On August 27, 2019 and September 19, 2019, the Company issued 10-year tier 2 capital bonds with a scale of RMB30 billion and RMB20 billion respectively. According to relevant terms of the prospectus, the bonds are subject to a redemption option by the issuer, and the issuer has the right to redeem the bonds at the end of the fifth year. As of August 27, 2024 and September 19, 2024, the Company has exercised the right of redemption to redeem the above bonds in full amount. For details, please refer to the Company's announcement on August 28, 2024 and September 20, 2024.

Chapter 7

**Share Capital Changes and
Shareholders of Ordinary Shares**

Chapter 7 Share Capital Changes and Shareholders of Ordinary Shares

7.1 Changes in shares during the reporting period

7.1.1 Statement of changes in shares

Unit: share

		December 31, 2023		Change in number		December 31, 2024	
		Number	Percentage (%)	Change in restricted shares	Convertible bonds and shares	Number	Percentage (%)
I.	Restricted shares	–	–	–	–	–	–
II.	Unrestricted floating shares	20,774,291,878	100	–	16,228	20,774,308,106	100
III.	Total shares	20,774,291,878	100	–	16,228	20,774,308,106	100

7.1.2 Explanation on the changes in shares

As at the end of the reporting period, a total of RMB2,848,000 of Industrial Convertible Bonds (A Share Convertible Bonds) issued by the Company have been converted into ordinary A shares of the Company, and the total number of shares being converted was 117,355 shares, representing 0.00056% of the total number of issued ordinary shares before the conversion. For details of the conversion, please refer to Chapter 9 "PARTICULARS of CONVERTIBLE CORPORATE BONDS".

7.2 Shareholders

7.2.1 Total number of shareholders

As at the end of the reporting period, the Company had a total of 229,100 ordinary shareholders, and 207,341 ordinary shareholders at the end of the month prior to the release of this annual report.

7.2.2 Shareholdings of the top ten shareholders and the top ten shareholders of unrestricted shares 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, marked or frozen shares	Nature of shareholders
Fujian Financial Investment Co., Ltd.	–	3,511,918,625	16.91	–	–	State-owned legal person
China National Tobacco Corporation	–	1,110,226,200	5.34	–	–	State-owned legal person
PICC Property and Casualty Company Limited – Traditional – Common Insurance Product – 008C – CT001 Hu	–	948,000,000	4.56	–	–	State-owned legal person
Hong Kong Securities Clearing Company Limited	210,316,175	829,870,889	3.99	–	–	Overseas legal person
PICC Life Insurance Company Limited – Dividends – Dividends for Personal Insurance	–	801,639,977	3.86	–	–	State-owned legal person
China Securities Finance Corporation Limited	–	622,235,582	3.00	–	–	State-owned legal person
Fujian Investment and Development Group Co., Ltd.	–	595,242,545	2.87	–	–	State-owned legal person
Fujian Provincial Port Group Co., Ltd.	441,504,000	573,954,303	2.76	–	–	State-owned legal person
Ruizhong Life Insurance Co., Ltd. – Self-owned Fund	569,179,245	569,179,245	2.74	–	–	Domestic non-state-owned legal person
PICC Life Insurance Company Limited – Universal-Personal Insurance (Universal)	–	474,000,000	2.28	–	–	State-owned legal person

Notes 1. As at the reporting period, the Finance Bureau of Fujian Province and Fujian Financial Investment Co., Ltd., a company established and fully contributed by the Finance Bureau of Fujian Province, which held 3,965,181,007 ordinary shares of the Company in aggregate, representing 19.09% of the total share capital of the Company, is the largest shareholder of the Company with its shareholding in aggregate. 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.

2. There are no special repurchase accounts for the top ten shareholders; and there are no voting rights entrusted by or to, or waived by the top ten shareholders, or none of the top ten shareholders involved in share lending under the refinancing business.

7.2.3 Changes in the top ten shareholders as compared with the end of the last period

Unit: share

Name of shareholders	Addition/ Withdrawal during the reporting period	Shares lent under the refinancing business and not returned as at the reporting period		Number of shares held in ordinary account and credit account and lent under the refinancing business and not returned as at the reporting period	
		Total number	Percentage (%)	Total number	Percentage (%)
Fujian Investment and Development Group Co., Ltd.	Addition	–	–	573,954,303	2.76
Ruizhong Life Insurance Co., Ltd.-Self-owned Funds	Addition	–	–	569,179,245	2.74
Huaxia Life Insurance Co., Ltd.-Self-owned Funds	Withdrawal	–	–	0	0
Fujian Provincial Port Group Co., Ltd.	Withdrawal	–	–	458,813,939	2.21

7.2.4 Particulars of shareholders holding more than 5% of shares of the Company as at the reporting period

The Company has no controlling shareholder or de facto controller.

- (1) The Finance Bureau of Fujian Province and Fujian Financial Investment Co., Ltd., a company fully contributed by the Finance Bureau of Fujian Province, which hold 3,965,181,007 shares of the Company in aggregate, accounting for 19.09%, is the largest shareholder of the Company with its shareholding in aggregate. There is no pledge of the Company's shares. The Finance Bureau of Fujian Province appointed directors of the Company. It is the controlling shareholder, de facto controller and ultimate beneficiary of Fujian Financial Investment Co., Ltd.

The Finance Bureau of Fujian Province holds 453,262,382 shares of the Company, representing 2.18% of the total share capital of the Company. The Finance Bureau of Fujian Province is a legal person of government unit and its legal representative is Lin Zhonglin. The unified social credit code is 11350000003591213N and its address is No.5 Zhongshan Road, Fuzhou.

Fujian Financial Investment Co., Ltd. holds 3,511,918,625 shares of the Company, accounting for 16.91%. Established in February 2022, its registered office is in Fuzhou and it has a registered capital of RMB100 billion. Its legal representative is Mr. Wan Chongwei and the unified social credit code is 91350000MA8UMNMH01. The business scope includes general projects: investment activities with self-owned funds; private equity investment fund management; venture capital fund management services (the operating activities are subject to the completion of the registration and filing for record in the Asset Management Association of China); asset management services for investment of self-owned funds; corporate management consulting, financial consulting; technology intermediary services; software development; information technology consulting services (except for projects that are subject to approval in accordance with the laws, the business activities should be conducted independently with the business license in accordance with the laws).

- (2) The People's Insurance Company (Group) of China Limited and its related parties PICC Life Insurance Company Limited and PICC Property and Casualty Company Limited hold 2,679,029,689 shares of the Company in aggregate, accounting for 12.90%. There is no pledge of the Company's shares. PICC Life Insurance Company Limited appointed directors of the Company. The People's Insurance Company (Group) of China Limited is the controlling shareholder of PICC Life Insurance Company Limited and PICC Property and Casualty Company Limited, and its controlling shareholder is the Ministry of Finance of the People's Republic of China.

The People's Insurance Company (Group) of China Limited holds 174,651,600 shares of the Company, accounting for 0.84%, 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 company 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. Its registered capital is RMB44.224 billion and the registered place is Beijing. Its legal representative is Ding Xiangqun and the unified social credit code is 911000001000237368. Its scope of business 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 Life Insurance Company Limited holds 1,275,639,977 shares of the Company, accounting for 6.14%. Established in November 2005, its registered office is in Beijing and it has a registered capital of RMB25.761104669 billion. Its legal representative is Xiao Jianyou and the unified social credit code is 911100007109337022. 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: life insurance, health insurance, accident insurance and other insurance businesses; reinsurance businesses of the above businesses; acting as agents of PICC Property and Casualty Company Limited and PICC Health Insurance Company Limited in their insurance businesses within the scope approved by regulators and related national departments.

PICC Property and Casualty Company Limited holds 1,228,738,112 shares of the Company, accounting for 5.91%. Established in July 2003, its registered office is in Beijing and it has a registered capital of RMB22.242765303 billion. Its legal representative is Yu Ze and the unified social credit code is 91100000710931483R. 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.

- (3) China National Tobacco Corporation and its related parties Fujian Tobacco Haisheng Investment Management Co., Ltd., China Tobacco Hunan Investment Management Co., Ltd., Fujian Company of China National Tobacco Corporation, Guangdong Company of China National Tobacco Corporation and Fujian Sanhua Color Printing Co., Ltd. held 2,055,937,778 shares of the Company in aggregate, accounting for 9.90%. There is no pledge of the Company's shares. They appointed directors of the Company. Fujian Tobacco Haisheng Investment Management Co., Ltd., China Tobacco Hunan Investment Management Co., Ltd., Fujian Company of China National Tobacco Corporation, Guangdong Company of China National Tobacco Corporation and Fujian Sanhua Color Printing Co., Ltd. are subsidiaries of China National Tobacco Corporation, and the de facto controller and ultimate beneficiary of China National Tobacco Corporation is the State Council.

China National Tobacco Corporation holds 1,110,226,200 shares of the Company, accounting for 5.34%. Founded in December 1983, the company is a wholly state-owned enterprise with its registered office in Beijing. It has a registered capital of RMB57 billion, and its legal representative is Zhang Jianmin. The unified social credit code is 91100000101619881W and its business includes production, operation and import and export trading of tobacco monopoly products and operation and management of state-owned assets.

Fujian Company of China National Tobacco Corporation holds 573,954,303 shares of the Company, accounting for 2.76%. The company was founded in January 1984, and its registered office is in Fuzhou. It has a registered capital of RMB136.537 million and its legal representative is Zhao Jiancheng. The unified social credit code is 91350000611802037L and its business scope includes the licensed projects: wholesales of tobacco monopoly products; wholesales of electronic cigarette; import of electronic cigarette, atomization material and nicotine for electronic cigarette. (Projects that are subject to approval in accordance with the laws, their operation shall only commence after obtaining approval from the relevant authorities. The specific operation projects shall be subject to the permit or license issued by relevant authorities.) and general projects: asset management service for investment of self-owned funds; investment activities with self-owned funds; and corporate management. (Except for projects that are subject to approval in accordance with the laws, the business activities should be conducted independently with the business license in accordance with the laws)

China Tobacco Hunan Investment Management Co., Ltd. holds 226,800,000 shares of the Company, accounting for 1.09%. The company was founded in October 2011, and its registered office is in Changsha. It has a registered capital of RMB0.2 billion and its legal representative is Xiao Bing. The unified social credit code is 91430000584926455A and 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.

Guangdong Company of China National Tobacco Corporation holds 99,337,700 shares of the Company, accounting for 0.48%. The company was founded in August 1989, and its registered office is in Guangzhou. It has a registered capital of RMB140.339 million and its legal representative is Wang Deyuan. The unified social credit code is 91440000617400995N and its business scope includes the licensed projects: wholesales of tobacco monopoly products; acquisition of tobacco leaves; wholesales of electronic cigarette; import of electronic cigarette, atomization material and nicotine for electronic cigarette. (Projects that are subject to approval in accordance with the laws, their operation shall only commence after obtaining approval from the relevant authorities. The specific operation projects shall be subject to the permit or license issued by relevant authorities.) and general projects: tobacco planting; investment activities with self-owned funds; asset management service for investment of self-owned funds; and corporate management. (Except for projects that are subject to approval in accordance with the laws, the business activities should be conducted independently with the business license in accordance with the laws)

Fujian Sanhua Color Printing Co., Ltd. holds 45,619,575 shares of the Company, accounting for 0.22%. The company was established in December 1992, registered in Longyan with a registered capital of RMB11.699224 million, and its legal representative is Chen Beirong. The unified social credit code is 913508006112057508 and its business scope includes the production of trademarks, advertisement and other printed materials, as well as decorative design.

7.2.5 Particulars of other substantial shareholders that should be disclosed according to the Interim Measures for the Equity Management of Commercial Banks

- (1) Ruizhong Life Insurance Co., Ltd. holds 1,017,839,107 shares, accounting for 4.90%. There is no pledge of the Company's shares. It appointed directors of the Company. The Company was founded in June 2023, and its registered office is in Beijing. It has a registered capital of RMB56.5 billion and its legal representative is Zhao Guodong. The unified social credit code is 91110106MACN7CFT3N and its main business scope includes licensed projects: insurance business; insurance asset management. (For projects that are subject to approval in accordance with the laws, their operation shall only commence after obtaining approval from the relevant authorities. The specific operation projects shall be subject to the permit or license issued by relevant authorities) (It shall not be engaged in operation activities of prohibited and restricted projects in the industrial policies of the state and city.)
- (2) Fujian Investment and Development Group Co., Ltd. and its related party, Fujian Huaxing Group Co., Ltd., hold 632,297,102 shares in aggregate, accounting for 3.04%. There is no pledge of the Company's shares. They appointed directors of the Company. Fujian Investment and Development Group Co., Ltd. is the controlling shareholder of Fujian Huaxing Group Co., Ltd., and its controlling shareholder, actual controller and ultimate beneficiary is the State-owned Assets Supervision and Administration Commission of Fujian Provincial People's Government.

Fujian Investment and Development Group Co., Ltd. holds 595,242,545 shares, accounting for 2.87%. The company was founded in April 2009, and its registered office is in Fuzhou. It has a registered capital of RMB10,299,577,868.89 and its legal representative is Wang Fei. The unified social credit code is 9135000068753848X3 and its business scope includes investment and development of industries or projects such as the production and supply of electricity, gas and water, and railway transportation; investment in banking, securities, trusts, guarantees, venture capital, and key industries in the province as determined by the provincial government; investments in agriculture, forestry, hotel industry and mining; real estate development; asset management. (For projects that are subject to approval in accordance with the laws, their operation shall only commence after obtaining approval from the relevant authorities.)

Fujian Huaxing Group Co., Ltd. holds 37,054,557 shares, accounting for 0.18%. The company was founded in December 2001, and its registered office is in Fuzhou. It has a registered capital of RMB2.73 billion and its legal representative is Wang Wei. The unified social credit code is 91350000733622106A and its business scope includes the management and operation of the property and equity of state-owned assets entrusted by the government; investment in high and new technologies, hotel services, financing guarantees, financial leasing, pawning, and micro-loan industries; property management, consulting services and in-kind leasing; handling of the procurement bidding business entrusted by the government; industrial means of production, agricultural means of production, electronic computers and accessories, building materials, arts and crafts (except ivory and its products), general merchandise, hardware and electrical appliances. (For projects that are subject to approval in accordance with the laws, their operation shall only commence after obtaining approval from the relevant authorities.)

- (3) Fujian Provincial Port Group Co., Ltd. and its related party Xiamen Port Holding Group Co., Ltd., Fu Zhou Port Group Co., Ltd., Fujian Shipping Company and Fujian Provincial Communication Transportation Group Co., Ltd. hold 601,195,832 shares of the Company in aggregate, accounting for 2.89%. There is no pledge of the Company's shares. They appointed supervisors of the Company. Fujian Provincial Port Group Co., Ltd. is the controlling shareholder of Xiamen Port Holding Group Co., Ltd., Fu Zhou Port Group Co., Ltd., Fujian Shipping Company and Fujian Provincial Communication Transportation Group Co., Ltd. Its controlling shareholder, de facto controller and ultimate beneficiary is the State-owned Assets Supervision and Administration Commission of Fujian Provincial People's Government.

Fujian Provincial Port Group Co., Ltd. holds 458,813,939 shares of the Company, accounting for 2.21%. The company was founded in August 2020, and its registered office is in Fuzhou. It has a registered capital of RMB10 billion and its legal representative is Chen Zhiping. The unified social credit code is 91350000MA34J15T19 and its main business scope includes the construction and operation of port and terminal infrastructure, development and operation of port-surrounding industrial parks; road transportation, water transportation and supporting services related to communication transportation; modern logistics and commercial trading.

Xiamen Port Holding Group Co., Ltd. holds 59,674,608 shares of the Company, accounting for 0.29%. The company was founded in November 1997, and its registered office is in Xiamen. It has a registered capital of RMB3.1 billion and its legal representative is Cai Liqun. The unified social credit code is 9135020026013542XA and its main business scope includes the construction and operation of port; water transportation and other supporting services; modern logistics and commercial trading.

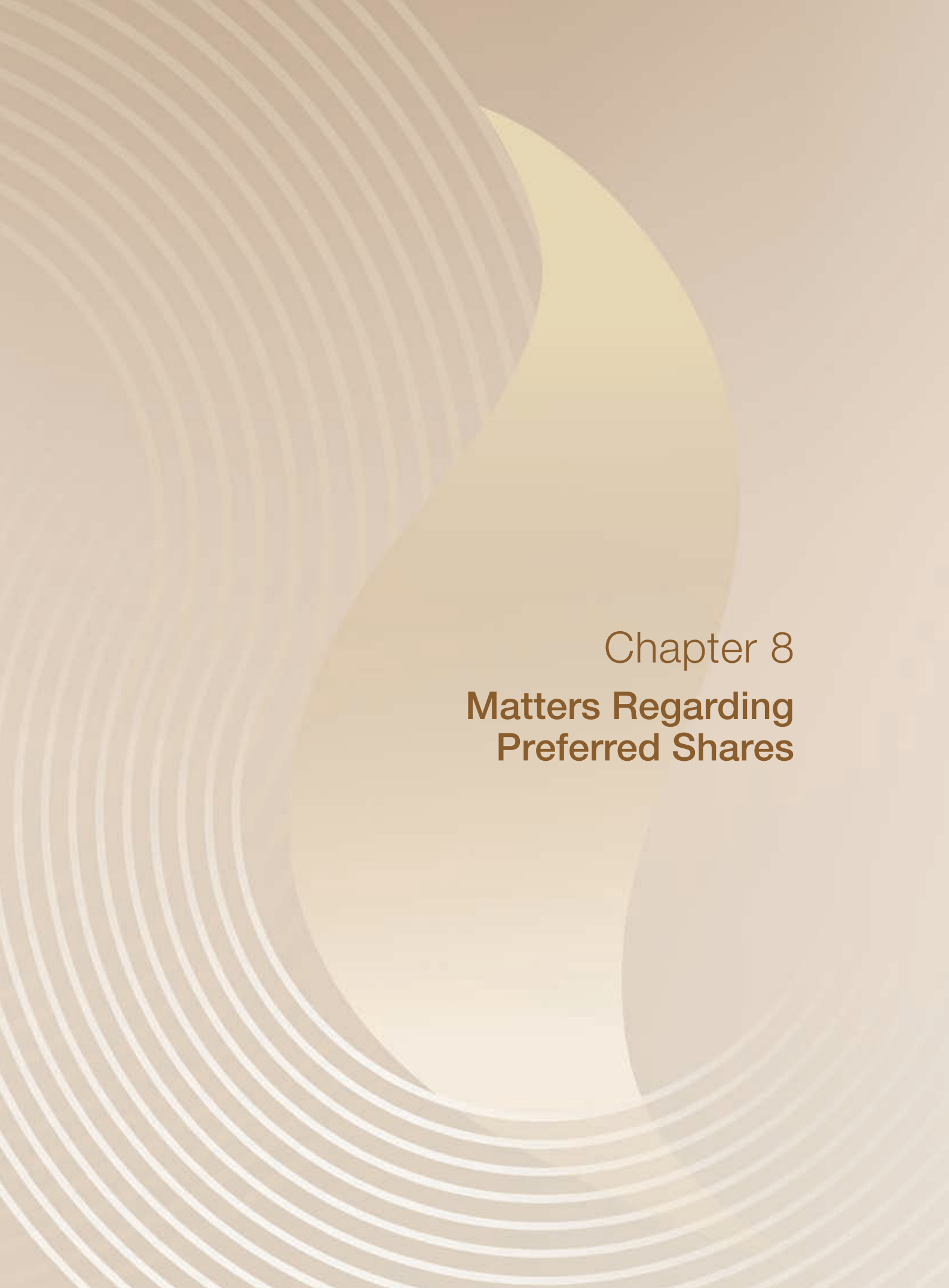
Fu Zhou Port Group Co., Ltd. holds 52,474,816 shares of the Company, accounting for 0.25%. The company was founded in March 2001, and its registered office is in Fuzhou. It has a registered capital of RMB1.2043 billion and its legal representative is Gao Yu. The unified social credit code is 91350105726465472K and its main business scope includes the construction and operation of ports and terminals; water transportation and other supporting services; modern logistics and commercial trading.

Fujian Shipping Company holds 24,482,469 shares of the Company, accounting for 0.12%. The company was founded in February 1986, and its registered office is in Fuzhou. It has a registered capital of RMB800 million and its legal representative is Wu Liangqi. The unified social credit code is 91350000158140249G and its main business scope includes water transportation and other supporting services.

Fujian Provincial Communication Transportation Group Co., Ltd. holds 5,750,000 shares of the Company, accounting for 0.03%. The company was founded in November 2001, and its registered office is in Fuzhou. It has a registered capital of RMB3.21993645275 billion and its legal representative is Wu Dingcan. The unified social credit code is 91350000733600839G and its main business scope includes the construction and operation of port and terminal infrastructure, development and operation of port-surrounding industrial parks; road transportation, water transportation and supporting services related to communication transportation; modern logistics and commercial trading.

7.2.6 Related parties of substantial shareholders

The Company had treated more than 790 enterprises including the above-mentioned shareholders holding more than 5% of shares of the Company, other substantial shareholders and their controlling shareholders, de facto controllers, related parties, persons acting in concert and ultimate beneficiaries as the Company's related parties. As at the end of the reporting period, the balance of the outstanding credit related-party transactions amounted to RMB17.058 billion, involving 54 related parties and 286 transactions. The related party transactions between the Company and related parties of its substantial shareholder had been reported to the general meeting, the Board of Directors and the Audit and Related Party Transaction Control Committee for consideration and approval in accordance with related procedures.



Chapter 8

Matters Regarding Preferred Shares

Chapter 8 Matters Regarding Preferred Shares

8.1 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	Xing Ye You 1	December 3, 2014	100	Note 1	130,000,000	December 19, 2014	130,000,000	None
360012	Xing Ye You 2	June 17, 2015	100	Note 2	130,000,000	July 17, 2015	130,000,000	None
360032	Xing Ye You 3	April 3, 2019	100	Note 3	300,000,000	April 26, 2019	300,000,000	None

- Notes: 1. Upon the approval of the CSRC, the Company issued a tranche of 130 million preferred shares with a par value of RMB100 per share through non-public offering in December 2014. The coupon rate in the first interest cycle was 6.00%; the coupon rate in the second interest cycle was 5.55% from December 8, 2019; and the coupon rate in the third interest cycle of "Xing Ye You 1" commencing from December 8, 2024 was adjusted to 4.23%.
2. The Company issued the second tranche of 130 million preferred shares with a par value of RMB100 per share through non-public offering in June 2015. The coupon rate in the first interest cycle was 5.40%; and the coupon rate in the second interest cycle of "Xing Ye You 2" commencing from June 24, 2020 was adjusted to 4.63%.
3. The Company issued the third tranche of 300 million preferred shares with a par value of RMB100 per share through non-public offering in April 2019. The coupon rate in the first interest cycle was 4.90%; and the coupon rate in the second interest cycle of "Xing Ye You 3" commencing from April 10, 2024 was adjusted to 4.05%.

8.2 Preferred shares shareholders

8.2.1 Number of preferred shares shareholders

Unit: household

Number of preferred shares shareholder accounts as at the end of the reporting period	76
Number of preferred shares shareholder accounts as at the end of the month prior to the disclosure of the annual report	76

8.2.2 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 reporting period	Shareholding Percentage (%)	Type of shares	Pledge d or frozen shares	Nature of shareholders
Ping An Life Insurance Company of China – Dividends – Dividends for personal insurance	–	88,734,000	15.85	Domestic preferred shares	–	Others
Ping An Property and Casualty Company Limited – Traditional – Common insurance product	–	65,874,000	11.76	Domestic preferred shares	–	Others
Ping An Life Insurance Company of China – Self-owned funds	–	44,643,400	7.97	Domestic preferred shares	–	Others
Everbright Securities Asset Management – China Everbright Bank – Everbright Securities Asset Management Xinyou No.3 Collective Asset Management Plan	–	23,849,000	4.26	Domestic preferred shares	–	Others
Ping An Life Insurance Company of China – Universal – Individual Insurance (Universal)	–	21,254,000	3.80	Domestic preferred shares	–	Others
Hwabao Trust Co., Ltd. – Hwabao Trust – Multiple Strategy Investment No.5 Collective Capital Trust Plan	18,550,000	18,550,000	3.31	Domestic preferred shares	–	Others
China Resources Trust Co., Ltd. – China Resources Trust Tengda No.5 Collective Fund Trust Plan	16,103,000	16,103,000	2.88	Domestic preferred shares	–	Others
Jiangsu Company of China National Tobacco Corporation	–	15,000,000	2.68	Domestic preferred shares	–	State-owned legal person
Sichuan Company of China National Tobacco Corporation	–	15,000,000	2.68	Domestic preferred shares	–	State-owned legal person
Zhongwei Capital Holding Co., Ltd.	–	15,000,000	2.68	Domestic preferred shares	–	State-owned legal person
The Finance Bureau of Fujian Province	–	14,000,000	2.50	Domestic preferred shares	–	State-owned legal person
China Everbright Yongming Asset Management – China Merchants Bank-China Everbright Yongming Asset Management Poly-Optimal No.2 Equity Asset Management Product	1,777,000	13,486,000	2.41	Domestic preferred shares	–	Others

- Notes: 1. All preferred shares issued by the Company are preferred shares without selling restrictions. The shareholders hold Xing Ye You 1, Xing Ye You 2 and Xing Ye You 3 at the same time, all of which were presented in consolidation.
2. The connected relationship exists among Ping An Life Insurance Company of China-Dividends-Dividends for personal insurance, 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-Individual 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 is not aware of any connected relationship or concerted actions among the above shareholders.
3. As at the end of the reporting period, the Finance Bureau of Fujian Province and Fujian Financial Investment Co., Ltd., a company established and fully contributed by the Finance Bureau of Fujian Province, holds 3,965,181,007 ordinary shares of the Company in aggregate. 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 hold 2,055,937,778 ordinary shares of the Company. Apart from that, the Company is not aware of any connected relationship or concerted actions among the above shareholders and the top ten holders of ordinary shares.
4. The term "shareholding percentage" refers to the proportion of the number of preferred shares held by preferred shareholders to the total number of preferred shares issued by the Company.

8.3 Profit distribution of preferred shares

8.3.1 Profit distribution

The dividend distribution of the preferred shares under this issuance shall be made once in each accounting year by cash payment. The interest period of preferred shares for 2024 was from January 1, 2024 to December 31, 2024.

The total nominal value of the preferred shares of "Xing Ye You 1" is RMB13 billion with 5.55% coupon rate in the second interest cycle, the coupon rate of "Xing Ye You 1" in the third interest cycle has been adjusted to 4.23% since December 8, 2024 and proposed dividends to be paid for 2024 are RMB710 million.

The total nominal value of the preferred shares of "Xing Ye You 2" is RMB13 billion and proposed dividends to be paid for 2024 are RMB602 million with an annual dividend yield of 4.63%.

The total nominal value of the preferred shares of "Xing Ye You 3" is RMB30 billion with 4.90% coupon rate in the first interest cycle, the coupon rate of "Xing Ye You 3" in the second interest cycle has been adjusted to 4.05% since April 10, 2024 and proposed dividends to be paid for 2024 are RMB1.285 billion.

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

8.3.2 Distribution amount and ratio of preferred shares of the previous three years

Unit: RMB million

Year	Amount	Ratio (%)
2024	2,597	100
2023	2,793	100
2022	2,793	100

Note: distribution ratio = announced distribution amount/agreed distribution amount for the year * 100%.

8.4 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.

8.5 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.

8.6 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 "Xing Ye You 1" and "Xing Ye You 2" is RMB9.86/share and the initial mandatory conversion price of "Xing Ye You 3" 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 the 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 "Xing Ye You 1" and "Xing Ye You 2" 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 "Xing Ye You 1" and "Xing Ye You 2" 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.

Chapter 9

**Particulars of Convertible
Corporate Bonds**

Chapter 9 Particulars of Convertible Corporate Bonds

9.1 Issuance of the convertible corporate bonds

On December 31, 2021, the Company completed the issuance of A share convertible corporate bonds (hereinafter referred to as the "Convertible Bonds"). The proceeds raised was RMB50 billion and the net proceeds raised after deducting issuance costs was approximately RMB49.920 billion. The above A Share Convertible Bonds has been listed on the Shanghai Stock Exchange for trading on January 14, 2022, with the stock abbreviation of Industrial Convertible Bonds and stock code of 113052. The conversion period of Industrial Convertible Bonds shall commence from the first trading day immediately following the expiry of the six-month period after the date of completion of the issuance, and end on the maturity date, i.e. from June 30, 2022 to December 26, 2027.

9.2 Particulars of the holders of the convertible bonds during the reporting period

As at the end of the reporting period, the number of the holders of the Convertible Bonds was 90,299. Particulars of the top ten holders of the Convertible Bonds are set out below:

Name of holders	Amount of bonds held at the end of the period (RMB)	Percentage (%)
The Finance Bureau of Fujian Province	8,643,676,000	17.29
Specific accounts for bonds repurchase and pledge under the registration and settlement system (Bank of China)	4,998,732,000	10.00
Specific accounts for bonds repurchase and pledge under the registration and settlement system (Industrial and Commercial Bank of China)	4,126,508,000	8.25
Specific accounts for bonds repurchase and pledge under the registration and settlement system (China Construction Bank)	2,377,615,000	4.76
China Merchants Bank Co., Ltd. – Boshi CSI Convertible and Exchangeable Bond ETF	2,198,110,000	4.40
Specific accounts for bonds repurchase and pledge under the registration and settlement system (China Merchants Bank Co., Ltd.)	1,992,540,000	3.99
Specific accounts for bonds repurchase and pledge under the registration and settlement system (Agricultural Bank of China) (China Construction Bank)	1,563,628,000	3.13
Specific accounts for bonds repurchase and pledge under the registration and settlement system (CITIC Securities Company Limited)	1,410,232,000	2.82
Specific accounts for bonds repurchase and pledge under the registration and settlement system (Bank of Communications)	910,617,000	1.82
Specific accounts for bonds repurchase and pledge under the registration and settlement system (China Minsheng Bank Corp. Ltd.)	879,893,000	1.76

9.3 Accumulated conversion of convertible corporate bonds during the reporting period

Amount of unconverted Convertible Bonds at the end of last period (RMB Yuan)	49,997,524,000
Amount of conversion during the reporting period (RMB Yuan)	372,000
Number of converted shares during the reporting period (share)	16,228
Amount of redemption or repurchase during the reporting period (RMB Yuan)	0
Amount of unconverted Convertible Bonds at the end of the reporting period (RMB Yuan)	49,997,152,000
Proportion of accumulated unconverted shares to the total issued shares of the Company before conversion (%)	99.99430
Accumulated converted shares (share)	117,355
Proportion of converted convertible bonds to the total issued convertible bonds (%)	0.00056

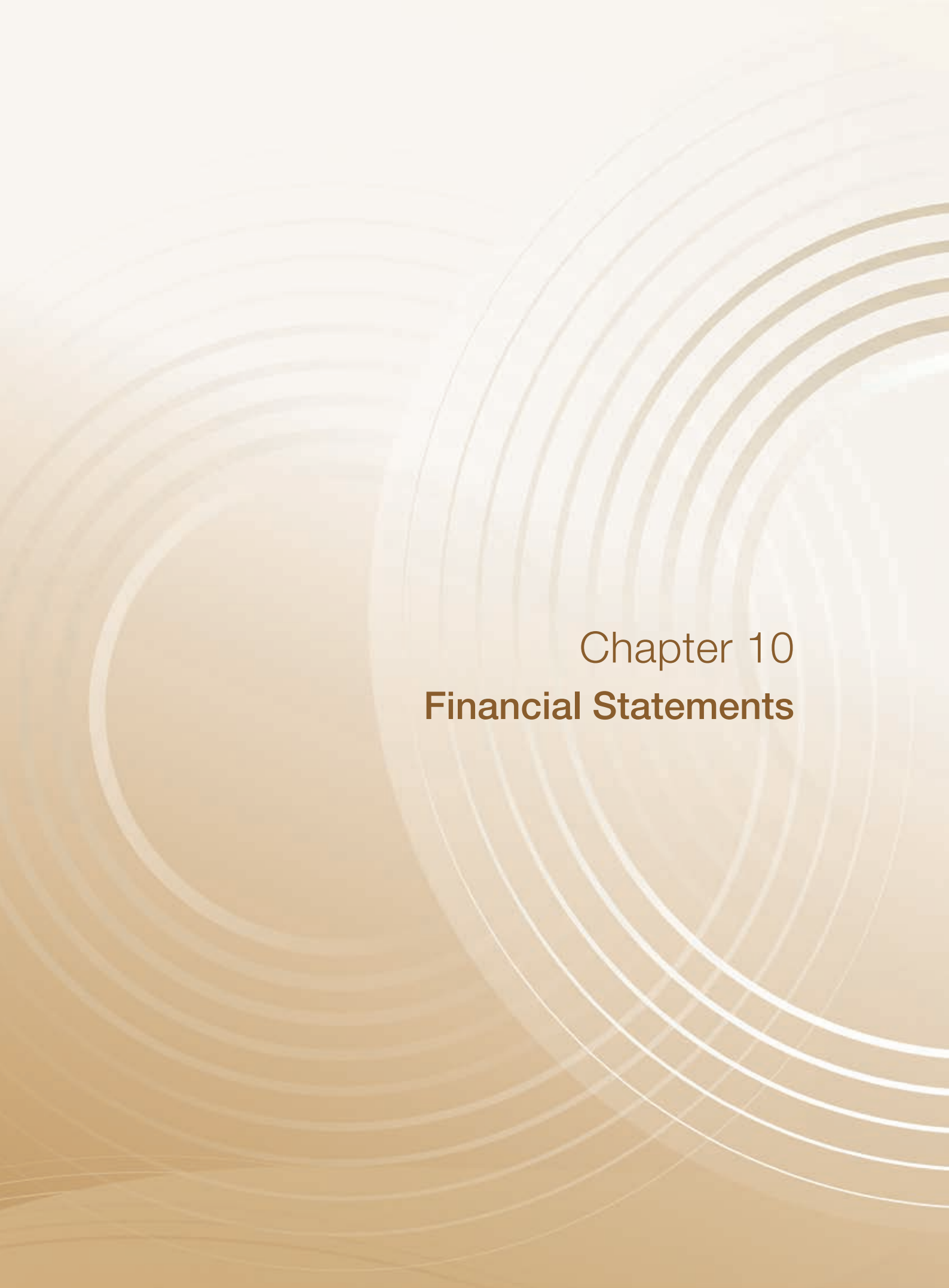
9.4 Previous adjustments of conversion price

Unit: RMB

Latest conversion price at the end of reporting period		22.25		
Effective date of adjusted conversion price	Adjusted conversion price	Disclosure date	Disclosure media	Reasons of adjustments
June 16, 2022	24.48	June 9, 2022	China Securities Journal, Shanghai Securities News, Security Times, Securities Daily and the websites of the Shanghai Stock Exchange and the Company	Adjust conversion price as a result of the implementation of distribution of profit of ordinary A shares of 2021
June 19, 2023	23.29	June 13, 2023	China Securities Journal, Shanghai Securities News, Security Times, Securities Daily and the websites of the Shanghai Stock Exchange and the Company	Adjust conversion price as a result of the implementation of distribution of profit of ordinary A shares of 2022
July 9, 2024	22.25	July 3, 2024	China Securities Journal, Shanghai Securities News, Security Times, Securities Daily and the websites of the Shanghai Stock Exchange and the Company	Adjust conversion price as a result of the implementation of distribution of profit of ordinary A shares of 2023

9.5 The Company's outstanding debts, creditworthiness and availability of cash for repayment of debts in future years

In accordance with the relevant provisions in the Administration Measures on the Issuance of Securities by Listed Companies, the Administrative Measures on the Issuance and Transaction of Corporate Bonds and the Rules Governing the Listing of Stocks on Shanghai Stock Exchange, the Company entrusted a credit rating agency Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. (hereinafter referred to as "Shanghai Brilliance") to track credit rating for the Convertible Bonds issued by the Company. Shanghai Brilliance issued the Report on Tracking Credit Rating of Industrial Bank Co., Ltd. and its Public Offering of Bonds Issued on May 21, 2024, and the rating results were as follows: the corporate credit rating of the Company maintained AAA with a stable outlook, and the credit rating of the Convertible Bonds remained AAA. The Company's operations are stable in all aspects with reasonable asset structure, and the liabilities situation has not changed significantly, and the credit status is good. The Company's cash sources for debt repayment in the coming years mainly include cash inflows from income from the normal business operations of the Company and realization of current assets.



Chapter 10

Financial Statements

Chapter 10 Financial Statements

The Company's financial statements for Year 2024 have been audited by KPMG Huazhen and signed by certified public accountants Wu Zhongming and Pan Sheng, who have issued an auditor's report with unqualified opinion. For full text of the financial statements, please refer to the appendix.

Board of Directors of Industrial Bank Co., Ltd.
March 27, 2025

AUDITOR'S REPORT

KPMG Huazhen Shen Zi No.2506930

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 2024, 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 as at 31 December 2024, and the consolidated and Bank's financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises (CAS) issued by the Ministry of Finance (MOF) 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)

The determination of allowance for impairment losses on loans and advances to customers and debt investments	
Refer to the accounting policies set out in the notes to the financial statements "IV. Significant accounting policies and accounting estimates" 7.6 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 determination of allowance for impairment losses on loans and advances to customers and debt investments 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 and advances are derived from estimates whereby management takes into consideration historical overdue data, the historical loss experience for personal loans and other adjustment factors.	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, and 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 the 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)

The determination of allowance for impairment losses on loans and advances to customers 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" 7.6 and "VII. Notes to the consolidated financial statements" 6 and 7.2.

The Key Audit Matter

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 usage 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.

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.

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 inquired about reasons for management's revisions to estimates and input parameters compared with prior periods 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' business.

Key Audit Matters (continued)

The determination of allowance for impairment losses on loans and advances to customers 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” 7.6 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 rationality of 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 management’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 – <i>Presentation of Financial Instruments</i>.

Key Audit Matters (continued)

Recognition of interests in and 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" 45. Structured entities.

The Key Audit Matter

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 by 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 recognition of interests in and 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 a qualitative assessment of terms and transaction substance for each structured entity.

How the matter was addressed in our audit

Our audit procedures to assess the consolidation of structured entities and recognition of their entitlement rights 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 the design, implementation and operating effectiveness of internal controls;
- 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 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 “IV. Significant accounting policies and accounting estimates” 7 and “XI. Financial risk management” 7. Fair value of financial instruments 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.

Other Information

The Bank’s management is responsible for the other information. The other information comprises all the information included in 2024 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 (including disclosure), structure and content of the financial statements, 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.

Auditor’s Responsibilities for the Audit of the Financial Statements (continued)

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

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

Wu Zhongming (Engagement Partner)

Pan Sheng

27 March 2025

The Consolidated and Bank's Balance Sheets

As at 31 December 2024

(Expressed in millions of Renminbi, unless otherwise stated)

	Note VII	The Group		The Bank	
		2024	2023	2024	2023
Assets					
Cash and balances with Central Bank	1	394,940	418,569	394,897	418,523
Deposits with banks and other financial institutions	2	107,117	185,906	98,261	179,512
Precious metals		6,731	5,669	6,731	5,669
Placements with banks and other financial institutions	3	377,748	363,172	394,878	381,663
Derivative financial assets	4	70,524	43,679	70,508	43,675
Financial assets purchased under resale agreements	5	177,518	200,065	172,161	199,148
Loans and advances to customers	6	5,608,859	5,333,483	5,536,520	5,256,003
Financial investments:	7				
Trading assets	7.1	923,189	957,708	939,207	894,921
Debt investments	7.2	1,896,064	1,801,346	1,783,582	1,791,706
Other debt investments	7.3	630,916	572,585	625,335	568,979
Other equity investments	7.4	4,011	3,836	3,307	3,255
Finance lease receivables	8	114,913	114,677	–	–
Long-term equity investments	9	3,917	3,872	23,994	23,946
Fixed assets	10	28,869	28,867	22,312	22,816
Construction in progress	11	1,862	1,970	1,797	1,964
Right-of-use assets	12	9,314	9,863	8,676	8,678
Intangible assets		1,122	1,087	1,006	976
Goodwill	13	532	532	–	–
Deferred tax assets	14	67,259	58,046	60,842	52,943
Other assets	15	82,493	53,394	67,021	40,061
Total assets		10,507,898	10,158,326	10,211,035	9,894,438

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

The Consolidated and Bank's Balance Sheets (continued)

As at 31 December 2024

(Expressed in millions of Renminbi, unless otherwise stated)

	Note VII	The Group		The Bank	
		2024	2023	2024	2023
Liabilities and Shareholders' equity					
Liabilities					
Borrowing from Central Bank		91,419	307,064	91,419	307,064
Deposits from banks and other financial institutions	16	1,832,111	1,852,978	1,857,805	1,862,857
Placements from banks and other financial institutions	17	336,862	349,494	180,954	202,010
Trading liabilities	18	26,740	12,946	24,928	12,665
Derivative financial liabilities	4	74,890	43,279	74,890	43,277
Financial assets sold under repurchase agreements	19	261,996	416,568	209,338	399,635
Deposits from customers	20	5,630,360	5,217,064	5,632,619	5,218,520
Employee benefits payable	21	36,560	33,300	34,351	31,032
Tax payable	22	9,385	6,423	8,569	5,491
Provisions	23	6,364	6,344	6,344	6,239
Debt securities issued	24	1,252,987	1,029,525	1,223,162	1,002,493
Lease liabilities	25	9,304	9,659	8,720	8,662
Deferred tax liabilities	14	151	179	–	–
Other liabilities	26	45,158	65,784	24,969	40,722
Total liabilities		9,614,287	9,350,607	9,378,068	9,140,667

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

The Consolidated and Bank's Balance Sheets (continued)

As at 31 December 2024

(Expressed in millions of Renminbi, unless otherwise stated)

	Note VII	The Group		The Bank	
		2024	2023	2024	2023
Liabilities and Shareholders' equity (continued)					
Shareholders' equity					
Share capital	27	20,774	20,774	20,774	20,774
Other equity instruments	28	118,960	88,960	118,960	88,960
Including: preference shares		55,842	55,842	55,842	55,842
perpetual bonds		59,960	29,960	59,960	29,960
equity component of convertible corporate bonds		3,158	3,158	3,158	3,158
Capital reserve	29	74,733	74,759	75,085	75,111
Other comprehensive income	41	5,561	1,239	5,295	1,204
Surplus reserve	30	10,684	10,684	10,684	10,684
General reserve	31	125,365	120,118	115,054	110,523
Retained earnings	32	525,831	479,690	487,115	446,515
Equity attributable to shareholders of the Bank		881,908	796,224	832,967	753,771
Non-controlling interests		11,703	11,495	—	—
Total shareholders' equity		893,611	807,719	832,967	753,771
Total liabilities and shareholders' equity		10,507,898	10,158,326	10,211,035	9,894,438

The financial statements were approved by the Board of Directors of the Bank on 27 March 2025.

Lyu Jiajin

Chairman of the Board

Legal Representative

Chen Xinjian

President

Financial Director

Lin Shu

Person in-charge of the Accounting Body

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

The Consolidated and Bank's Income Statements

For the year ended 31 December 2024

(Expressed in millions of Renminbi, unless otherwise stated)

	Note VII	The Group		The Bank	
		2024	2023	2024	2023
I. Operating income		212,226	210,831	192,281	191,123
Net interest income	33	148,107	146,503	134,066	131,801
Interest income	33	343,835	349,079	325,131	329,271
Interest expense	33	(195,728)	(202,576)	(191,065)	(197,470)
Net fee and commission income	34	24,096	27,755	19,868	23,208
Fee and commission income	34	29,848	33,119	24,642	28,242
Fee and commission expense	34	(5,752)	(5,364)	(4,774)	(5,034)
Investment income	35	36,202	30,699	34,453	29,771
Including: income from joint ventures and associates		151	18	66	9
income from derecognition of financial assets at amortised cost		4,498	4,216	4,498	4,213
Gains from changes in fair values	36	3,222	4,139	4,135	5,585
Foreign exchange (losses) gains		(674)	421	(684)	412
Income from asset disposal		109	20	109	16
Other income		661	652	105	105
Other operating income		503	642	229	225
II. Operating expenses		(125,029)	(126,691)	(113,426)	(115,082)
Taxes and surcharges	37	(2,229)	(2,319)	(1,994)	(2,060)
General and administrative expenses	38	(62,203)	(62,608)	(57,999)	(58,711)
Credit impairment losses	39	(60,180)	(60,974)	(53,133)	(53,871)
Impairment losses on other assets		(9)	(204)	(11)	(12)
Other operating expenses		(408)	(586)	(289)	(428)
III. Operating profit		87,197	84,140	78,855	76,041
Add: Non-operating income		289	328	231	253
Less: Non-operating expenses		(366)	(139)	(352)	(106)
IV. Total profit		87,120	84,329	78,734	76,188
Less: Income tax expenses	40	(9,629)	(6,675)	(7,786)	(4,643)
V. Net profit		77,491	77,654	70,948	71,545

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

The Consolidated and Bank's Income Statements (continued)

For the year ended 31 December 2024

(Expressed in millions of Renminbi, unless otherwise stated)

	Note VII	The Group		The Bank	
		2024	2023	2024	2023
V. Net profit (continued)		77,491	77,654	70,948	71,545
1. Categorised by continuity of operation					
(1) Net profit from continuing operations		77,491	77,654	70,948	71,545
(2) Net profit from discontinued operations		—	—	—	—
2. Categorised by ownership					
(1) Attributable to shareholders of the Bank		77,205	77,116	70,948	71,545
(2) Non-controlling interests		286	538	—	—
VI. Other comprehensive income, net of tax	41	4,322	1,964	4,091	1,940
Other comprehensive income attributable to shareholders of the Bank		4,322	1,963	4,091	1,940
1. Items that may be reclassified subsequently to profit or loss					
(1) Changes in fair value of other debt investments		4,109	3,426	3,973	3,349
(2) Credit losses on other debt investments		151	(1,369)	151	(1,311)
(3) Translation differences of financial statements denominated in foreign currencies		3	4	—	—
(4) Other comprehensive income recognised under equity method		—	—	—	—
2. Items that will not be reclassified subsequently to profit or loss:					
(1) Actuarial profits on defined benefit plans		(72)	(67)	(72)	(67)
(2) Changes in fair value of other equity investments		131	(31)	39	(31)
Other comprehensive income attributable to non-controlling interests		—	1	—	—
VII. Total comprehensive income		81,813	79,618	75,039	73,485
Total comprehensive income attributable to shareholders of the Bank		81,527	79,079	75,039	73,485
Non-controlling interests		286	539	—	—

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

The Consolidated and Bank’s Income Statements (continued)

For the year ended 31 December 2024 (Expressed in millions of Renminbi, unless otherwise stated)

	Note VII	The Group		The Bank	
		2024	2023	2024	2023
VIII. Earnings per share (expressed in RMB)					
Basic earnings per share	42	3.51	3.51		
Diluted earnings per share	42	3.23	3.24		

The financial statements were approved by the Board of Directors of the Bank on 27 March 2025.

Lyu Jiajin Chairman of the Board Legal Representative	Chen Xinjian President Financial Director	Lin Shu 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 2024

(Expressed in millions of Renminbi, unless otherwise stated)

	Note VII	The Group		The Bank	
		2024	2023	2024	2023
I. Cash flows from operating activities:					
Net decrease in deposits with Central Bank and interbank deposits		41,282	–	42,014	–
Net decrease in placements with banks and other financial institutions and financial assets purchased under resale agreements		56,613	–	53,545	–
Net decrease in financial assets held for trading		–	29,330	–	27,615
Net increase in borrowing from Central Bank		–	209,486	–	209,486
Net increase in deposits from customers and deposits from banks and other financial institutions		341,693	621,844	355,847	623,024
Net increase in placements from banks and other financial institutions and financial assets sold under repurchase agreements		–	79,460	–	64,625
Cash receipts from interest, fee and commission		313,885	316,330	290,015	293,292
Other cash receipts relating to operating activities		13,079	20,171	10,857	20,084
Subtotal of cash inflows from operating activities		766,552	1,276,621	752,278	1,238,126
Net increase in balances with Central Bank and deposits with banks and other financial institutions		–	(5,318)	–	(4,306)
Net increase in placements with banks and other financial institutions and financial assets purchased under resale agreements		–	(46,175)	–	(41,139)
Net increase in loans and advances to customers		(325,563)	(527,710)	(322,547)	(510,006)
Net increase in financial assets held for trading		(33,497)	–	(7,973)	–
Net increase in finance lease receivables		(53)	(8,964)	–	–
Net decrease in borrowing from Central Bank		(213,222)	–	(213,222)	–
Net decrease in placements from banks and other financial institutions and financial assets sold under repurchase agreements		(154,966)	–	(199,422)	–
Cash payments to interest, fee and commission		(156,355)	(145,482)	(151,387)	(140,697)
Cash payments to and on behalf of employees		(34,788)	(35,160)	(30,929)	(31,379)
Cash payments of various types of taxes		(34,953)	(34,260)	(31,417)	(30,677)
Other cash payments relating to operating activities		(50,413)	(39,935)	(39,343)	(39,630)
Subtotal of cash outflows from operating activities		(1,003,810)	(843,004)	(996,240)	(797,834)
Net cash flows (used in) generated from operating activities	43.1	(237,258)	433,617	(243,962)	440,292

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

The Consolidated and Bank's Cash Flow Statements (continued)

For the year ended 31 December 2024

(Expressed in millions of Renminbi, unless otherwise stated)

	Note VII	The Group		The Bank	
		2024	2023	2024	2023
II. Cash flows from investing activities					
Cash receipts from recovery of investments		4,135,702	2,781,613	4,115,213	2,741,670
Cash receipts from investment income		112,495	113,152	109,330	110,734
Cash receipts from disposals of fixed assets, intangible assets and other long-term assets		847	680	252	71
Subtotal of cash inflows from investing activities		4,249,044	2,895,445	4,224,795	2,852,475
Cash payments to acquire investments		(4,220,480)	(3,007,439)	(4,200,301)	(2,964,441)
Cash payments to acquire fixed assets, intangible assets and other long-term assets		(5,126)	(4,907)	(3,144)	(3,381)
Subtotal of cash outflows from investing activities		(4,225,606)	(3,012,346)	(4,203,445)	(2,967,822)
Net cash flows generated from (used in) investing activities		23,438	(116,901)	21,350	(115,347)
III. Cash flows from financing activities:					
Proceeds from issuance of other equity instruments		29,974	–	29,974	–
Proceeds from issuance of bonds		1,255,112	1,241,328	1,237,172	1,228,171
Subtotal of cash inflows from financing activities		1,285,086	1,241,328	1,267,146	1,228,171
Cash repayments of borrowings		(1,032,876)	(1,369,920)	(1,017,725)	(1,362,371)
Cash payments for distribution of dividends or profits or settlement of interest expenses		(54,288)	(59,146)	(53,310)	(57,082)
Including: Dividends paid to non-controlling shareholders of subsidiaries		(4)	(81)	–	–
Other cash payments relating to financing activities		(3,028)	(3,217)	(2,910)	(3,029)
Subtotal of cash outflows from financing activities		(1,090,192)	(1,432,283)	(1,073,945)	(1,422,482)
Net cash flows generated from (used in) financing activities		194,894	(190,955)	193,201	(194,311)

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

The Consolidated and Bank's Cash Flow Statements (continued)

For the year ended 31 December 2024

(Expressed in millions of Renminbi, unless otherwise stated)

	Note VII	The Group		The Bank	
		2024	2023	2024	2023
IV. Effect of foreign exchange rate changes on cash and cash equivalents		252	660	250	654
V. Net (decrease) increase in cash and cash equivalents	43.1	(18,674)	126,421	(29,161)	131,288
Add: Opening balance of cash and cash equivalents		531,277	404,856	529,372	398,084
VI. Closing balance of cash and cash equivalents	43.2	512,603	531,277	500,211	529,372

The financial statements were approved by the Board of Directors of the Bank on 27 March 2025.

Lyu Jiajin

Chairman of the Board

Legal Representative

Chen Xinjian

President

Financial Director

Lin Shu

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 2024

(Expressed in millions of Renminbi, unless otherwise stated)

	Note VII	Attributable to shareholders of the Bank						Total
		Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	
I. Balance at 1 January 2024		20,774	88,960	74,759	1,239	10,684	120,118	807,719
II. Changes for the year								
(I) Net profit		-	-	-	-	-	-	77,491
(II) Other comprehensive income	41	-	-	-	4,322	-	-	4,322
Subtotal of (I) and (II)		-	-	-	4,322	-	-	81,813
(III) Capital contribution from shareholders		-	30,000	(26)	-	-	-	29,974
Issuing perpetual bonds	28	-	30,000	(26)	-	-	-	29,974
(IV) Profit distribution		-	-	-	-	-	5,247	(25,895)
1. Appropriation to general reserve	31	-	-	-	-	-	5,247	-
2. Dividends paid to ordinary shareholders	32	-	-	-	-	-	(21,605)	(21,609)
3. Dividends paid to preference shareholders	32	-	-	-	-	-	(2,793)	(2,793)
4. Distribution to perpetual debt holders	32	-	-	-	-	-	(1,419)	(1,493)
III. Balance at 31 December 2024		20,774	118,960	74,733	5,561	10,684	125,365	893,611

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

The Consolidated Statement of Changes In Shareholders' Equity (continued)

For the year ended 31 December 2023

(Expressed in millions of Renminbi, unless otherwise stated)

	Note VII	Attributable to shareholders of the Bank						Total
		Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	
I. Balance at 1 January 2023		20,774	88,960	74,909	(724)	10,684	108,957	757,298
II. Changes for the year								
(I) Net profit		-	-	-	-	-	-	
(II) Other comprehensive income	41	-	-	-	1,963	-	-	
Subtotal of (I) and (II)		-	-	-	1,963	-	-	
(III) Capital contribution from shareholders		-	-	1	-	-	-	
Conversion of equity from convertible corporate bonds		-	-	1	-	-	-	
(IV) Profit distribution		-	-	-	-	-	-	
1. Appropriation to general reserve	31	-	-	-	-	-	-	
2. Dividends paid to ordinary shareholders	32	-	-	-	-	-	-	
3. Dividends paid to preference shareholders	32	-	-	-	-	-	-	
4. Distribution to perpetual debt holders	32	-	-	-	-	-	-	
(V) Other		-	-	(151)	-	-	-	
Passive dilution under equity method		-	-	(151)	-	-	-	
III. Balance at 31 December 2023		20,774	88,960	74,759	1,239	10,684	120,118	807,719

The financial statements were approved by the Board of Directors of the Bank on 27 March 2025.

Lyu Jiajin

Chairman of the Board
Legal Representative

Chen Xinjian

President
Financial Director

Lin Shu

Person in-charge of the Accounting Body

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 2024

(Expressed in millions of Renminbi, unless otherwise stated)

	Note VII	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total
I. Balance at 1 January 2024		20,774	88,960	75,111	1,204	10,684	110,523	446,515	753,771
II. Changes for the year									
(I) Net profit		-	-	-	-	-	-	70,948	70,948
(II) Other comprehensive income	41	-	-	-	4,091	-	-	-	4,091
Subtotal of (I) and (II)		-	-	-	4,091	-	-	70,948	75,039
(III) Capital contribution from shareholders		-	30,000	(26)	-	-	-	-	29,974
Issuing perpetual bonds	28	-	30,000	(26)	-	-	-	-	29,974
(IV) Profit distribution		-	-	-	-	-	4,531	(30,348)	(25,817)
1. Appropriation to general reserve	31	-	-	-	-	-	4,531	(4,531)	-
2. Dividends paid to ordinary shareholders	32	-	-	-	-	-	-	(21,605)	(21,605)
3. Dividends paid to preference shareholders	32	-	-	-	-	-	-	(2,793)	(2,793)
4. Distribution to perpetual debt holders	32	-	-	-	-	-	-	(1,419)	(1,419)
III. Balance at 31 December 2024		20,774	118,960	75,085	5,295	10,684	115,054	487,115	832,967

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

The Bank's Statement of Changes In Shareholders' Equity (continued)

For the year ended 31 December 2023

(Expressed in millions of Renminbi, unless otherwise stated)

	Note VII	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total
I. Balance at 1 January 2023		20,774	88,960	75,261	(736)	10,684	99,952	414,433	709,328
II. Changes for the year									
(I) Net profit		-	-	-	-	-	-	71,545	71,545
(II) Other comprehensive income	41	-	-	-	1,940	-	-	-	1,940
Subtotal of (I) and (II)		-	-	-	1,940	-	-	71,545	73,485
(III) Capital contribution from shareholders		-	-	1	-	-	-	-	1
Conversion of equity from convertible corporate bonds		-	-	1	-	-	-	-	1
(IV) Profit distribution		-	-	-	-	-	10,571	(39,463)	(28,892)
1. Appropriation to general reserve	31	-	-	-	-	-	10,571	(10,571)	-
2. Dividends paid to ordinary shareholders	32	-	-	-	-	-	-	(24,680)	(24,680)
3. Dividends paid to preference shareholders	32	-	-	-	-	-	-	(2,793)	(2,793)
4. Distribution to perpetual debt holders	32	-	-	-	-	-	-	(1,419)	(1,419)
(V) Other		-	-	(151)	-	-	-	-	(151)
Passive dilution under equity method		-	-	(151)	-	-	-	-	(151)
III. Balance at 31 December 2023		20,774	88,960	75,111	1,204	10,684	110,523	446,515	753,771

The financial statements were approved by the Board of Directors of the Bank on 27 March 2025.

Lyu Jiajin

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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 The National Financial Regulatory Administration (the “NFRA”), formerly known as China Banking Regulatory Commission (the “CBIRC”), with the license number 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 Industrial Bank Tower, 398 Middle Jiangbin Blvd., Taijiang District, Fuzhou, Fujian Province, the PRC. Lv Jiajin was delegated 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; other activities approved by the CBIRC; insurance and agency business; import and export of gold and its products; sales of public offering of fund; custody of securities investment funds.

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; asset management; information consulting service; software development services; information 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; data processing 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.

III. Statement of compliance with the CAS

The financial statements of the Bank have been prepared in accordance with CAS issued by the Ministry of Finance of the People's Republic of China, and present truly and completely, the consolidated and the Bank's financial position as of 31 December 2024, 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 issued by China Securities Regulatory Commission (CSRC) in 2023.

IV. Significant accounting policies and accounting estimates

The Group assesses the materiality of financial information from the perspectives of nature and amount of an item, depending on specific environment where it operates. When determining the materiality of nature of the item, the Group mainly considers whether the item is a daily activity in nature and whether it significantly affects the Group's financial position, financial performance and cash flows. When determining the materiality of amount of the item, the Group considers the proportion of the amount in that of a directly related item such as total assets, total liabilities, total owners' equity, total operating income, total operating costs, net profit and total comprehensive income, or the proportion of such amount in that of a separate item in the financial statements.

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 and these financial statements are presented in RMB, while its subsidiaries overseas choose their functional currency depending on the primary economic environment in which the subsidiaries operate and were translated into RMB according to the principles stated in Note IV, 6.

3. Accounting treatments for business combinations involving entities under common control and not under common control

A transaction constitutes a business combination when the Group obtains control of one or more entities (or a group of assets or net assets). Business combination is classified as either business combinations involving enterprises under common control or business combinations not involving enterprises under common control.

For a transaction not involving enterprises under common control, the acquirer determines whether the acquired set of assets constitutes a business. The Group may elect to apply the simplified assessment method, the concentration test, to determine whether an acquired set of assets is not a business. If the concentration test is met and the set of assets is determined not to be a business, no further assessment is needed. If the concentration test is not met, the Group shall perform the assessment according to the guidance on the determination of a business.

When the set of assets the Group acquired does not constitute a business, acquisition costs should be allocated to each identifiable asset and liability at their acquisition date fair values. It is not required to apply the accounting of business combination described as below.

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 in the capital reserve is insufficient to absorb the difference, surplus reserves and retained earnings are reduced sequentially.

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

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 was 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 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.

After considering the relevant deferred income tax effects, 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 from 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. Criteria of control and preparation of consolidated financial statements

4.1 General principals

The scope of consolidated financial statements is determined on the basis of control and the consolidated financial statements comprise the Bank and its subsidiaries (including structured entities controlled). 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 a reassessment.

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

Structured entities refer to the entities that voting rights or similar rights do not constitute decisive factors when recognising 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, funds, trust fund plans and fund management plans could be used as examples of structured entities.

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 current period attributable to the non-controlling shareholders of a subsidiary exceeds the non-controlling shareholders' share of the opening owners' equity of the subsidiary, the excess is still allocated against the non-controlling interests.

When the accounting period or accounting policies of a subsidiary are different from those of the Bank, the Bank makes necessary adjustments to the financial statements of the subsidiary based on the Bank's own accounting period or accounting policies.

Intra-group balances and transactions, and any unrealised profit or loss arising from intra-group transactions, are eliminated when preparing the consolidated financial statements. 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.

4.2 Subsidiaries acquired through a business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair value of the assets transferred by the Group, liabilities incurred or assumed by the Group, and any equity interests issued by the Group. Acquisition related costs are recognised in the consolidated statement of profit or loss as incurred.

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.

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).

4.3 Disposal of subsidiaries

When the Group loses control over a subsidiary, any resulting disposal gains or losses are recognised as investment income for the current period. The remaining equity interest is re-measured at its fair value at the date when control is lost, any resulting gains or losses are also recognised as investment income for the current period.

When the Group loses control of a subsidiary in multiple transactions in which it disposes of its long-term equity investment in the subsidiary in stages, If each of the multiple transactions does not form part of a bundled transaction, the transactions conducted before the loss of control of the subsidiary are accounted for in accordance with the accounting policy for partial disposal of equity investment in subsidiaries where control is retained (see Note IV, 4.4). If each of the multiple transactions forms part of a bundled transaction which eventually results in the loss of control in the subsidiary, these multiple transactions are accounted for as a single transaction. In the consolidated financial statements, the difference between the consideration received and the corresponding proportion of the subsidiary's net assets (calculated continuously from the acquisition date) in each transaction prior to the loss of control shall be recognised in other comprehensive income and transferred to profit or loss when the parent eventually loses control of the subsidiary.

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 is adjusted against retained earnings.

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

4.4 Changes in non-controlling interests

Where the Bank acquires a non-controlling interest from a subsidiary's non-controlling shareholders or disposes of a portion of an interest in a subsidiary without a change in control, the difference between the proportion interests of the subsidiary's net assets being acquired or disposed of and the amount of the consideration paid or received is adjusted to the capital reserve (share premium) in the consolidated balance sheet, with any excess adjusted sequentially to surplus reserves and retained earnings.

5. Recognition criteria of cash and cash equivalents

Cash comprises cash on hand and deposits of the Group 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 statements

Transactions in foreign currencies are translated into the respective functional currencies of account on initial recognition at the spot exchange rate on the date of the transaction. Monetary items denominated in foreign currencies are translated to RMB at the spot exchange rate at the balance sheet date. Monetary items that are denominated in foreign currencies and classified as financial assets at fair value while their changes are recognised in other comprehensive income, their foreign currency translation differences are broken down into translation differences arising from changes in amortised cost and translation differences arising from changes in the other carrying amounts of these items. Translation differences arising from changes in amortised cost are recognised in profit or loss for the current period, and those arising from changes in other carrying amounts are recognised in other comprehensive income. Exchange differences on other foreign currency monetary items are recognised in profit or loss for the current period.

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 are 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 the 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

A financial instrument is a contract that forms the financial assets of one party and forms the financial liabilities or equity instruments of the others.

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, share capital, preference Shares, perpetual bonds and convertible instruments etc..

7.1 Recognition and initial measurement of financial assets and financial liabilities

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 asset and financial liability are 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

(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.

(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 or other financial liabilities.

(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) Other financial liabilities

Financial liabilities measured at amortised cost are subsequently measured at amortised cost using the effective interest method. However, the transfer of financial assets does not meet the conditions for termination of recognition or continues to involve in the transfer of financial liabilities, financial guarantee contracts and loan commitments (see Note IV, 7.4) formed by the financial assets shall be excluded.

7.4 Financial guarantee contracts and loan commitments

(1) Financial guarantee contracts

Financial guarantee contracts 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.

Financial guarantee contracts are initially recognised at fair value on the date of the guarantee is provided. Subsequent to initial recognition, deferred income related to financial guarantee is amortised in profit or loss in accordance with the accounting policies set out in Note IV, 18. A financial guarantee liability is measured at the higher of the amount of the allowance for loss determined in accordance with impairment policies of financial instruments (see Note IV, 7.6); and the amount initially recognised less the cumulative amount of income.

(2) Loan commitments

Loan commitments are the commitments to extend credit under pre-defined terms and conditions.

The Group provides loan commitments that are assessed for impairment based on expected credit losses. The Group does not commit to extend loans at any below-market interest rates, make cash payments, or issue other financial instruments as a net settlement of loan commitments.

The provision for losses on loan commitments and financial guarantee contracts are stated in Provision by the Group.

7.5 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:

- the contractual rights to receive the cash flows from the financial asset expire; or
- the financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset; or
- 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.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset which has been transferred, but retains control, the Group continues to recognise the financial asset to the extent of its continuing involvement in the financial asset, and corresponding financial liability.

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.

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

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. 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 its involvement in the financial assets.

7.6 Impairment of financial assets

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

- Financial assets measured at amortised cost;
- Debt investments measured at FVOCI;
- Financial 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 Group's method of measuring expected credit losses of financial instruments reflects the following elements: (i) unbiased weighted average probability determined by the results of evaluating a range of possible outcomes; (ii) time value of money; (iii) reasonable and evidence-based information about past events, current conditions, and future economic forecasts that are available at no additional cost or effort at the end of the reporting period.

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 an allowance for loss 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.

7.7 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.

7.8 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

If the main contract included in the hybrid contract is an asset within the scope of the new financial instrument standard, the embedded derivative is no longer split from the main contract of the financial asset, but the hybrid financial instrument as a whole is related to the classification of the financial asset provision. Derivatives embedded in the hybrid contract in which the main contract included is not an asset within the scope of the new financial instrument standard should be split from the hybrid contract and treated as separate derivatives when their economic characteristics and risks are not closely related to those of the hybrid contract, they meet the definition of derivatives, and the hybrid instrument is not carried at FVTPL. These embedded derivatives are measured at fair value with the changes in fair value recognised in profit or loss.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to profit or loss.

7.9 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.

The Group assesses at the inception of a hedging relationship, and on an ongoing basis, whether the hedging relationship meets the hedge effectiveness requirements. A hedging relationship is regarded as having met the hedge effectiveness requirements if all of the following conditions are satisfied:

- There is an economic relationship between the hedged item and the hedging instrument.
- The effect of credit risk does not dominate the value changes that result from the economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of the hedged item.

The hedging relationship does not conform to the requirements of the hedging effectiveness due to hedging ratio, however, the risk management goal of existing hedging relationship has not changed. The Group performs the hedging relationship rebalancing and makes the adjustments to hedged items in the existing hedging relationship or the number of the hedging instruments, in order to make the hedging ratio conform to the requirements of the hedging effectiveness.

The Group discontinues applying hedge accounting in any of the following circumstances:

- The hedging relationship no longer meets the risk management objective on the basis of which it qualified for hedge accounting.
- The hedging instrument expires or is sold, terminated or exercised.
- There is no longer an economic relationship between the hedged item and the hedging instrument or the effect of credit risk starts to dominate the value changes that result from that economic relationship.
- The hedging relationship no longer meets other criteria for applying hedge accounting.

Fair value hedges

Fair value hedges are hedges of the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, or a portion of such an asset, liability or firm commitment.

Gains or losses arising from hedging instruments are recognised in current profit or loss. The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the recognised hedged item not measured at fair value and is recognised in profit or loss.

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. Equity instruments issued by the Group are recorded in shareholders' equity at the actual issue price, with related transaction costs deducted from shareholders' equity (capital reserve). If the capital reserve is insufficient to cover such costs, the excess is deducted from the surplus reserves and retained earnings in sequence. The repurchase of the Group's equity instruments, including related costs, reduces shareholders' equity. 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.

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 and perpetual bond

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.

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

7.12 Convertible instruments

Convertible instruments issued by the Group that can be converted to equity shares, where the number of shares to be issued and the value of consideration to be received at that time do not vary, are accounted for as compound financial instruments containing both liability and equity components.

The initial carrying amount of a compound financial instrument is allocated to its equity and liability components. The amount recognised in the equity is the difference between the fair value of the instrument as a whole and the separately determined fair value of the liability component (including the fair value of any embedded derivatives other than the equity component). Transaction costs that relate to the issuance of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

Subsequent to initial recognition, the liability component is measured at amortised cost using the effective interest method, unless it is designated upon recognition at fair value through profit or loss. The equity component is not re-measured.

If the convertible instrument is converted, the liability component, together with the equity component, is transferred to equity. If the convertible instrument is redeemed, the consideration paid for the redemption, together with the transaction costs that relate to the redemption, are allocated to the liability and equity components. The method used to allocate the consideration and transaction costs is the same as that used for issuance. After allocating the consideration and transaction costs, the difference between the allocated and carrying amounts is charged to profit and loss if it relates to the liability component or is directly recognised in equity if it relates to the equity component.

7.13 Measurement of fair value

Unless otherwise stated, the Group measures fair value as follows:

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

In estimating fair value, the Group considers the characteristics of the relevant asset or liability that market participants would take into account when pricing at the measurement date (including the condition and location of the asset, any restrictions on the sale or use of the asset, etc.), and applies valuation techniques that are appropriate under the current circumstances and supported by sufficient available data and other information. The valuation techniques primarily used include the market approach, income approach, and cost approach.

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.

9. Long-term equity investments

9.1 Determination of joint control or significant influence over investee

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 owners' 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 share premium. If the share premium in the capital reserve is insufficient to absorb the difference, the shortfall shall be sequentially offset against the surplus reserve and retained earnings. 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 ultimate controlling party, and adjust the share premium 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 share premium in the capital reserve is insufficient to absorb the difference, the shortfall shall be sequentially offset against the surplus reserve and retained earnings. 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 owners' 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 share premium. If the share premium in the capital reserve is insufficient to absorb the difference, the shortfall shall be sequentially offset against the surplus reserve and retained earnings.

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

(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 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.

(2) Long-term equity investment accounted for using the equity method

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

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

Under the equity method, the Group recognises investment income and other comprehensive income 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 recognised as capital reserve. The Group recognises 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 recognised based on the adjusted financial statements of the investee in accordance with the Group's accounting policies and accounting period. Unrealised profits or losses resulting from the Group's transactions with its associates and joint ventures are recognised as investment income or loss to the extent that those attributable to the Group's equity interest are eliminated. However, unrealised 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 recognised according to the expected obligation, and recorded as investment loss for the period. Where net profits are subsequently made by the investee, the Group resumes recognising its share of those profits only after its share of the profits exceeds the share of losses previously not recognised.

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 recognised 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 recognised 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 recognised 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.

The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use. The cost of self-constructed assets is measured in accordance with Construction in progress.

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 from 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%	Linear depreciation according to depreciation life
Office and machinery equipment	3 – 10 years	0% – 5%	9.50% – 33.33%
Transportation vehicles	5 – 8 years	0% – 3%	12.13% – 20.00%
Flight equipment	25 years or 20 years	5% or 15%	3.80% 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 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.

The carrying amount of a fixed asset is derecognised:

- on disposal; or
- when no future economic benefits are expected to be generated from its use or disposal.

Gains or losses arising from the retirement or disposal of an item of fixed assets are determined as the difference between the net disposal proceeds and the carrying amount of the item, and are recognised in profit or loss on the date of retirement or disposal.

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 recognised 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 recognised as an intangible asset. Expenses related to land use rights and construction costs from buildings such as self-built factories, etc. are recognised as intangible assets and fixed assets, respectively. In the case of purchased buildings, it allocates related costs between land use rights and buildings. If the related cost cannot be allocated reasonably, it is recognised as an fixed asset.

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.

The estimated useful lives, basis for determination and amortisation methods of intangible assets are as follows:

Item	Estimated useful life (years)	Basis for determination	Amortisation method
Land use rights	30 – 70 years	Statutory useful life	Straight-line method
System and software	5 years	Beneficial life	Straight-line method
Other intangible assets	2 – 50 years	Beneficial life	Straight-line method

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 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 amortisation 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, right-of-use assets, intangible assets with a finite useful life, goodwill, long-term prepaid expenses, and non-financial foreclosed assets 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 assets is based on an individual asset. If the recoverable amount is difficult to estimate, the amount should be estimated by the asset group which the asset belongs to. Recoverable amount is the higher of the two: net fair value of the assets or asset group after disposal expenses, or present value of the expected cash flow from the assets.

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

The goodwill should be tested for impairment at least at the end of each year with its related asset group or combination of asset groups. On the purchase date, the carrying amount of goodwill should be allocated reasonably to asset groups or combinations which can benefit from the synergy of the enterprise merger. If the recoverable amount of asset group or combinations of allocated goodwill is lower than its carrying amount, impairment loss should be recognised. The amount of impairment loss should offset the carrying value of the goodwill which is allocated to certain asset groups 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 asset 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 recognised.

14. Long-term prepaid expenses

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

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 recognises 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 recognised in the profit or loss for the period as well. Non-monetary benefits 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 recognised 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 arising from defined contribution pension plans as a liability as well as in profit or loss for the period.

For the defined benefit plan, the Group recognises obligations arising from such plan based on a formula under estimated cumulated welfare method in the period in which employees render service and 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 recognised as a net asset or liability of defined benefit plans. If there is a 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

The group provides termination benefits to employees shall recognise an employee benefits liability for termination benefits, with a corresponding charge to the profit or loss for the current period, at the earlier of the following dates: when the enterprise cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal. The Group has a detailed and formal restructuring plan involving the payment of termination benefits, and the plan has either commenced implementation or has been communicated to the affected parties, outlining the key elements of the plan, thereby creating a reasonable expectation among the parties that the Group will proceed with the restructuring.

16. Assets transferred under repurchase agreements

16.1 Financial assets purchased under resale agreements

The financial assets are not recognised in the statements of financial position if they are committed to being 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 recognised 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. 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. In determining the best estimate, the Group considers factors such as risks, uncertainties, and the time value of money associated related to the contingent matters. Where there is a continuous range of the expenditure required, and each possible outcome in that range is as likely as any other, the best estimate shall be the mid-point of that range.

In other cases, the best estimate shall be determined according to the following circumstances:

- Where the contingency involves a single item, the best estimate shall be the most likely outcome.
- Where the contingency involves a large population of items, the best estimate shall be determined by weighting all possible outcomes by their associated probabilities.

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. Income

18.1 Interest income

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.

18.2 Fee and commission income

Fees and commissions are recognised by providing various services to customers, which reflects the consideration amount expected to be entitled to receive for the service provided to customers, and the income is recognised when the performance obligations in the contract are fulfilled, i.e., when the customer obtains control of the service.

The Group will confirm the income according to the performance schedule within the time period when one of the following conditions is met:

- The customer obtains and consumes the economic benefits brought by the Group's performance while performing the contract;
- The customer can control the services performed during the performance of the Group;
- The services performed by the Group in the performance process are irreplaceable and the Group has the right to collect money for the cumulative performance part which has been completed so far throughout the contract period;

In other cases, the Group recognises revenue when customers obtain the relevant service control right.

18.3 Dividend Income

Dividend income from equity instruments is recognized in profit or loss when the Group's right to receive the dividends is established.

19. Expenses

19.1 Interest expense

The interest expense of the financial liability is calculated according to the amortised cost of the financial liability and the time occupied by the capital according to the effective interest rate method, and is recognised in the corresponding period.

19.2 Other expenses

Other expenses are recognised on an accrual basis.

20. Government grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration, excluding capital investment by the government as an investor. A government grant is recognised only when the Group can comply with the conditions attached 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 to the subjects required by the Government documents.

Government grants related to assets are grants whose primary condition is that the Group qualifying for them should purchase, construct or otherwise acquire long-term assets. Government grants related to income are grants other than those related to assets.

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 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 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 recognised, 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 recognised in profit or loss for the period; if there is no related deferred income, it is recognised immediately in profit or loss for the period.

21. Income tax

The income tax expenses include current income tax and deferred income tax. The Group recognizes current and deferred income taxes in profit or loss except for those arising from business combinations or transactions and events that are directly recognized in owners' equity (including other comprehensive income).

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 assets and deferred tax liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, which include the deductible losses and tax credits carried forward to subsequent periods. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is not recognised for temporary differences arising from the initial recognition of assets or liabilities in a single transaction that is not a business combination, affects neither accounting profit nor taxable profit (or deductible loss) and does not give rise to equal taxable and deductible temporary differences. Deferred tax is also not recognised for taxable temporary differences arising from the initial recognition of goodwill.

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, the Group measures the carrying amounts of deferred tax assets and liabilities based on the expected manner of recovery or settlement, in accordance with the applicable tax rates for the period in which the asset is expected to be recovered or the liability is expected to be settled, as prescribed by the enacted tax laws.

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 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 fees and commissions. The fiduciary activities and agent business are excluded from the financial statements.

23. Lease

A contract is a lease if the lessor conveys the right to control the use of an identified asset to lessee for a period of time in exchange for consideration.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset. An identified asset may be specified explicitly or implicitly specified in a contract and should be physically distinct, or capacity portion or other portion of an asset that is not physically distinct but it represents substantially all of the capacity of the asset and thereby provides the customer with the right to obtain substantially all of the economic benefits from the use of the asset. If the supplier has a substantive substitution right throughout the period of use, then the asset is not identified;

- the lessee has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use;
- the lessee has the right to direct the use of the asset.

For a contract that contains more separate lease components, the lessee and the lessor separate lease components and account for each lease component as a lease separately. For a contract that contains lease and non-lease components, the lessee and the lessor separate lease components from non-lease components. For a contract that contains lease and non-lease components, the lessee allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. On the contract inception date, the Lessor determines the stand-alone selling price of the lease and non-lease components underlying each performance obligation and allocates the transaction price in proportion to those stand-alone selling prices to recognise income.

(1) The Group as lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, any lease payments made at or before the commencement date (less any lease incentives received), any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is depreciated using the straight-line method. If the lessee is reasonably certain to exercise a purchase option by the end of the lease term, the right-of-use asset is depreciated over the remaining useful lives of the underlying asset. Otherwise, the right-of-use asset is depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Impairment losses of right-of-use assets are accounted for in accordance with the accounting policy described in Note IV, 13.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

A constant periodic rate is used to calculate the interest on the lease liability in each period during the lease term with a corresponding charge to profit or loss or included in the cost of assets where appropriate. Variable lease payments not included in the measurement of the lease liability are charged to profit or loss or included in the cost of assets where appropriate as incurred.

Under the following circumstances after the commencement date, the Group remeasures lease liabilities based on the present value of revised lease payments:

- there is a change in the amounts expected to be payable under a residual value guarantee;
- there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments;
- there is a change in the assessment of whether the Group will exercise a purchase, extension or termination option, or there is a change in the exercise of the extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets (A leased asset is valued at RMB40,000 or less individually when it is new). The Group recognises the lease payments associated with these leases in profit or loss or as the cost of the assets where appropriate using the straight-line method over the lease term.

(2) The Group as lessor

The Group determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset irrespective of whether the legal title to the asset is eventually transferred. An operating lease is a lease other than a finance lease.

When the Group is a sub-lessor, it assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies practical expedient described above, then it classifies the sub-lease as an operating lease.

Under a finance lease, at the commencement date, the Group recognises the finance lease receivable and derecognises the finance lease asset. The finance lease receivable is initially measured at an amount equal to the net investment in the lease. The net investment in the lease is measured at the aggregate of the unguaranteed residual value and the present value of the lease receivable that are not received at the commencement date, discounted using the interest rate implicit in the lease.

The Group recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return. The derecognition and impairment of the finance lease receivable are recognised in accordance with the accounting policy in Note IV, 7. Variable lease payments not included in the measurement of net investment in the lease are recognised as income as they are earned.

Lease receipts from operating leases are recognised as income using the straight-line method over the lease term. The initial direct costs incurred in respect of the operating lease are initially capitalised and subsequently amortised in profit or loss over the lease term on the same basis as the lease income. Variable lease payments not included in lease receipts are recognised as income as they are earned.

24. Foreclosed asset

Foreclosed assets refer to physical assets or property rights received by the Group as compensation from the debtor, guarantor, or a third party in the exercise of its creditor's rights or security interests in accordance with the law. For non-financial asset-type foreclosed assets acquired, the Group initially measures these assets at the fair value of the waived claim, including taxes and other costs directly attributable to the asset, and subsequently measures those at the lower of the carrying amount or net realizable value.

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 be 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 liabilities are expected to be disclosed in the notes only. If the situation changes, the contingent liabilities are recognised as provisions 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.

For segment reporting, inter segment revenues are measured on the basis of the actual transaction prices for such transactions, and segment accounting policies are consistent with those used to prepare the consolidated financial statements.

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.

29.1 Significant accounting estimates

In addition to the accounting estimates related to the depreciation and amortisation 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, 8, 9, 10, 11, 12, 13 and 15), other major accounting estimates are as follows:

- (1) Note VII, 14 – Recognition of deferred tax assets;
- (2) Note VII, 44 – Post-employment benefits – defined benefit plans; and
- (3) 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:

- (1) Note IV, 7 – Classification of financial investment;
- (2) Note IV, 4 and 9 – Significant judgments and assumptions on control, joint control or significant impact on other entities;
- (3) Note VII, 24 and 28 – Other financial instruments are classified as financial liabilities or equity instruments; and
- (4) Note VII, 45 – Judgement of consolidated structured entities.

30. Changes in significant accounting policies

In 2024, the Group adopted standards and guidelines recently released by the MOF, which include:

- CAS Bulletin No.17 (Caikuai [2023] No.21);
- CAS Bulletin No.18 (Caikuai [2024] No.24).

The application of the above provisions does not have a significant impact on the Group's financial position and operating results.

V. Taxation

1. Corporate income tax

According to the Corporate Income Tax Law of the People's Republic of China, the income tax of the Bank is 25% (2023: 25%). The Bank's subsidiaries are calculated and settled at the tax rate in accordance with the tax rate applicable in the relevant territory.

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 Corporate income tax are calculated in accordance with the relevant regulations. Corporate 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 are 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	Total shareholding (%) (or similar equity interest)	
				31 December 2024	31 December 2023
In millions of RMB					
Industrial Bank Financial Leasing Co., Ltd.	Tianjin	Financial leasing	9,000	100	100
China Industrial International Trust Limited	Fuzhou	Trust	10,000	73	73
Fund Management Co., Ltd.	Fuzhou	Fund management	1,200	90	90
Industrial Consumer Finance Co., Ltd.	Quanzhou	Consumer finance	5,320	66	66
CIB Wealth Management Co., Ltd.	Fuzhou	Wealth management	5,000	100	100
CIIT Asset Management Co., Ltd.	Shanghai	Assets management	3,400	Note (1)	Note (1)
China Industrial Asset Management Co., Ltd.	Fuzhou	Assets management	1,950	Note (2)	Note (2)
Industrial Future Co., Ltd.	Ningbo	Futures brokerage	500	Note (3)	Note (3)
CIB Economic Research and Consulting Co., Ltd.	Shanghai	Research & Advisory	60	Note (4)	Note (4)
CIB Fintech (Shanghai) Co., Ltd.	Shanghai	Software development	255	Note (5)	Note (5)
Industrial Inclusive Technology (Fujian) Co., Ltd.	Fuzhou	Software development	100	Note (6)	Note (6)

(1) CIIT Asset Management Co., Ltd. is a wholly-owned subsidiary of China Industrial International Trust Limited, a holding subsidiary of the Bank.

(2) China Industrial Asset Management Co., Ltd. is a wholly-owned subsidiary of CIIT Asset Management Co., Ltd..

(3) Industrial Future Co., Ltd. is a wholly-owned subsidiary of China Industrial International Trust Limited, a holding subsidiary of the Bank.

(4) CIB Economic Research and Consulting Co., Ltd. is a subsidiary of CIIT Asset Management Co., Ltd..

(5) CIB Fintech (Shanghai) Co., Ltd. is a subsidiary of CIIT Asset Management Co., Ltd..

(6) Industrial Inclusive Technology (Fujian) Co., Ltd. is a wholly-owned subsidiary of CIB Fintech (Shanghai) Co., Ltd..

2. Refer to Note VII, 45 for the information of consolidated structure entities included in the consolidation scope.

VII. Notes to items in the financial statements

1. Cash and balances with Central Bank

	Note	The Group		The Bank	
		2024	2023	2024	2023
Cash on hand		4,919	5,722	4,880	5,679
Mandatory reserves with Central Bank	(1)	318,903	357,075	318,900	357,073
Excess reserves with Central Bank	(2)	65,268	54,137	65,267	54,136
Other deposits with Central Bank	(3)	5,693	1,456	5,693	1,456
Interest accrued		157	179	157	179
Total		394,940	418,569	394,897	418,523

- (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 organisations deposit, non-financial-budget deposit, individual deposit, enterprise deposit, net trust funds and other deposits. As at 31 December 2024, the ratio of the Bank's RMB deposit reserves is 6% (31 December 2023: 7%), and the ratio of foreign deposit reserves is 4% (31 December 2023: 4%). According to related regulations from the PBOC, foreign deposit reserves are non-interest bearing. The Group's subsidiaries' RMB reserve deposit ratio is in accordance with regulations of PBOC. Deposit ratio of statutory reserve in Hong Kong branch is in accordance with regulations from local regulators.
- (2) 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	
	2024	2023	2024	2023
Banks operating in Mainland China	76,983	154,361	68,320	148,247
Other financial institutions operating in Mainland China	16,769	11,898	16,633	11,640
Banks operating outside Mainland China	13,087	19,504	13,075	19,504
Other financial institutions operating outside Mainland China	312	56	312	56
Interest accrued	80	156	33	133
Subtotal	107,231	185,975	98,373	179,580
Less: allowance for impairment losses	(114)	(69)	(112)	(68)
Net value	107,117	185,906	98,261	179,512

3. Placements with banks and other financial institutions

	The Group		The Bank	
	2024	2023	2024	2023
Banks operating in Mainland China	15,447	8,568	15,067	8,568
Other financial institutions operating in Mainland China	298,620	295,125	316,120	313,475
Banks operating outside Mainland China	62,487	57,987	62,487	57,987
Subtotal	376,554	361,680	393,674	380,030
Less: allowance for impairment losses	(366)	(383)	(366)	(383)
Net value	376,188	361,297	393,308	379,647
Designated at fair value through profit or loss (related to gold leasing business):				
Banks operating in Chinese Mainland	–	241	–	241
Subtotal	–	241	–	241
Interest accrued	1,560	1,634	1,570	1,775
Total	377,748	363,172	394,878	381,663

4. Derivative financial instruments

The Group enters into derivative financial instruments related to foreign currency exchange rate, interest rate, precious metals and credit rating or index 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:

	Notional amount	The Group	
		2024	
		Fair value	
		Assets	Liabilities
Exchange rate derivatives	3,488,489	27,090	(28,331)
Interest rate derivatives	9,105,671	39,937	(44,732)
Precious metal derivatives	156,865	3,467	(1,811)
Credit derivatives and others	6,502	30	(16)
Total	12,757,527	70,524	(74,890)

	Notional amount	2023	
		Fair value	
		Assets	Liabilities
Exchange rate derivatives	2,764,005	23,854	(24,586)
Interest rate derivatives	5,534,689	16,092	(17,746)
Precious metal derivatives	125,459	3,704	(927)
Credit derivatives and others	4,922	29	(20)
Total	8,429,075	43,679	(43,279)

	Notional amount	The Bank	
		2024	
		Fair value	
		Assets	Liabilities
Exchange rate derivatives	3,488,489	27,090	(28,331)
Interest rate derivatives	9,105,671	39,937	(44,732)
Precious metal derivatives	156,865	3,467	(1,811)
Credit derivatives and others	5,112	14	(16)
Total	12,756,137	70,508	(74,890)

	Notional amount	2023	
		Fair value	
		Assets	Liabilities
Exchange rate derivatives	2,764,005	23,854	(24,586)
Interest rate derivatives	5,534,689	16,092	(17,746)
Precious metal derivatives	125,459	3,704	(927)
Credit derivatives and others	4,760	25	(18)
Total	8,428,913	43,675	(43,277)

Fair value hedge

The Group uses fair value hedges to hedge the influences of changes in fair value of financial assets and trading spots caused by the changes of market interest rate and market value. For interest rate risk of financial assets, the Group adopts interest rate swaps as hedging instruments. For pricing risk of trading spots, the Group adopts future contracts as hedging instruments. Included in the aforesaid derivative financial instruments, the hedging instruments designated by the Group and the Bank are as follows:

	Note	Notional amount	The Group	
			2024	
			Fair value	
			Assets	Liabilities
Derivatives designated as fair value hedging instruments:				
Interest rate derivatives – Interest rate swaps		28,599	404	(275)
Commodity derivatives – Future contracts	(i)	334	–	–
Total		28,933	404	(275)

	Note	Notional amount	2023	
			Fair value	
			Assets	Liabilities
Derivatives designated as fair value hedging instruments:				
Interest rate derivatives – Interest rate swaps		26,188	523	(122)
Commodity derivatives – Future contracts	(i)	161	–	–
Total		26,349	523	(122)

(i) Industrial Future Co., Ltd., a subsidiary of the Group, uses commodity derivatives to hedge the fair value changes caused by market price changes of trading spots held. The commodity derivatives are settled daily without liability and have a fair value of 0 on the balance sheet date.

	Notional amount	The Bank	
		2024	
		Fair value	
		Assets	Liabilities
Derivatives designated as fair value hedging instruments:			
Interest rate derivatives – Interest rate swaps	28,599	404	(275)

	Notional amount	2023	
		Fair value	
		Assets	Liabilities
Derivatives designated as fair value hedging instruments:			
Interest rate derivatives – Interest rate swaps	26,188	523	(122)

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		
	2024	2023
Net (loss) gain from fair value hedge:		
Hedging instruments	(268)	(351)
Hedged item attributable to the hedged risk	283	432
	15	81

The Bank		
	2024	2023
Net (loss) gain from fair value hedge:		
Hedging instruments	(272)	(357)
Hedged item attributable to the hedged risk	286	419
	14	62

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

The Group					
2024					
	Carrying amount of hedged items		Total amount of fair value adjustment of hedged items		Balance sheet items
	Assets	Liabilities	Assets	Liabilities	
Bonds	28,615	–	(12)	–	Other debt investments
Others	323	–	(9)	–	Other Assets
Total	28,938	–	(21)	–	

2023					
	Carrying amount of hedged items		Total amount of fair value adjustment of hedged items		Balance sheet items
	Assets	Liabilities	Assets	Liabilities	
Bonds	25,452	–	(298)	–	Other debt investments
Others	164	–	(6)	–	Other Assets
Total	25,616	–	(304)	–	

		The Bank			
		2024			
	Carrying amount of hedged items		Total amount of fair value adjustment of hedged items		Balance sheet items
	Assets	Liabilities	Assets	Liabilities	
Bonds	28,615	–	(12)	–	Other debt investments

	2023				
	Carrying amount of hedged items		Total amount of fair value adjustment of hedged items		Balance sheet items
	Assets	Liabilities	Assets	Liabilities	
Bonds	25,452	–	(298)	–	Other debt investments

5. Financial assets purchased under resale agreements

	The Group		The Bank	
	2024	2023	2024	2023
Bonds	177,472	199,953	172,115	199,036
Interest accrued	79	195	79	195
Subtotal	177,551	200,148	172,194	199,231
Less: allowance for impairment losses	(33)	(83)	(33)	(83)
Total	177,518	200,065	172,161	199,148

6. Loans and advances to customers

6.1 Analysis of loans and advances to customers by person and corporate:

	The Group		The Bank	
	2024	2023	2024	2023
Measured at amortised cost:				
Personal loans and advances				
Residential and business mortgage loans	1,086,251	1,075,915	1,086,251	1,075,915
Credit cards	371,656	401,633	371,656	401,633
Others	533,193	498,824	451,256	412,413
Subtotal	1,991,100	1,976,372	1,909,163	1,889,961
Corporate loans and advances				
Loans and advances	3,422,398	3,154,340	3,424,914	3,157,547
Subtotal	3,422,398	3,154,340	3,424,914	3,157,547
Less: allowance for impairment losses on loans and advances to customers measured at amortised cost	(145,633)	(142,564)	(137,682)	(136,031)
Carrying amount of loans and advances to customers measured at amortised cost	5,267,865	4,988,148	5,196,395	4,911,477
Fair value through other comprehensive income:				
Corporate loans and advances				
Discounted bills	303,534	319,749	303,534	319,749
Subtotal	303,534	319,749	303,534	319,749
Fair value through profit or loss:				
Corporate loans and advances				
Loans and advances	19,578	10,474	19,578	10,474
Subtotal	19,578	10,474	19,578	10,474
Interest accrued	17,882	15,112	17,013	14,303
Net balance	5,608,859	5,333,483	5,536,520	5,256,003

As at 31 December 2024, the Group and Bank's allowance for impairment losses on loans and advances to customers measured at fair value through other comprehensive income was RMB550 million (As at 31 December 2023: RMB862 million).

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

	The Group				The Bank			
	2024		2023		2024		2023	
	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)
Manufacturing	759,709	13.24	728,257	13.34	759,709	13.43	728,257	13.54
Leasing and commercial services	702,301	12.24	633,435	11.60	702,301	12.41	633,435	11.78
Real estate	474,075	8.26	437,450	8.01	473,613	8.37	437,450	8.13
Retail and wholesale	277,852	4.84	283,379	5.18	276,841	4.89	281,595	5.23
Water, environment and public facilities administration	299,715	5.22	278,973	5.11	299,715	5.30	278,973	5.19
Production and supply of power, gas and water	212,228	3.70	185,630	3.40	212,228	3.75	185,630	3.45
Transport, logistics and postal service	180,426	3.15	175,265	3.21	180,426	3.19	175,265	3.26
Construction	176,234	3.07	167,254	3.06	176,234	3.11	167,254	3.11
Extractive industry	106,883	1.86	76,574	1.40	106,883	1.89	76,574	1.42
Financial industry	57,459	1.00	43,269	0.79	61,448	1.09	48,260	0.90
Other corporate industries	195,094	3.42	155,328	2.85	195,094	3.45	155,328	2.90
Subtotal	3,441,976	60.00	3,164,814	57.95	3,444,492	60.88	3,168,021	58.91
Personal loans	1,991,100	34.71	1,976,372	36.19	1,909,163	33.75	1,889,961	35.14
Discounted bills	303,534	5.29	319,749	5.86	303,534	5.37	319,749	5.95
Gross loans and advances	5,736,610	100.00	5,460,935	100.00	5,657,189	100.00	5,377,731	100.00
Less: allowance for impairment losses	(145,633)		(142,564)		(137,682)		(136,031)	
Loans and advances to customers (interest accrued excluded)	5,590,977		5,318,371		5,519,507		5,241,700	

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

	The Group				The Bank			
	2024		2023		2024		2023	
	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)
Head office (Note 1)	593,387	10.34	600,504	11.00	593,387	10.49	600,504	11.17
Guangdong	656,792	11.45	655,841	12.01	652,496	11.53	650,990	12.11
Fujian	592,863	10.34	572,595	10.50	589,543	10.42	568,738	10.58
Jiangsu	542,036	9.45	531,193	9.73	534,911	9.46	522,500	9.72
Zhejiang	555,474	9.68	501,544	9.18	551,803	9.75	497,451	9.25
Shanghai	298,263	5.20	274,363	5.02	260,707	4.61	239,742	4.46
Beijing	270,804	4.72	242,149	4.43	269,333	4.76	240,291	4.47
Others (Note 2)	2,226,991	38.82	2,082,746	38.13	2,205,009	38.98	2,057,515	38.24
Gross loans and advances	5,736,610	100.00	5,460,935	100.00	5,657,189	100.00	5,377,731	100.00
Less: allowance for impairment losses	(145,633)		(142,564)		(137,682)		(136,031)	
Loans and advances to customers (interest accrued excluded)	5,590,977		5,318,371		5,519,507		5,241,700	

Note 1: Head office contains the head office and the operating divisions of the head office.

Note 2: As at 31 December 2024, the Bank has 45 tier 1 branches, apart from the tier-1 branches mentioned in the above areas, the rest is categorised into "Others". Loans and advances originated by the Bank and the subsidiaries are presented by geographical distribution.

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

	The Group		The Bank	
	2024	2023	2024	2023
Unsecured loans	1,522,520	1,469,326	1,444,111	1,387,907
Guaranteed loans	1,539,069	1,341,021	1,539,069	1,340,993
Collateralised loans	2,371,487	2,330,839	2,370,475	2,329,082
– Secured by mortgage	2,013,900	1,930,799	2,012,888	1,929,042
– Secured by collaterals	357,587	400,040	357,587	400,040
Discounted bills	303,534	319,749	303,534	319,749
Gross loans and advances	5,736,610	5,460,935	5,657,189	5,377,731
Less: allowance for impairment losses	(145,633)	(142,564)	(137,682)	(136,031)
Loans and advances to customers (interest accrued excluded)	5,590,977	5,318,371	5,519,507	5,241,700

6.5 Overdue loans (interest accrued excluded):

	The Group									
	2024					2023				
	1 – 90 days (including 90 days)	91 – 360 days (including 360 days)	361 days to 3 years (including 3 years)	Over 3 years	Total	1 – 90 days (including 90 days)	91 – 360 days (including 360 days)	361 days to 3 years (including 3 years)	Over 3 years	Total
Unsecured loans	17,282	15,241	3,395	454	36,372	14,688	15,716	4,042	425	34,871
Guaranteed loans	4,229	8,119	4,745	337	17,430	5,825	1,863	3,159	500	11,347
Collateralised loans	17,515	12,492	5,674	1,747	37,428	13,822	7,590	5,713	940	28,065
– Secured by mortgage	17,230	11,716	4,413	1,681	35,040	12,495	6,964	5,340	871	25,670
– Secured by collaterals	285	776	1,261	66	2,388	1,327	626	373	69	2,395
Total	39,026	35,852	13,814	2,538	91,230	34,335	25,169	12,914	1,865	74,283

	The Bank									
	2024					2023				
	1 – 90 days (including 90 days)	91 – 360 days (including 360 days)	361 days to 3 years (including 3 years)	Over 3 years	Total	1 – 90 days (including 90 days)	91 – 360 days (including 360 days)	361 days to 3 years (including 3 years)	Over 3 years	Total
Unsecured loans	14,828	12,888	3,370	454	31,540	13,132	13,863	4,039	425	31,459
Guaranteed loans	4,229	8,119	4,745	337	17,430	5,825	1,863	3,159	500	11,347
Collateralised loans	17,515	12,492	5,674	1,747	37,428	13,822	7,590	5,713	940	28,065
– Secured by mortgage	17,230	11,716	4,413	1,681	35,040	12,495	6,964	5,340	871	25,670
– Secured by collaterals	285	776	1,261	66	2,388	1,327	626	373	69	2,395
Total	36,572	33,499	13,789	2,538	86,398	32,779	23,316	12,911	1,865	70,871

The loan will be categorised into overdue when principal or interest is overdue for one day.

6.6 Allowance for loan impairment

As at 31 December 2024, changes in allowance for impairment losses on loans and advances to customers are as follows:

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

	The Group			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2024	64,571	27,241	50,752	142,564
Transfer:				
– to stage 1	6,061	(5,447)	(614)	–
– to stage 2	(4,592)	4,941	(349)	–
– to stage 3	(1,488)	(7,664)	9,152	–
(Reversal) charge for the year	(2,478)	13,452	40,951	51,925
Write-offs and transfer out	–	–	(59,932)	(59,932)
Recoveries of amounts previously written off	–	–	12,726	12,726
Exchange difference and other movements	–	–	(1,650)	(1,650)
31 December 2024	62,074	32,523	51,036	145,633

	The Group			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2023	56,872	16,918	52,293	126,083
Transfer:				
– to stage 1	3,080	(1,957)	(1,123)	–
– to stage 2	(5,524)	10,215	(4,691)	–
– to stage 3	(1,549)	(7,277)	8,826	–
Charge for the year	11,692	9,342	47,958	68,992
Write-offs and transfer out	–	–	(63,383)	(63,383)
Recoveries of amounts previously written off	–	–	11,795	11,795
Exchange difference and other movements	–	–	(923)	(923)
31 December 2023	64,571	27,241	50,752	142,564

	The Bank			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2024	61,933	26,116	47,982	136,031
Transfer:				
– to stage 1	6,023	(5,419)	(604)	–
– to stage 2	(4,451)	4,792	(341)	–
– to stage 3	(1,330)	(7,606)	8,936	–
(Reversal) charge for the year	(2,938)	12,100	35,419	44,581
Write-offs and transfer out	–	–	(52,792)	(52,792)
Recoveries of amounts previously written off	–	–	11,380	11,380
Exchange difference and other movements	–	–	(1,518)	(1,518)
31 December 2024	59,237	29,983	48,462	137,682

	The Bank			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2023	54,647	16,368	49,966	120,981
Transfer:				
– to stage 1	3,001	(1,933)	(1,068)	–
– to stage 2	(5,460)	10,140	(4,680)	–
– to stage 3	(1,473)	(7,249)	8,722	–
Charge for the year	11,218	8,790	42,520	62,528
Write-offs and transfer out	–	–	(57,655)	(57,655)
Recoveries of amounts previously written off	–	–	11,048	11,048
Exchange difference and other movements	–	–	(871)	(871)
31 December 2023	61,933	26,116	47,982	136,031

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

	The Group and the Bank			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2024	852	–	10	862
Transfer:				
– to stage 1	–	–	–	–
– to stage 2	–	–	–	–
– to stage 3	–	–	–	–
Reversal for the year	(302)	–	(10)	(312)
Write-offs and transfer out	–	–	–	–
Recoveries of amounts previously written off	–	–	–	–
Exchange difference and other movements	–	–	–	–
31 December 2024	550	–	–	550

	The Group and the Bank			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2023	2,682	–	69	2,751
Transfer:				
– to stage 1	–	–	–	–
– to stage 2	–	–	–	–
– to stage 3	–	–	–	–
Reversal for the year	(1,830)	–	(59)	(1,889)
Write-offs and transfer out	–	–	–	–
Recoveries of amounts previously written off	–	–	–	–
Exchange difference and other movements	–	–	–	–
31 December 2023	852	–	10	862

7. Financial investments

	Note	The Group		The Bank	
		2024	2023	2024	2023
Trading assets	7.1	923,189	957,708	939,207	894,921
Debt investments	7.2	1,896,064	1,801,346	1,783,582	1,791,706
Other debt investments	7.3	630,916	572,585	625,335	568,979
Other equity investments	7.4	4,011	3,836	3,307	3,255
Total		3,454,180	3,335,475	3,351,431	3,258,861

7.1 Trading assets

	The Group		The Bank	
	2024	2023	2024	2023
Fund Investments	572,312	596,182	610,415	639,021
Interbank certificates of deposit	93,882	25,579	85,870	24,257
Corporate Bonds	75,005	72,435	28,752	36,827
Bonds issued by banks and other financial institutions	58,182	31,742	28,203	9,039
Trust and other beneficial rights	53,654	128,013	143,789	116,100
– Bonds	38,642	117,643	143,142	114,587
– Credit assets	3,759	3,918	646	1,080
– Others	11,253	6,452	1	433
Government bonds	29,013	48,253	26,661	45,224
The Center Bank bills and policy bank financial bonds	16,823	29,831	11,435	20,468
Equity investments	14,166	14,944	2,481	1,516
Wealth management plans	5,528	5,126	1,561	2,469
Other investments	4,624	5,603	40	–
Total	923,189	957,708	939,207	894,921

7.2 Debt investments

	Note	The Group		The Bank	
		2024	2023	2024	2023
Government bonds		1,016,046	1,011,961	1,008,001	1,005,298
The Central Bank bills and policy bank financial bonds		108,224	5,656	9,865	5,656
Bonds issued by banks and other financial institutions		88,569	59,416	88,638	59,686
Interbank certificates of deposit		11,196	32,771	11,196	32,771
Corporate bonds and asset-backed securities		226,734	212,548	227,477	213,378
Trust beneficiary rights and asset management plans		471,253	501,896	460,491	494,169
– Credit assets		370,576	350,492	369,190	349,473
– Debt securities		71,628	119,611	71,367	119,475
– Others		29,049	31,793	19,934	25,221
Interest accrued		15,284	17,686	15,131	17,606
Subtotal		1,937,306	1,841,934	1,820,799	1,828,564
Less: allowance for impairment losses	(1)	(41,242)	(40,588)	(37,217)	(36,858)
Net value		1,896,064	1,801,346	1,783,582	1,791,706

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

	The Group			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2024	3,799	5,600	31,189	40,588
Transfer:				
– to stage 1	372	(372)	–	–
– to stage 2	(123)	357	(234)	–
– to stage 3	(152)	(3,021)	3,173	–
(Reversal) charge for the year	(382)	(576)	8,800	7,842
Write-offs and transfer out	–	–	(8,431)	(8,431)
Exchange difference and other movements	304	–	939	1,243
31 December 2024	3,818	1,988	35,436	41,242

	The Group			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2023	5,342	7,988	32,116	45,446
Transfer:				
– to stage 1	240	(240)	–	–
– to stage 2	(82)	4,029	(3,947)	–
– to stage 3	(60)	(1,108)	1,168	–
(Reversal) charge for the year	(2,207)	(5,069)	1,692	(5,584)
Write-offs and transfer out	–	–	(1,255)	(1,255)
Exchange difference and other movements	566	–	1,415	1,981
31 December 2023	3,799	5,600	31,189	40,588

	The Bank			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2024	3,780	5,576	27,502	36,858
Transfer:				
– to stage 1	372	(372)	–	–
– to stage 2	(123)	357	(234)	–
– to stage 3	(152)	(3,021)	3,173	–
(Reversal) charge for the year	(392)	(574)	8,904	7,938
Write-offs and transfer out	–	–	(8,195)	(8,195)
Exchange difference and other movements	304	–	312	616
31 December 2024	3,789	1,966	31,462	37,217

	The Bank			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2023	5,333	7,988	29,568	42,889
Transfer:				
– to stage 1	240	(240)	–	–
– to stage 2	(82)	4,029	(3,947)	–
– to stage 3	(60)	(1,108)	1,168	–
(Reversal) charge for the year	(2,217)	(5,093)	932	(6,378)
Write-offs and transfer out	–	–	(1,250)	(1,250)
Exchange difference and other movements	566	–	1,031	1,597
31 December 2023	3,780	5,576	27,502	36,858

7.3 Other debt investments

	The Group		The Bank	
	2024	2023	2024	2023
Debt investments:				
Government bonds	156,563	213,998	151,207	210,276
The Central Bank bills and policy bank financial bonds	21,855	14,220	19,627	14,220
Bonds issued by banks and other financial institutions	112,138	110,450	112,401	110,450
Interbank certificates of deposit	111,132	52,533	111,132	52,533
Corporate bonds and asset-backed securities	222,894	175,628	225,012	176,138
Trust beneficiary rights and asset management plans	335	506	–	173
Interest accrued	5,999	5,250	5,956	5,189
Total	630,916	572,585	625,335	568,979

(1) Changes in fair value

Note	The Group		The Bank	
	2024	2023	2024	2023
Initial recognition cost	626,796	574,970	621,182	571,329
Fair value	630,916	572,585	625,335	568,979
Accumulated amount recognised in other comprehensive income	4,132	(2,087)	4,165	(2,052)
Accumulated amount recognised in profit or loss (i)	(12)	(298)	(12)	(298)

(i) The Bank 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			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2024	500	917	790	2,207
Transfer:				
– to stage 1	–	–	–	–
– to stage 2	(7)	7	–	–
– to stage 3	–	(873)	873	–
Charge (reversal) for the year	480	(19)	410	871
Write-offs and transfer out	–	–	(454)	(454)
Exchange difference and other movements	(5)	–	101	96
31 December 2024	968	32	1,720	2,720

	The Group			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2023	1,296	348	509	2,153
Transfer:				
– to stage 1	–	–	–	–
– to stage 2	(347)	347	–	–
– to stage 3	–	(174)	174	–
(Reversal) charge for the year	(493)	396	884	787
Write-offs and transfer out	–	–	(777)	(777)
Exchange difference and other movements	44	–	–	44
31 December 2023	500	917	790	2,207

	The Bank			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2024	496	917	770	2,183
Transfer:				
– to stage 1	–	–	–	–
– to stage 2	(7)	7	–	–
– to stage 3	–	(873)	873	–
Charge (reversal) for the year	480	(19)	410	871
Write-offs and transfer out	–	–	(454)	(454)
Exchange difference and other movements	(5)	–	101	96
31 December 2024	964	32	1,700	2,696

	The Bank			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2023	1,296	348	399	2,043
Transfer:				
– to stage 1	–	–	–	–
– to stage 2	(347)	347	–	–
– to stage 3	–	(174)	174	–
(Reversal) charge for the year	(497)	396	884	783
Write-offs and transfer out	–	–	(687)	(687)
Exchange difference and other movements	44	–	–	44
31 December 2023	496	917	770	2,183

7.4 Other equity investments

	The Group		The Bank	
	2024	2023	2024	2023
Designated at fair value through other comprehensive income	4,011	3,836	3,307	3,255

The Group designates non-trading equity investments as financial assets at fair value through other comprehensive income. As at 31 December 2024, the fair value of the equity investments is RMB4,011 million (31 December 2023: RMB3,836 million). During the reporting period, dividend income of RMB36.59 million (2023: RMB37.49 million) recognised for such equity investments was included in the profit or loss.

Related analyses of other equity investments are as follows:

	The Group		The Bank	
	2024	2023	2024	2023
Initial recognition cost	4,098	4,098	3,517	3,517
Fair value	4,011	3,836	3,307	3,255
Accumulated amount recognised in other comprehensive income	(87)	(262)	(210)	(262)

8. Finance lease receivables

Presented by nature:

	Note	The Group	
		2024	2023
Finance lease receivables		133,587	133,132
Less: unrealised financing income		(14,678)	(14,091)
Present value of minimum finance lease receivables		118,909	119,041
Less: allowance for impairment losses	(1)	(3,996)	(4,364)
Net value		114,913	114,677

Finance lease receivables Listed as follows:

	Note	The Group	
		2024	2023
Within 1 year		51,579	49,299
1 to 2 years		33,977	37,270
2 to 3 years		17,531	19,159
3 to 5 years		16,327	17,087
Over 5 years		12,983	8,879
Undated*		1,190	1,438
Minimum lease receipts in total		133,587	133,132
Unrealised financing income		(14,678)	(14,091)
Present value of minimum finance lease receivables		118,909	119,041
Less: allowance for impairment losses	(1)	(3,996)	(4,364)
Net value		114,913	114,677

* Undated refers to finance lease receivables which are overdue.

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

	The Group			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2024	1,097	238	3,029	4,364
Transfer:				
– to stage 1	13	–	(13)	–
– to stage 2	(40)	40	–	–
– to stage 3	(897)	(36)	933	–
Charge (reversal) for the year	1,100	(49)	(1,290)	(239)
Write-offs and transfer out	–	–	(290)	(290)
Exchange difference and other movements	–	–	161	161
31 December 2024	1,273	193	2,530	3,996

	The Group			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2023	1,269	225	3,155	4,649
Transfer:				
– to stage 1	–	–	–	–
– to stage 2	–	215	(215)	–
– to stage 3	(241)	(204)	445	–
Charge (reversal) for the year	69	2	(383)	(312)
Write-offs and transfer out	–	–	(60)	(60)
Exchange difference and other movements	–	–	87	87
31 December 2023	1,097	238	3,029	4,364

9. Long-term equity investments

The Group										Explanation of inconsistency between the proportion of equity interest and the proportion of voting power in the investee
Investee	Accounting method	1 January 2024	Investment income recognised under the equity method	Cash dividends for this year	Changes for the period	Provisions	31 December 2024	Proportion of equity interest (%)	Proportion of voting power in the investee (%)	
Bank of Jiujiang (1)	Equity method	3,397	66	(18)	-	-	3,445	10.34	10.34	N/A
Others	Equity method	475	85	(88)	-	-	472			N/A
Total		3,872	151	(106)	-	-	3,917			

Long-term equity investments by equity method: Investee	The Bank							Explanation of inconsistency between the proportion of equity interest and the proportion of voting power in the investee	
	Accounting method	1 January 2024	Investment income recognised under the equity method	Cash dividends for this year	Changes for the period	Provisions	31 December 2024		Proportion of equity interest (%)
Bank of Jiujiang (1)	Equity method	3,397	66	(18)	-	-	3,445	10.34	10.34
									N/A

10. Fixed assets

	The Group					Total
	Buildings	Fixed assets improvement	Office and machinery equipment	Transportation vehicles	Flight equipment	
Cost						
At 1 January 2024	24,669	1,268	13,418	414	6,859	46,628
Purchase	65	7	2,238	48	826	3,184
Transfers from constructions in progress	702	34	–	–	–	736
Sales/disposals	(94)	(24)	(379)	(64)	(725)	(1,286)
At 31 December 2024	25,342	1,285	15,277	398	6,960	49,262
Accumulated depreciation						
At 1 January 2024	(6,435)	(685)	(8,153)	(297)	(1,788)	(17,358)
Charge for the year	(878)	(48)	(1,782)	(35)	(510)	(3,253)
Sales/disposals	35	24	337	47	184	627
At 31 December 2024	(7,278)	(709)	(9,598)	(285)	(2,114)	(19,984)
Allowance for impairment losses						
At 1 January 2024	(3)	–	–	–	(400)	(403)
Charge for the year	–	–	–	–	(6)	(6)
At 31 December 2024	(3)	–	–	–	(406)	(409)
Net carrying amount						
At 1 January 2024	18,231	583	5,265	117	4,671	28,867
At 31 December 2024	18,061	576	5,679	113	4,440	28,869

As at 31 December 2024, the cost of flight equipment leased out under operating lease business by the Group's subsidiary Industrial Bank Financial Leasing Co., Ltd. was RMB6,960 million (31 December 2023: RMB6,859 million).

As at 31 December 2024, buildings with cost RMB368 million were in use but the legal ownership registrations were still in process (31 December 2023: RMB758 million).

	Buildings	Fixed assets improvement	The Bank Office and machinery equipment	Transportation vehicles	Total
Cost					
At 1 January 2024	24,204	1,218	11,953	380	37,755
Purchase	63	1	1,273	37	1,374
Transfers from constructions in progress	702	34	–	–	736
Sales/disposals	(94)	(24)	(364)	(53)	(535)
At 31 December 2024	24,875	1,229	12,862	364	39,330
Accumulated depreciation					
At 1 January 2024	(6,380)	(685)	(7,599)	(272)	(14,936)
Charge for the year	(860)	(44)	(1,570)	(27)	(2,501)
Sales/disposals	35	23	325	39	422
At 31 December 2024	(7,205)	(706)	(8,844)	(260)	(17,015)
Allowance for impairment losses					
At 1 January 2024	(3)	–	–	–	(3)
At 31 December 2024	(3)	–	–	–	(3)
Net carrying amount					
At 1 January 2024	17,821	533	4,354	108	22,816
At 31 December 2024	17,667	523	4,018	104	22,312

As at 31 December 2024, buildings which cost RMB368 million were in use but the legal ownership registrations were still in process (31 December 2023: RMB758 million).

11. Construction in progress

	The Group 2024						
	1 January 2024	Additions	Transfer to fixed assets	Transfer to long-term prepaid expenses	31 December 2024	Provisions	Net book value
Branch headquarters office building, Ningbo	424	1	–	–	425	–	425
Branch headquarters office building, Kunming	353	2	–	–	355	–	355
Wuyi new area branch office building, Nanping	167	28	–	–	195	–	195
Branch headquarters office building, Xuzhou	162	25	–	–	187	–	187
Binhai new city financial technology park, Fuzhou	1	84	–	–	85	–	85
Jiangbin Building renovation, Fuzhou	26	1	–	–	27	–	27
Building construction for the Gui'an data center of the head office	–	25	–	–	25	–	25
Others	837	1,022	(736)	(560)	563	–	563
Total	1,970	1,188	(736)	(560)	1,862	–	1,862

	The Bank 2024						
	1 January 2024	Additions	Transfer to fixed assets	Transfer to long-term prepaid expenses	31 December 2024	Provisions	Net book value
Branch headquarters office building, Ningbo	424	1	–	–	425	–	425
Branch headquarters office building, Kunming	353	2	–	–	355	–	355
Wuyi new area branch office building, Nanping	167	28	–	–	195	–	195
Branch headquarters office building, Xuzhou	162	25	–	–	187	–	187
Binhai new city financial technology park, Fuzhou	1	84	–	–	85	–	85
Jiangbin Building renovation, Fuzhou	26	1	–	–	27	–	27
Building construction for the Gui'an data center of the head office	–	25	–	–	25	–	25
Others	831	963	(736)	(560)	498	–	498
Total	1,964	1,129	(736)	(560)	1,797	–	1,797

12. Right-of-use assets

	The Group			
	Buildings	Flight equipment	Others	Total
Cost				
At 1 January 2024	15,542	709	83	16,334
Additions for the year	2,765	11	58	2,834
Less for the year	(2,153)	–	(5)	(2,158)
At 31 December 2024	16,154	720	136	17,010
Accumulated depreciation				
At 1 January 2024	(6,267)	(151)	(48)	(6,466)
Charge for the year	(2,852)	(34)	(33)	(2,919)
Reversal for the year	1,690	–	4	1,694
At 31 December 2024	(7,429)	(185)	(77)	(7,691)
Allowance for impairment losses				
At 1 January 2024	–	(5)	–	(5)
Charge for the year	–	–	–	–
Reversal for the year	–	–	–	–
At 31 December 2024	–	(5)	–	(5)
Net value				
At 1 January 2024	9,275	553	35	9,863
At 31 December 2024	8,725	530	59	9,314

	The Bank		
	Buildings	Others	Total
Cost			
At 1 January 2024	14,577	66	14,643
Additions for the year	2,615	515	3,130
Less for the year	(1,951)	(4)	(1,955)
At 31 December 2024	15,241	577	15,818
Accumulated depreciation			
At 1 January 2024	(5,935)	(30)	(5,965)
Charge for the year	(2,658)	(33)	(2,691)
Reversal for the year	1,510	4	1,514
At 31 December 2024	(7,083)	(59)	(7,142)
Allowance for impairment losses			
At 1 January 2024	–	–	–
Charge for the year	–	–	–
Reversal for the year	–	–	–
At 31 December 2024	–	–	–
Net value			
At 1 January 2024	8,642	36	8,678
At 31 December 2024	8,158	518	8,676

13. Goodwill

China Industrial International Trust Limited	The Group			
	1 January 2024	Additions	Deductions	31 December 2024
Cost	532	–	–	532
Allowance for impairment losses	–	–	–	–
Carrying amount	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 recognised.

14. Deferred tax asset and deferred tax liability

14.1 Recognised deferred tax assets and liabilities

	The Group			
	2024		2023	
	Deductible (taxable) temporary differences	Deferred tax assets (liabilities)	Deductible (taxable) temporary differences	Deferred tax assets (liabilities)
Deferred tax assets				
Impairment losses on assets	240,677	60,169	198,092	49,523
Fair value changes of trading assets	522	130	366	83
Fair value changes of trading liabilities	3,227	807	3,507	877
Changes in fair value in other debt investments	35	9	3,320	830
Changes in fair value in other equity investments	88	22	264	66
Fair value changes of derivative financial instruments	3,960	990	–	–
Accrued but not paid employee benefits	30,495	7,624	28,896	7,224
Accounting and tax basis differences related to lease liabilities	8,720	2,180	8,704	2,176
Others	7,016	1,754	6,207	1,552
Subtotal	294,740	73,685	249,356	62,331
Offset	(25,702)	(6,426)	(17,134)	(4,285)
Deferred tax assets after offset	269,038	67,259	232,222	58,046
Deferred tax liabilities				
Accounting and tax basis differences related to right-of-use assets	(8,676)	(2,169)	(8,709)	(2,177)
Differences of fixed assets depreciation	(4,995)	(1,249)	(4,983)	(1,246)
Fair value changes of trading assets	(8,720)	(2,180)	(2,211)	(553)
Fair value changes of other debt investments	(2,232)	(558)	(24)	(6)
Fair value changes of derivative financial instruments	(4)	(1)	(965)	(241)
Others	(1,679)	(420)	(958)	(241)
Subtotal	(26,306)	(6,577)	(17,850)	(4,464)
Offset	25,702	6,426	17,134	4,285
Deferred tax liabilities after offset	(604)	(151)	(716)	(179)

	The Bank			
	2024		2023	
	Deductible (taxable) temporary differences	Deferred tax assets (liabilities)	Deductible (taxable) temporary differences	Deferred tax assets (liabilities)
Deferred tax assets				
Impairment losses on assets	223,129	55,782	186,277	46,569
Fair value changes of trading liabilities	2,505	626	3,507	877
Fair value changes of derivative financial instruments	3,790	947	–	–
Fair value changes of other debt investments	–	–	3,291	823
Fair value changes of other equity investments	212	53	264	66
Accrued but not paid employee benefits	29,967	7,492	26,560	6,640
Accounting and tax basis differences related to lease liabilities	8,720	2,180	8,704	2,176
Subtotal	268,323	67,080	228,603	57,151
Offset	(24,951)	(6,238)	(16,827)	(4,208)
Deferred tax assets after offset	243,372	60,842	211,776	52,943
Deferred tax liabilities				
Accounting and tax basis differences related to right-of-use assets	(8,676)	(2,169)	(8,709)	(2,177)
Differences of fixed assets depreciation	(4,983)	(1,246)	(4,983)	(1,246)
Fair value changes of trading assets	(8,327)	(2,082)	(1,212)	(304)
Fair value changes of other debt investments	(2,007)	(502)	–	–
Fair value changes of derivative financial instruments	–	–	(965)	(241)
Others	(958)	(239)	(958)	(240)
Subtotal	(24,951)	(6,238)	(16,827)	(4,208)
Offset	24,951	6,238	16,827	4,208
Deferred tax liabilities after offset	–	–	–	–

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.

14.2 Movements in deferred tax assets and liabilities

	The Group	The Bank
31 December 2023	57,867	52,943
– Deferred tax assets	62,331	57,151
– Deferred tax liabilities	(4,464)	(4,208)
Net changes of deferred tax recognised in income tax expenses	10,658	9,237
Net changes of deferred tax recognised in other comprehensive income	(1,417)	(1,338)
31 December 2024	67,108	60,842
– Deferred tax assets	73,685	67,080
– Deferred tax liabilities	(6,577)	(6,238)

15. Other assets

	Note	The Group		The Bank	
		2024	2023	2024	2023
Items in the process of clearance and settlement		42,893	13,046	39,987	10,185
Other receivables	15.1	18,341	19,051	11,425	13,946
Continuing involvement assets (Note XII, 3.1)		9,081	10,396	9,081	10,396
Prepaid purchase cost of lease assets		5,390	4,874	–	–
Interest receivable	15.2	2,566	2,315	2,354	1,884
Net assets of defined benefit plan (Note VII, 44.2)		1,750	1,835	1,750	1,835
Long-term prepaid expenses	15.3	1,393	1,402	1,345	1,340
Foreclosed assets	15.4	1,079	475	1,079	475
Total		82,493	53,394	67,021	40,061

15.1 Other receivables

Listed by aging:

Account age	The Group				The Bank			
	2024	Proportion (%)	2023	Proportion (%)	2024	Proportion (%)	2023	Proportion (%)
Within 1 year	8,204	40.45	10,810	51.72	5,179	39.93	5,725	37.03
1 – 2 years	4,309	21.24	4,447	21.28	676	5.21	4,298	27.79
2 – 3 years	1,790	8.83	347	1.66	1,662	12.81	325	2.10
Over 3 years	5,978	29.48	5,296	25.34	5,454	42.05	5,116	33.08
Subtotal	20,281	100.00	20,900	100.00	12,971	100.00	15,464	100.00
Less: Allowance for impairment losses	(1,940)		(1,849)		(1,546)		(1,518)	
Net value	18,341		19,051		11,425		13,946	

15.2 Interest receivable

	The Group		The Bank	
	2024	2023	2024	2023
Loans and advances to customers	2,330	1,825	2,298	1,806
Bonds and other investments	236	490	56	78
Total	2,566	2,315	2,354	1,884

15.3 Long-term prepaid expenses

	The Group				
	1 January 2024	Changes	Transferred from construction in progress	Amortisation	31 December 2024
Leasehold improvements	1,322	57	560	(589)	1,350
Others	80	(21)	–	(16)	43
Total	1,402	36	560	(605)	1,393

	The Bank				
	1 January 2024	Changes	Transferred from construction in progress	Amortisation	31 December 2024
Leasehold improvements	1,295	(22)	560	(518)	1,315
Others	45	(5)	–	(10)	30
Total	1,340	(27)	560	(528)	1,345

15.4 Foreclosed assets

Analysed by category of the foreclosed assets:

	The Group and the Bank	
	2024	2023
Buildings and land use rights	1,231	634
Others	1	1
Subtotal	1,232	635
Less: Allowance for impairment losses	(153)	(160)
Net value	1,079	475

16. Deposits from banks and other financial institutions

	The Group		The Bank	
	2024	2023	2024	2023
Banks operating in Mainland China	234,179	293,954	234,179	293,954
Other financial institutions operating in Mainland China	1,566,218	1,529,056	1,591,884	1,538,888
Banks operating outside Mainland China	23,162	21,982	23,162	21,982
Other financial institutions operating outside Mainland China	13	3	13	3
Interest accrued	8,539	7,983	8,567	8,030
Total	1,832,111	1,852,978	1,857,805	1,862,857

17. Placements from banks and other financial institutions

	The Group		The Bank	
	2024	2023	2024	2023
Banks operating in Mainland China	202,908	218,861	53,855	82,024
Other financial institutions operating in Mainland China	9,805	11,667	3,435	1,814
Banks operating outside Mainland China	81,410	65,239	81,410	65,239
Subtotal	294,123	295,767	138,700	149,077
Designated at fair value through profit or loss (related to gold leasing business):				
Banks operating in Mainland China	41,637	51,972	41,637	51,972
Subtotal	41,637	51,972	41,637	51,972
Interest accrued	1,102	1,755	617	961
Total	336,862	349,494	180,954	202,010

18. Trading liabilities

	Note	The Group		The Bank	
		2024	2023	2024	2023
Trading liabilities:					
Sold financing bonds		19,570	11,507	19,570	11,507
Others		5,358	1,158	5,358	1,158
Subtotal		24,928	12,665	24,928	12,665
Financial liabilities designated as at fair value through profit or loss	(1)	1,812	281	–	–
Total		26,740	12,946	24,928	12,665

- (1) The Group's other shareholders' equities 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 2024 (31 December 2023: Nil).

19. Financial assets sold under repurchase agreements

	The Group		The Bank	
	2024	2023	2024	2023
Bonds	252,170	403,187	199,515	386,254
Bills	9,723	13,202	9,723	13,202
Interest accrued	103	179	100	179
Total	261,996	416,568	209,338	399,635

20. Deposits from customers

	The Group		The Bank	
	2024	2023	2024	2023
Demand deposits				
– Corporate	1,623,797	1,470,318	1,625,711	1,471,713
– Personal	444,453	376,888	444,453	376,888
Subtotal	2,068,250	1,847,206	2,070,164	1,848,601
Term deposits (including call deposits)				
– Corporate	1,869,121	1,829,352	1,869,465	1,829,412
– Personal	1,119,989	979,169	1,119,989	979,169
Subtotal	2,989,110	2,808,521	2,989,454	2,808,581
Pledged deposits	471,871	478,354	471,872	478,354
Others	3,102	2,992	3,102	2,992
Interest accrued	98,027	79,991	98,027	79,992
Total	5,630,360	5,217,064	5,632,619	5,218,520

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

	The Group	
	2024	2023
Bank acceptances	315,810	292,674
Letters of credit	54,670	56,303
Guarantee	9,563	9,218
Others	91,828	120,159
Total	471,871	478,354

	The Bank	
	2024	2023
Bank acceptances	315,810	292,674
Letters of credit	54,670	56,303
Guarantee	9,563	9,218
Others	91,829	120,159
Total	471,872	478,354

21. Employee benefits payable

	The Group				The Bank			
	1 January 2024	Increase	Decrease	31 December 2024	1 January 2024	Increase	Decrease	31 December 2024
Salaries and bonus	29,143	27,951	(24,549)	32,545	27,038	25,279	(21,808)	30,509
Labor union expenditure and staff educational funds	3,912	562	(698)	3,776	3,843	471	(631)	3,683
Social insurance	79	3,588	(3,617)	50	25	3,117	(3,116)	26
Housing funds	58	2,064	(2,062)	60	42	1,748	(1,742)	48
Defined contribution plans	108	3,883	(3,862)	129	84	3,633	(3,632)	85
Total	33,300	38,048	(34,788)	36,560	31,032	34,248	(30,929)	34,351

The salaries, bonuses, 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, 44.1.

22. Tax payable

	The Group		The Bank	
	2024	2023	2024	2023
Corporate income tax	6,100	2,575	5,480	1,874
Value added tax	2,641	3,147	2,536	3,001
City maintenance and construction tax	232	244	211	226
Others	412	457	342	390
Total	9,385	6,423	8,569	5,491

23. Provisions

	The Group		The Bank	
	2024	2023	2024	2023
Impairment allowance for off-balance-sheet assets	6,342	6,224	6,342	6,224
Litigation provisions	22	120	2	15
Total	6,364	6,344	6,344	6,239

As at 31 December 2024, movements of impairment allowance for off-balance-sheet assets are as follows:

	The Group and the Bank			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2024	6,077	139	8	6,224
Transfer:				
– to stage 1	25	(25)	–	–
– to stage 2	(55)	55	–	–
– to stage 3	(30)	(13)	43	–
Charge (reversal) for the year	173	(14)	(44)	115
Exchange difference and other movements	3	–	–	3
31 December 2024	6,193	142	7	6,342

	The Group and the Bank			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2023	6,263	396	371	7,030
Transfer:				
– to stage 1	57	(56)	(1)	–
– to stage 2	(29)	29	–	–
– to stage 3	(29)	(20)	49	–
Reversal for the year	(189)	(210)	(411)	(810)
Exchange difference and other movements	4	–	–	4
31 December 2023	6,077	139	8	6,224

24. Debt securities issued

	The Group		The Bank	
	2024	2023	2024	2023
Financial bonds	183,626	181,611	169,464	172,257
Tier two capital bonds	151,819	151,784	151,819	151,784
Interbank certificates of deposit	836,726	616,303	836,726	616,303
Certificates of deposit	14,138	12,366	14,138	12,366
Convertible corporate bonds	51,015	49,783	51,015	49,783
Long-term subordinated bonds	230	224	–	–
Corporate bonds	11,341	11,682	–	–
Super short-term commercial paper	1,503	1,003	–	–
Mid-term note	2,037	1,431	–	–
Asset-backed securities	552	3,338	–	–
Total	1,252,987	1,029,525	1,223,162	1,002,493

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

Details of debt securities issued are as follows:

Category of bonds	Note	Issuing date	Frequency of interest payment	The Group	The Bank
Financial bonds					
20 CIB small and micro enterprise bond 02	(1)	2020-04-28	Yearly	7,000	7,000
20 CIB small and micro enterprise bond 04	(1)	2020-05-25	Yearly	5,000	5,000
23 CIB small and micro enterprise bond 01	(1)	2023-08-22	Yearly	20,000	20,000
23 CIB small and micro enterprise bond 02	(1)	2023-10-20	Yearly	5,000	5,000
CIB BOND 2022 01	(2)	2022-03-10	Yearly	10,000	10,000
CIB BOND 2022 02	(2)	2022-03-10	Yearly	30,000	30,000
CIB BOND 2022 03	(2)	2022-04-01	Yearly	11,500	11,500
CIB BOND 2022 04	(2)	2022-08-01	Yearly	20,000	20,000
23 CIB green financial bond 01	(3)	2023-04-24	Yearly	27,000	27,000
23 CIB green financial bond 02	(3)	2023-06-06	Yearly	23,000	23,000
USD green financial bond 02	(4)	2022-05-18	Semi-annually	4,672	4,672
USD micro financial bond 01	(4)	2024-08-14	Quarterly	3,594	3,594
23 CIB consumer financial debt 01	(5)	2023-11-24	Yearly	1,230	–
24 CIB consumer financial debt 01	(5)	2024-02-27	Yearly	2,000	–
24 CIB consumer financial debt 02	(5)	2024-03-27	Yearly	1,370	–
24 CIB consumer financial debt 03	(5)	2024-04-23	Yearly	2,000	–

Category of bonds	Note	Issuing date	Frequency of interest payment	The Group	The Bank
24 CIB consumer financial debt 04	(5)	2024-06-21	Yearly	1,870	–
24 CIB consumer financial debt 05	(5)	2024-07-09	Yearly	2,500	–
24 CIB financial leasing bond 01	(6)	2024-03-07	Yearly	3,000	–
Interest accrued				2,947	2,735
Less: unamortised issuance cost				(57)	(37)
Subtotal				183,626	169,464
Tier two capital bonds					
21 CIB secondary 01	(7)	2021-10-21	Yearly	30,000	30,000
21 CIB secondary 02	(7)	2021-11-23	Yearly	40,000	40,000
21 CIB secondary 03	(7)	2021-11-23	Yearly	5,000	5,000
22 CIB secondary 01	(7)	2022-01-12	Yearly	25,000	25,000
24 CIB secondary 01	(7)	2024-05-20	Yearly	30,000	30,000
24 CIB secondary 02	(7)	2024-07-08	Yearly	20,000	20,000
Interest accrued				1,895	1,895
Less: unamortised issuance cost				(76)	(76)
Subtotal				151,819	151,819
Interbank certificates of deposit					
Par value of interbank certificates of deposit	(8)	/	/	843,514	843,514
Interest accrued				49	49
Less: unamortised issuance cost				(6,837)	(6,837)
Subtotal				836,726	836,726
Certificates of deposit					
Par value of certificates of deposit	(9)	/	/	14,141	14,141
Interest accrued				35	35
Less: unamortised issuance cost				(38)	(38)
Subtotal				14,138	14,138
Convertible corporate bonds					
CIB convertible corporate bonds	(10)	2021-12-27	Yearly	51,005	51,005
Interest accrued				10	10
Subtotal				51,015	51,015
Long-term subordinated bonds					
23 ClFutures C	(11)	2023-06-21	Yearly	225	–
Interest accrued				6	–
Less: unamortised issuance cost				(1)	–
Subtotal				230	–

Category of bonds	Note	Issuing date	Frequency of interest payment	The Group	The Bank
Corporate bonds					
22 CIAMC 01	(12)	2022-03-07	Yearly	900	–
23 CIAMC 01	(12)	2023-12-14	Yearly	1,000	–
24 CIAMC 01	(12)	2024-04-11	Yearly	1,500	–
24 CIAMC 02	(12)	2024-08-05	Yearly	600	–
22 CIIT 01	(13)	2022-12-22	Yearly	1,200	–
23 CIIT 01	(13)	2023-02-27	Yearly	400	–
23 CIIT 02	(13)	2023-04-26	Yearly	1,400	–
23 CIIT 03	(13)	2023-06-19	Yearly	1,050	–
23 CIIT 04	(13)	2023-09-06	Yearly	1,120	–
23 CIIT 05	(13)	2023-11-01	Yearly	700	–
24 CIIT 01	(13)	2024-03-25	Yearly	1,330	–
Interest accrued				174	–
Less: unamortised issuance cost				(33)	–
Subtotal				11,341	–
Super short-term commercial paper					
24 CIAMC SCP002	(14)	2024-09-19	interest due at maturity	500	–
24 CIAMC SCP003	(14)	2024-12-19	interest due at maturity	1,000	–
Interest accrued				3	–
Less: unamortised issuance cost				–	–
Subtotal				1,503	–
Mid-term note					
23 CIAMC MTN001	(15)	2023-03-07	Yearly	500	–
24 CIAMC MTN001	(15)	2024-03-18	Yearly	500	–
24 CIAMC MTN002	(15)	2024-06-26	Yearly	1,000	–
Interest accrued				37	–
Subtotal				2,037	–
Asset-backed securities					
23 Xingqing-1	(16)	2023-07-17	Monthly	63	–
23 Xingqing-2	(17)	2023-08-21	Monthly	487	–
Interest accrued				2	–
Subtotal				552	–
Total				1,252,987	1,223,162

- (1) In April 2020, the Group issued RMB7 billion 5-year fixed-rate small and micro enterprise bonds, with annual interest rates of 2.67%. In May 2020, the Group issued RMB5 billion 5-year fixed-rate small and micro enterprise bonds, with annual interest rates of 2.95%. In August 2023, the Group issued RMB20 billion 3-year fixed-rate small and micro enterprise bond, with annual interest rates of 2.54%. In October 2023, the Group issued RMB5 billion 3-year fixed-rate small and micro enterprise bond, with annual interest rates of 2.78%.
- (2) In March 2022, the Group issued RMB10 billion 3-year fixed-rate and RMB30 billion 3-year fixed-rate financial bonds, with annual interest rates of 3.00% and 2.96%, respectively. In April 2022, the Group issued RMB11.5 billion 3-year fixed-rate financial bond, with annual interest rate of 2.94%. In August 2022, the Group issued RMB20 billion 3-year fixed-rate financial bond, with annual interest rate of 2.54%.
- (3) In April 2023 and June 2023, the Group issued RMB27 billion 3-year fixed-rate and RMB23 billion 3-year fixed-rate small-and-micro enterprise bonds, with annual interest rates of 2.77% and 2.66%, respectively.
- (4) In May 2022, the Hong Kong branch of the Bank issued USD650 million 3-year fixed-rate USD green financial bond, with annual interest rate of 3.25%. In August 2024, the Hong Kong branch of the Bank issued USD500 million 3-year fixed-rate USD small and micro enterprise financial bond, with annual interest rate of 0.56%.
- (5) In November 2023 and March 2024, the Group's subsidiary Industrial Consumer Finance Co., Ltd. respectively issued 3-year fixed-rate RMB financial bonds each amounting to RMB1.5 billion with fixed rates of 3.03% and 2.55%. In February 2024, April 2024 and June 2024, the Group's subsidiary Industrial Consumer Finance Co., Ltd. respectively issued 3-year fixed-rate RMB financial bonds each amounting to RMB2 billion with fixed rates of 2.53%, 2.32% and 2.22%. In July 2024, the Group's subsidiary Industrial Consumer Finance Co., Ltd. issued 3-year fixed-rate RMB financial bonds amounting to RMB2.5 billion with fixed rates of 2.20%. As at 31 December 2024, the bond "23 CIB consumer financial debt 01", "24 CIB consumer financial debt 02", and "24 CIB consumer financial debt 04", issued by Industrial Consumer Finance Co., Ltd., held by the Bank amounted to RMB270 million, RMB130 million and RMB130 million, respectively.
- (6) In March 2024, the Group's subsidiary Industrial Financial Leasing Co., Ltd. issued RMB3 billion 3-year fixed-rate financial bonds with annual interest rates of 2.46%.
- (7) In October 2021 and November 2021, the Group issued RMB30 billion and RMB40 billion in tier 2 capital bonds, respectively, with a 10-year maturity, fixed rates of 3.83% and 3.62%, and an issuer's redemption right at the end of the fifth year. In November 2021, the Group issued RMB5 billion in tier 2 capital bonds with a 15-year maturity, a fixed rate of 3.85%, and an issuer's redemption right at the end of the tenth year. In January 2022, the Group issued RMB25 billion in tier 2 capital bonds with a 10-year maturity, a fixed rate of 3.45%, and an issuer's redemption right at the end of the fifth year. In May 2024, the Group issued RMB30 billion in tier 2 capital bonds with a 10-year maturity, a fixed rate of 2.50%, and an issuer's redemption right at the end of the fifth year. In July 2024, the Group issued RMB20 billion in tier 2 capital bonds with a 10-year maturity, a fixed rate of 2.32%, and an issuer's redemption right at the end of the fifth year.
- (8) As at 31 December 2024, the Group had 331 unpaid interbank certificates of deposit with a total amount of RMB843,514 million, including 8 USD interbank certificates of deposit, of which the issued par value is USD240 million (RMB1,728 million) and the terms are within 1 year, and 323 RMB interbank certificates of deposit, of which the issued par value is RMB841,036 million and the terms are within 1 year. The annual interest rates are from 0.00% to 5.64%. The interest of the rest is paid upon maturity.
- (9) As at 31 December 2024, the Hong Kong Branch had 29 unpaid certificates of deposit, with a total amount of RMB14,141 million and the terms are within 1 year. The total amount of 6 USD certificates is USD640 million (RMB4,601 million). The total amount of 23 RMB certificates is RMB9,540 million. The annual interest rates are from 0.00% to 4.70%. The interest of the rest is paid upon maturity.
- (10) Approved by relevant regulatory agencies, the Bank issued RMB50 billion of 500 million A-shares convertible corporate bonds publicly with face value of RMB100 per share (hereinafter referred to as "convertible bonds") on 27 December 2021. The duration of the convertible bonds is 6 years, which is from 27 December 2021 to 26 December 2027. The coupon rate of the convertible bonds is 0.2% in the first year, 0.4% in the second year, 1.0% in the third year, 1.5% in the fourth year, 2.3% in the fifth year and 3.0% in the sixth year. Within five trading days after the expiration of the convertible bonds issued, the Bank will redeem all unconverted bonds at the price of 109% of the face value of the convertible bonds issued (including the last annual interest). Convertible bonds holders may, within the period from the first trading day subsequent to six months after the end of the issuance to the maturity date of the convertible bonds (hereinafter referred to as the "conversion period"), which is 30 June 2022 to 26 December 2027 (in case of statutory holidays or weekends, the conversion period is extended to the next first weekday; interest paid during the deferred period will not be calculated separately), convert the convertible bonds held into ordinary shares of the Bank according to the agreed clauses.

The initial conversion price is RMB25.51 per share. After the issuance, if the Bank changes its shares due to the issuance of share dividends, conversion of share capital, additional issuance of new shares or allotment of shares (excluding the increase of share capital resulting from the conversion of convertible bonds issued) and distributes cash dividends, the Bank will adjust the conversion price according to the offering terms in accordance with the principles of equity, justice and fairness and the principle of fully protecting the rights and interests of the convertible bond holders. On 16 June 2022, the Bank adjusted the conversion price to RMB24.48 per share due to the 2021 A-shares ordinary share profit distribution. On 19 June 2023, the Bank adjusted the conversion price to RMB23.29 per share due to the 2022 A-shares ordinary share profit distribution. On 9 July 2024, the Bank adjusted the conversion price to RMB22.25 per share due to the 2023 A-shares ordinary share profit distribution.

The convertible bonds include conditional redemption clauses: during the conversion period, if the closing price of the Bank's A-share stocks for at least 15 trading days in any 30 consecutive trading days is not less than 130% (including 130%) of the current conversion price, the Bank has the right to redeem all or part of the unconverted convertible bonds at the price of the bond's face value plus accrued interest. If a conversion price adjustment occurs due to ex-rights or ex-dividends within the aforementioned 30 trading days, on trading days before adjustment, it is calculated according to the conversion price and the closing price before adjustment. On subsequent trading days, it is calculated based on the conversion price and the closing price after adjustment. In addition, when the total par value of the unconverted convertible bonds issued is less than RMB30 million, the Bank has the right to redeem all the unconverted convertible bonds at the face value plus the interest accrued in the current period.

As of 31 December 2024, a total of RMB2.848 billion of convertible bonds have been converted into A-share ordinary shares of the Bank, with a cumulative number of 117,355 shares.

Equity and liability components of the convertible bonds issued by the Group and the Bank are allocated as follows:

	Liability components	Equity components (Note VII, 28)	Total
Issuing amounts of convertible corporate bonds	46,837	3,163	50,000
Direct trading fees	(75)	(5)	(80)
Balance at the issue date	46,762	3,158	49,920
Accumulated amortisation	3,016	—	3,016
Accumulated conversion of shares	(2)	—	(2)
As of January 1 2024	49,776	3,158	52,934
Amortisation	1,230	—	1,230
Conversion of shares	(1)	—	(1)
As of December 31 2024	51,005	3,158	54,163

- (11) In June 2023, China Industrial Futures Limited, a subsidiary of China Industrial International Trust Limited, the Group's subsidiary, issued RMB225 million 6-year fixed-rate long-term subordinated bonds with annual interest rate of 4.80%.
- (12) In March 2022, China Industrial Asset Management Co., Ltd., a subsidiary of China Industrial International Trust Limited, the Group's subsidiary, issued RMB900 million 3-year fixed rate corporate bond with annual interest rate of 3.30%. In December 2023, it issued RMB1 billion 3-year fixed rate corporate bond with annual interest rate of 3.24%. In April 2024, it issued RMB1.5 billion 3-year fixed rate corporate bond with annual interest rate of 2.65%. In August 2024, it issued RMB0.6 billion 3-year fixed rate corporate bond with annual interest rate of 2.10%.
- (13) In December 2022, CIIT Asset Management Co., Ltd., a subsidiary of China Industrial International Trust Limited, the Group's subsidiary, issued RMB1,500 million 3-year fixed-rate corporate bond with annual interest rate of 4.90%. In February 2023, it issued RMB500 million 3-year fixed-rate corporate bond with annual interest rate of 4.50%. In April 2023, it issued RMB2,000 million 3-year fixed-rate corporate bond with annual interest rate of 3.57%. In June 2023, it issued RMB1,500 million 3-year fixed-rate corporate bond with annual interest rate of 3.41%. In September 2023, it issued RMB1,600 million 3-year fixed-rate corporate bond with annual interest rate of 3.41%. In November 2023, it issued RMB1,000 million 3-year fixed-rate corporate bond with annual interest rate of 3.49%. In March 2024, it issued RMB1,900 million 3-year fixed-rate corporate bond with annual interest rate of 2.70%. As at 31 December 2024, the Bank holds "22 CIIT 01", "23 CIIT 01", "23 CIIT 02", "23 CIIT 03", "23 CIIT 04", "23 CIIT 05", and "24 CIIT 01", issued by CIIT Asset Management Co., Ltd., of RMB300 million, RMB100 million, RMB600 million, RMB450 million, RMB480 million, RMB300 million, and RMB570 million, respectively.

- (14) In September 2024 and December 2024, China Industrial Asset Management Co., Ltd., a subsidiary of China Industrial International Trust Limited, the Group's subsidiary, issued RMB0.5 billion and RMB1 billion in super short-term financial notes, respectively, with annual interest rates of 2.10% and 1.80%.
- (15) China Industrial Asset Management Co., Ltd., a subsidiary of China Industrial International Trust Limited, the Group's subsidiary, issued RMB500 million of 3-year fixed-rate medium-term notes in March 2023 with an annual interest rate of 3.58%; it issued RMB500 million of 3-year fixed-rate medium-term notes in March 2024 with an annual interest rate of 2.77%; it issued RMB1,000 million of 2-year fixed-rate medium-term notes in June 2024 with an annual interest rate of 2.20%.
- (16) In July 2023, the Group's subsidiary Industrial Consumer Finance Co., Ltd. issued asset-backed securities of consumer loans amounting to RMB1,700 million. According to the terms in the Credit Assets Securitization contracts, the Group retained substantially all the risks and rewards of the ownership of the credit assets, the Group would not derecognise the transferred credit assets and the corresponding liability is recognised as debt securities issued. As at 31 December 2024, the Bank holds "23 Xingqing-1", issued by Industrial Consumer Finance Co., Ltd., of RMB16 million.
- (17) In August 2023, the Group's subsidiary Industrial Consumer Finance Co., Ltd. issued asset-backed securities of consumer loans amounting to RMB1,800 million. According to the terms in the Credit Assets Securitization contracts, the Group retained substantially all the risks and rewards of the ownership of the credit assets, the Group would not derecognise the transferred credit assets and the corresponding liability is recognised as debt securities issued. As at 31 December 2024, the Bank holds "23 Xingqing-2", issued by Industrial Consumer Finance Co., Ltd., of RMB54 million.

25. Lease liabilities

	The Group		The Bank	
	31 December 2024	31 December 2023	31 December 2024	31 December 2023
Due within 1 year	2,933	2,769	2,528	2,524
1 – 5 years	5,911	6,396	5,853	5,680
Due over 5 years	1,080	1,418	967	1,140
Closing balance of undiscounted lease liabilities	9,924	10,583	9,348	9,344
Lease liabilities	9,304	9,659	8,720	8,662

26. Other liabilities

	The Group		The Bank	
	2024	2023	2024	2023
Continuing involvement liabilities (Note XII, 3.1)	9,081	10,396	9,081	10,396
Items in the process of clearance and settlement	16,075	20,232	5,536	10,170
Other accounts payable	12,175	7,709	8,399	5,884
Advance collection of financial leasing funds	279	267	–	–
Notes payable	5,335	12,092	–	–
Contract liabilities	567	859	567	859
Deferred income	699	702	534	472
Others	947	13,527	852	12,941
Total	45,158	65,784	24,969	40,722

27. Share capital

	The Group and the Bank		
	1 January 2024	Change for the period	31 December 2024
Shares without limited sales restrictions RMB ordinary shares (A shares)	20,774	–	20,774
Shares with limited sales restrictions RMB ordinary shares (A shares)	–	–	–
Total shares	20,774	–	20,774

As at 31 December 2024, the share capital of the Bank is RMB20,774 million (31 December 2023: RMB20,774 million) with par value of RMB1 per share.

28. Other equity instruments

	Note	The Group and the Bank	
		31 December 2024	31 December 2023
Equity components of convertible corporate bonds	28.1	3,158	3,158
Preference shares	28.2	55,842	55,842
Perpetual bonds	28.3	59,960	29,960
Total		118,960	88,960

28.1 As of 31 December 2024, the equity components of convertible corporate bonds issued by the Bank are RMB3,158 million (2023: RMB3,158 million), and detail refers to Note VII, 24 (10).

28.2 Preference shares

The Group and the Bank									
Outstanding financial instrument	Issue Date	Classification	Rate	Issue price RMB/share	Quantity million share	Amount in millions of RMB	Maturity date	Conversion condition	Conversion
Issuing Preference Shares									
Xing Ye You 1	December 2014	Equity instrument	Note 1	100	130	13,000	N/A	Note 4	N/A
Xing Ye You 2	June 2015	Equity instrument	Note 2	100	130	13,000	N/A	Note 4	N/A
Xing Ye You 3	April 2019	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 years 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 preference shares of this issuance was the sum of benchmark interest rate and basic interest rate. 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 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, the date of each 5 years of the deadline for payment of preference shares issued (which is 8 December). If the YTM regarding treasury bonds, with 5-year remaining terms is not available on the benchmark interest adjustment date, the Bank will negotiate with the investors to determine the subsequent benchmark interest rate or its determining principles at the request of the regulatory authorities.

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 bonds 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.

In December 2024, the dividend yield ratio of the "Xing Ye You 1" preferred stock for the third dividend period was adjusted in accordance with relevant provisions in the Prospectus. The current benchmark interest rate was the arithmetic mean (i.e. 1.68% rounded to 0.01%) of the yield to maturity of the 5-year treasury bonds 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 2024) 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 third dividend period was changed to 4.23% from 8 December 2024.

Note 2: For the second issuance of the preference shares ("Xing Ye You 2"), every five years 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 preference shares of this issuance was the sum of benchmark interest rate and basic interest rate. 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, 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 will negotiate with the investors to determine the subsequent benchmark interest rate or its determining principles at the request of the regulatory authorities.

In June 2020, the dividend yield ratio of the "Xing Ye You 2" 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. 2.48% 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 (24 June 2020) published on www.chinabond.com.cn or other websites recognised by China Central Depository & Clearing Co., Ltd., and the basic spread was 2.15%. Therefore, the dividend yield ratio of "Xing Ye You 2" for the second dividend period was changed to 4.63% from 24 June 2020.

Note 3: For the preference shares ("Xing Ye You 3") issued in 2019, every five years 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 authorised 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 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 interbank fixed-rate treasury bond yield curve published by ChinaBond 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 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 regarding treasury bonds, with 5-year remaining terms is not available on the benchmark interest adjustment date, the Bank will negotiate with the investors to determine the subsequent benchmark interest rate or its determining principles at the request of the regulatory authorities.

In April 2024, the dividend yield ratio of the "Xing Ye You 3" 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. 2.21% rounded to 0.01%) of the yield to maturity of the 5-year treasury bonds 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 (10 April 2024) published on www.chinabond.com.cn or other websites recognised by China Central Depository & Clearing Co., Ltd., and the basic spread was 1.84%. Therefore, the dividend yield ratio of "Xing Ye You 3" for the second dividend period was changed to 4.05% from 10 April 2024.

Note 4: When the Bank's core tier 1 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 NFRA in accordance with the relevant requirements of NFRA. The conversion is irrevocable.

When triggered events of the secondary capital instruments (unable to survive) 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 NFRA in accordance with the relevant requirements of NFRA. The conversion is irrevocable. The secondary capital instruments triggering event is the earlier of the following two situations: 1) NFRA considers the Bank unable to survive without conversion or written off; 2) Relevant departments consider the Bank unable to survive without the contribution from public departments or the support of the same effect.

(i) The principal terms of disclosure

The Bank will pay preference shares dividends in cash. The preference shares of this issuance use a non-cumulative dividend payment, which means a 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 are retained earnings in the Bank's financial statements calibre 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 preference 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 NFRA's approval. The Bank's preference shareholders do not have the right to request redemption of preference shares and should not expect that the preference 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 approved the issuance of the preference shares. Since the issuance plan of the preference shares is approved by the Bank's Board of Directors, when the Bank's shares change with the delivery of stock dividend, transfer 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 preference shareholders are entitled to 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 nominal amount of the preference shares; if it can not be paid in full, the remaining property will be distributed in proportion to preference shares.

- (ii) Changes in outstanding preference shares are as follows:

The preferred shares issued by the Group and the Bank remained unchanged during the period.

	1 January 2024		Additional/Less		31 December 2024	
	Quantity	Book value	Quantity	Book value	Quantity	Book value
	Million	in millions of RMB	Million	in millions of RMB	Million	in millions of RMB
Issuing Preference Shares						
Preference shares	560	56,000	–	–	560	56,000
Issue cost	–	(158)	–	–	–	(158)
Total	560	55,842	–	–	560	55,842

28.3 Perpetual bonds

Outstanding financial instrument	Issue Date	Classification	Rate	Issue price RMB/Unit	Quantity million units	Amount in millions of RMB	Maturity date
Issuing Perpetual bonds							
Perpetual Bonds	October 2020	Equity instrument	Note 1	100	300	30,000	N/A
Perpetual Bonds	April 2024	Equity instrument	Note 2	100	300	30,000	N/A

Note 1: Approved by the relevant regulators, the Bank issued the Non-fixed-term Capital Bonds of Industrial Bank Co., Ltd. (20 CIB Perpetual Bonds) in the national inter-bank bond market on 13 October 2020. The Bank completed book keeping and the issuance of the 20 CIB Perpetual Bonds on 13 October 2020 and 15 October 2020, respectively. 20 CIB Perpetual Bonds have a par value of RMB100 per unit and a coupon rate of 4.73% for the first five years. The coupon rate will be adjusted every five years, and the issuer shall have a conditional redemption right on every dividend payment date from the fifth year onwards. Proceeds from the issuance of 20 CIB Perpetual Bonds will be used to replenish Additional tier 1 capital of the Bank in accordance with the applicable laws and the approval of the competent authorities.

Note 2: Approved by the relevant regulators, the Bank issued the Non-fixed-term Capital Bonds of Industrial Bank Co., Ltd. (24 CIB Perpetual Bonds 01) in the national inter-bank bond market on 22 April 2024. The Bank completed book building and the issuance of the 24 CIB Perpetual Bonds 01 on 22 April 2024 and 24 April 2024, respectively. 24 CIB Perpetual Bonds 01 have a par value of RMB100 per unit and a coupon rate of 2.39% for the first five years. The coupon rate will be adjusted every five years, and the issuer shall have a conditional redemption right on every dividend payment date from the fifth year onwards. Proceeds from the issuance of

24 CIB Perpetual Bonds 01 will be used to replenish Additional tier 1 capital of the Bank in accordance with the applicable laws and the approval of the competent authorities.

(i) The principal terms of disclosure:

Both Bonds will keep continuing so long as the Bank's business continues operating. Both Bonds set conditional redemption rights for the issuer. Specifically, from the fifth anniversary since the issuance, the Bank can redeem the Bonds, in whole or in part, on each dividend payment date (including the fifth dividend payment date since the issuance).

The coupon rate of both Bonds will be adjusted at defined intervals, with an adjustment period every five years from the payment due date. The dividend shall be paid at the same agreed rate in each adjustment period of coupon rate. The coupon rate at the time of issuance is determined by book keeping and centralised allotment.

The claims in respect of the Bonds will be subordinated to the claims of depositors, general creditors, and subordinated debts that rank senior to the Bonds; and will rank in priority to all classes of shares held by the Bank's shareholders and rank pari passu with the claims in respect of additional tier 1 capital instruments of the Bank that rank pari passu with the Bonds.

If a Non-Viability Trigger Event occurs (see Note VII, 28.2.4), the Bank has the right to write off, in whole or in part, the principal amount of the Bonds without the need for the consent of the Bondholders. The amount of the write-off shall be determined by the ratio of the outstanding principal amount of the Bonds to the aggregate outstanding principal amount of all additional tier 1 capital instruments under the identical trigger event.

The dividends on the Bonds are non-cumulative, any dividends unpaid to the Bondholders in full by the Bank will not accumulate or compound to the subsequent distribution period. The Bank has the right to cancel, in whole or in part, dividends on the Bonds and any such cancellation shall not constitute an event of default.

According to the applicable laws and approval of the competent authorities, the net proceeds from the issuance of the Bonds after deducting issuance costs will be used to replenish the additional tier 1 capital of the Bank.

(ii) Changes in outstanding perpetual bonds are as follows:

	1 January 2024		Additional/Less		31 December 2024	
	Quantity	Book value	Quantity	Book value	Quantity	Book value
	Million	in millions of RMB	Million	in millions of RMB	Million	in millions of RMB
Issuing perpetual bonds						
Perpetual bonds	300	29,960	300	30,000	600	59,960

As at 31 December 2024, the above-mentioned other equity instruments supplement tier 1 capital amounted to RMB118,934 million.

28.4 Attribution to holders of equity instrument:

	The Group	
	2024	2023
Equities attributable to shareholders of the Bank	881,908	796,224
Equities attributable to ordinary shareholders of the Bank	766,106	710,422
Equities attributable to shareholders of other equity instruments of the Bank	115,802	85,802
Equity attributable to non-controlling shareholders	11,703	11,495
Equity attributable to non-controlling ordinary shareholders	9,709	9,501
Equity attributable to non-controlling shareholders of other equity instruments	1,994	1,994

29. Capital reserve

	The Group				The Bank			
	1 January 2024	Increase	Decrease	31 December 2024	1 January 2024	Increase	Decrease	31 December 2024
Share premium	74,882	–	(26)	74,856	75,228	–	(26)	75,202
Others	(123)	–	–	(123)	(117)	–	–	(117)
Total	74,759	–	(26)	74,733	75,111	–	(26)	75,085

30. Surplus reserve

	The Group and the Bank	
	2024	2023
Statutory surplus reserve	10,387	10,387
Discretionary surplus reserve	297	297
Total	10,684	10,684

Under relevant PRC law, the Bank is required to transfer 10% of its net profit to a non-distributable statutory surplus reserve. Appropriation to the statutory surplus reserve may cease when the balance of this reserve has reached 50% of share capital. As of 31 December 2024, the Bank ceased to make appropriations to the statutory surplus reserves since the balance of them has reached 50% of the share capital of the Bank.

31. General reserve

	The Group		The Bank	
	2024	2023	2024	2023
General reserve	125,365	120,118	115,054	110,523

Pursuant to (Cai Jin [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 a 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.

32. Retained earnings

	The Group		The Bank	
	2024	2023	2024	2023
Opening balance	479,690	442,627	446,515	414,433
Net profit attributable to shareholders of the parent company	77,205	77,116	70,948	71,545
Appropriations to general reserve	(5,247)	(11,161)	(4,531)	(10,571)
Dividends distribution of ordinary shares	(21,605)	(24,680)	(21,605)	(24,680)
Dividends distribution of preference shares	(2,793)	(2,793)	(2,793)	(2,793)
Interest expense of perpetual bonds	(1,419)	(1,419)	(1,419)	(1,419)
Closing balance	525,831	479,690	487,115	446,515

32.1 “2024 Profit Distribution Proposal of the Bank” approved by the Board of Directors on 27 March 2025 and will be submitted for approval by the annual general meeting is as follows:

- (i) Appropriation of RMB4,531 million to general reserve. As at 31 December 2024, the proposed appropriation of general reserve has been included in the general reserve.
- (ii) The Bank has issued a total of 560 million preference shares (Xing Ye You 1, Xing Ye You 2 and Xing Ye You 3) with a par value of RMB100 per share, interest payable in cash once a fiscal year. For the year ended 31 December 2024, the dividends payable of preference shares are RMB2,597 million (tax inclusive) in total.
- (iii) Distribute cash dividends of RMB10.60 per 10 shares (tax inclusive) on the basis of ordinary shares of the Bank on the record date for implementation of the profit appropriation.

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.

32.2 “2023 Profit Distribution Proposal of the Bank” approved by the Board of Directors on 28 March 2024 and approved by the Annual General Meeting on 20 June 2024 is as follows:

- (i) Appropriation of RMB10,571 million to general reserve. As at 31 December 2023, the proposed appropriation of general reserve has been included in the general reserve.
- (ii) The Bank has issued a total of 560 million preference shares (Xing Ye You 1, Xing Ye You 2 and Xing Ye You 3) with a par value of RMB100 per share, interest payable in cash once a fiscal year. For the year ended 31 December 2023, the dividends payable of preference shares are RMB2,793 million (tax inclusive) in total.
- (iii) Distribute cash dividends of RMB10.40 per 10 shares (tax inclusive) on the basis of ordinary shares of the Bank on the record date for implementation of the profit appropriation.

As at 31 December 2024, the above-mentioned dividend distribution has been completed.

32.3 Surplus reserve appropriated by subsidiaries

As at 31 December 2024, the balance of the Group’s retained earnings includes surplus reserve appropriated by subsidiaries amounting to RMB5,235 million (31 December 2023: RMB4,658 million).

33. Net interest income

	The Group		The Bank	
	2024	2023	2024	2023
Interest income				
Balances with Central Bank	5,346	5,795	5,346	5,795
Deposits with banks and other financial institutions	3,216	3,023	3,042	2,809
Placements with banks and other financial institutions	12,787	13,592	13,335	14,228
Financial assets purchased under resale agreements	4,877	3,781	4,849	3,763
Loans and advances to customers	236,155	236,281	223,729	222,702
Including: Corporate	133,769	123,858	133,916	124,020
Personal	98,382	108,370	85,809	94,629
Discounted bills	4,004	4,053	4,004	4,053
Bonds and other investment	76,218	81,450	74,813	79,954
Finance lease receivables	5,048	4,976	–	–
Others	188	181	17	20
Subtotal	343,835	349,079	325,131	329,271
Interest expense:				
Borrowing from Central Bank	(4,998)	(5,043)	(4,998)	(5,043)
Deposits from banks and other financial institutions	(45,146)	(40,222)	(45,301)	(40,331)
Placements from banks and other financial institutions	(9,183)	(9,460)	(5,790)	(5,726)
Financial assets sold under repurchase agreements	(2,620)	(3,875)	(2,319)	(3,475)
Deposits from customers	(103,728)	(112,909)	(103,750)	(112,935)
Debt securities issued	(29,618)	(30,210)	(28,715)	(29,350)
Others	(435)	(857)	(192)	(610)
Subtotal	(195,728)	(202,576)	(191,065)	(197,470)
Net interest income	148,107	146,503	134,066	131,801

34. Net fee and commission income

	The Group		The Bank	
	2024	2023	2024	2023
Fee and commission income				
Bank card fee	10,171	11,808	10,171	11,808
Custody and other fiduciary fee	7,830	8,805	3,393	4,821
Agency fee	5,253	5,831	5,079	5,823
Settlement and clearing fee	2,860	2,914	2,860	2,914
Guarantee and commitment fee	1,238	1,210	1,238	1,210
Others	2,496	2,551	1,901	1,666
Subtotal	29,848	33,119	24,642	28,242
Fee and commission expense	(5,752)	(5,364)	(4,774)	(5,034)
Net fee and commission income	24,096	27,755	19,868	23,208

35. Investment income

	The Group		The Bank	
	2024	2023	2024	2023
Trading assets	30,351	24,746	28,076	23,029
Debt investments	4,498	4,216	4,498	4,213
Precious metals and related financial instruments	1,215	730	1,215	730
Other debt investments	258	861	258	855
Gains from long-term equity investments under the equity method	151	18	66	9
Other equity investments	37	37	37	37
Dividends declared by subsidiaries	–	–	745	896
Derivative financial instruments	(1,028)	(675)	(1,151)	(738)
Trading liabilities	(999)	(771)	(999)	(771)
Others	1,719	1,537	1,708	1,511
Total	36,202	30,699	34,453	29,771

36. Gains (losses) from changes in fair values

	The Group		The Bank	
	2024	2023	2024	2023
Trading assets	6,138	6,130	7,051	7,576
Precious metals and related financial instruments	1,238	(3,116)	1,238	(3,116)
Trading liabilities	(172)	(87)	(172)	(87)
Derivative financial instruments and others	(3,982)	1,212	(3,982)	1,212
Total	3,222	4,139	4,135	5,585

37. Taxes and surcharges

	The Group		The Bank	
	2024	2023	2024	2023
City maintenance and construction tax	1,050	1,094	958	997
Education surcharge	721	751	658	686
Others	458	474	378	377
Total	2,229	2,319	1,994	2,060

38. General and administrative expenses

	The Group		The Bank	
	2024	2023	2024	2023
Employee benefits	38,048	38,065	34,248	34,735
Lease expenses	130	164	169	164
Depreciation and amortisation	6,842	6,785	6,262	6,218
Others	17,183	17,594	17,320	17,594
Total	62,203	62,608	57,999	58,711

39. Credit impairment losses

	The Group		The Bank	
	2024	2023	2024	2023
Loans and advances to customers	51,613	67,103	44,269	60,639
Debt investments	7,842	(5,584)	7,938	(6,378)
Other debt investments	871	787	871	783
Finance lease receivables	(239)	(312)	–	–
Impairment loss for off-balance-sheet assets	115	(810)	115	(810)
Others	(22)	(210)	(60)	(363)
Total	60,180	60,974	53,133	53,871

40. Income tax expenses

	The Group		The Bank	
	2024	2023	2024	2023
Current income tax	19,675	11,754	16,510	8,823
Deferred income tax	(10,939)	(4,202)	(9,613)	(3,327)
Adjustment for prior years	893	(877)	889	(853)
Total	9,629	6,675	7,786	4,643

The income tax expense of the Group and the Bank can be reconciled to the profit as follows:

	The Group		The Bank	
	2024	2023	2024	2023
Accounting profit	87,120	84,329	78,734	76,188
Tax calculated at applicable statutory tax rate of 25%	21,780	21,082	19,684	19,047
Adjustments on income tax:				
Income not taxable for tax purpose	(13,073)	(13,900)	(13,000)	(13,770)
Expenses not deductible for tax purpose	29	370	213	219
Adjustment for prior years	893	(877)	889	(853)
Total	9,629	6,675	7,786	4,643

41. Other comprehensive income

	The Group						
	2024						
	1 January 2024	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 2024
Other comprehensive income that will not be subsequently classified to profit and loss							
Including: Actuarial (losses) profits on defined benefit plans	1,594	(72)	–	–	(72)	–	1,522
Fair value changes of other equity investments	(197)	175	–	(44)	131	–	(66)
Subtotal	1,397	103	–	(44)	59	–	1,456
Other comprehensive income that may be subsequently classified to profit and loss							
Including: Fair value changes of other debt investments (Note 1)	(2,498)	5,029	453	(1,373)	4,109	–	1,611
Credit losses on other debt investments (Note 2)	2,317	1,889	(1,689)	(49)	151	–	2,468
Translation differences of financial statements denominated in foreign currencies	23	3	–	–	3	–	26
Subtotal	(158)	6,921	(1,236)	(1,422)	4,263	–	4,105
Total	1,239	7,024	(1,236)	(1,466)	4,322	–	5,561

	The Bank				
	2024				
	Other comprehensive income				
	1 January 2024	Amount incurred before income tax	comprehensive income transferred to profit and loss	Income tax expense	31 December 2024
Other comprehensive income that will not be subsequently classified to profit and loss					
Including: Actuarial (losses) profits on defined benefit plans	1,594	(72)	–	–	1,522
Fair value changes of other equity investments	(197)	52	–	(13)	(158)
Subtotal	1,397	(20)	–	(13)	1,364
Other comprehensive income that may be subsequently classified to profit and loss					
Including: Fair value changes of other debt investments (Note 1)	(2,478)	4,845	453	(1,325)	1,495
Credit losses on other debt investments (Note 2)	2,285	1,889	(1,689)	(49)	2,436
Subtotal	(193)	6,734	(1,236)	(1,374)	3,931
Total	1,204	6,714	(1,236)	(1,387)	5,295

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

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

42. Earnings per share

42.1 Basic earnings per share

	The Group	
	2024	2023
Current net profit attributable to equity shareholders of the Bank	77,205	77,116
Less: Current net profit attributable to preferred shareholders of the Bank	(2,793)	(2,793)
Less: Current net profit attributable to perpetual bonds of the Bank	(1,419)	(1,419)
Current net profit attributable to ordinary shareholders of the Bank	72,993	72,904
Weighted average ordinary shares issued by the Bank (shares in million)	20,774	20,774
Basic earnings per share (RMB)	3.51	3.51

When calculating the earnings per share, the declared dividends for preference shares and interest expense of perpetual bonds were not included in the current net profit attributable to ordinary shareholders.

42.2 Diluted earnings per share

	The Group	
	2024	2023
Current net profit attributable to ordinary shareholders of the Bank	72,993	72,904
Add: Current interest charges on convertible corporate bonds (after tax)	1,300	1,258
Current net profit for calculating diluted earnings per share	74,293	74,162
Weighted average ordinary shares issued by the Bank (shares in million)	20,774	20,774
Add: Weighted average of all convertible corporate bond converted into ordinary shares (shares in million)	2,247	2,147
Add: Weighted average of current ordinary shares for calculating diluted earnings per share (shares in million)	23,021	22,921
Diluted earnings per share (RMB)	3.23	3.24

The conversion characteristic of preference shares and convertible bonds enables the existence or ownership of ordinary shares to be issued. As at 31 December 2024 and 31 December 2023, there was no triggering 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.

43. Supplementary information to the cash flow statement

43.1 Reconciliation of net profit to cash flows from operating activities

	The Group		The Bank	
	2024	2023	2024	2023
Reconciliation of net profit to cash flows from operating activities				
Net profit	77,491	77,654	70,948	71,545
Add: Allowance for impairment losses on assets	60,189	61,178	53,144	53,883
Depreciation of fixed assets	3,253	2,988	2,501	2,394
Amortisation of intangible assets	268	256	263	226
Depreciation of right-of-use assets	2,919	2,968	2,691	2,766
Amortisation of unrecognised financing fee	305	312	279	299
Amortisation of long-term prepaid expenses	605	573	528	533
Gains from disposal of fixed assets, intangible assets and other long-term assets	(114)	(27)	(114)	(22)
Interest income of bonds and other investments	(76,218)	(81,450)	(74,813)	(79,954)
Interest income of impaired financial assets	(982)	(1,001)	(982)	(1,001)
Gains from changes in fair value	(3,222)	(4,139)	(4,135)	(5,585)
Investment income	(36,202)	(30,699)	(34,453)	(29,771)
Interest expense for debt securities issued	29,618	30,210	28,715	29,350
Increase in deferred tax assets	(10,629)	(4,293)	(9,237)	(3,569)
Decrease in deferred tax liabilities	(29)	(169)	–	–
Increase in receivables of operating activities	(289,453)	(562,388)	(261,728)	(528,639)
Increase (decrease) in payables of operating activities	4,943	941,644	(17,569)	927,837
Net cash flow (used in) generated from operating activities	(237,258)	433,617	(243,962)	440,292

	The Group		The Bank	
	2024	2023	2024	2023
Net changes in cash and cash equivalents				
Closing balance of cash and cash equivalents	512,603	531,277	500,211	529,372
Less: opening balance of cash and cash equivalents	531,277	404,856	529,372	398,084
Net (decrease) increase of cash and cash equivalents	(18,674)	126,421	(29,161)	131,288

43.2 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	
	2024	2023	2024	2023
Cash on hand	4,919	5,722	4,880	5,679
Balances with Central Bank that can be withdrawn on demand	65,268	54,137	65,267	54,136
Original maturity less than three months:				
Deposits with banks and other financial institutions	104,342	175,616	97,727	170,755
Placements with banks and other financial institutions	98,957	28,936	98,577	31,936
Financial assets purchased under resale agreements	177,085	198,067	171,728	198,067
Investments	62,032	68,799	62,032	68,799
Closing balance of cash and cash equivalents	512,603	531,277	500,211	529,372

44. Post-employment compensation

44.1 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 for the expenses above, the Group undertakes no further payment duties. Certain expenses are charged in profit or loss of the period.

Expenses recognised in profit or loss for the period:

	The Group		The Bank	
	2024	2023	2024	2023
Defined contribution plans	3,883	3,781	3,633	3,390

Amount of payable at the period-end:

	The Group		The Bank	
	2024	2023	2024	2023
Defined contribution plans	129	108	85	84

44.2 Defined benefit plans

The Group offers complementary retiring benefit plans to employees who were already employed when the annuity plan was established. The Group estimates 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 recognises 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 recognises assets of this plan based on actuary results, related actuarial gains or losses recognised 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 recognised by net liabilities or assets of the defined benefit plans multiplied by appropriate discount rate.

The profit or loss charged by related influence from defined benefit plans is RMB13 million. Actuary losses charged to other comprehensive income are RMB72 million. Net assets of defined benefit plans decreased by RMB85 million for the period, and the balance at the end of the period is RMB1,750 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, 15).

As at 31 December 2024, the average benefit obligation period of the Group's defined benefit plans was about 5 to 6 years (31 December 2023: about 5 to 6 years).

Defined benefit plan makes the Group face actuarial risks that include interest rate risk and longevity risk. The decrease in the yield of government bonds 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 1.50% as at 31 December 2024 (31 December 2023: 2.50%). 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 who retire at the age of 60 and female workers who retire 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 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 RMB30 million (increased by RMB33 million).

As part of hypotheses may have correlations and a hypothesis cannot be changed in an isolated 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 for 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.

45. 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 determines 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 2024, the Group didn't offer financial support to the consolidated structured entities (2023: Nil).

Unconsolidated structured entities

45.1 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, asset-backed securities, trust plans, asset management plans 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 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 2024 and 31 December 2023 in the structured entities sponsored by third-party institutions:

The Group 2024						
	Trading assets	Debt investments	Other debt investments	Carrying amount	Maximum risk exposure (Note)	Type of income
Funds	550,198	–	–	550,198	550,198	Investment income
Trust plans	9,513	325,201	240	334,954	334,954	Investment income, interest income
Asset management plans	137,094	71,080	–	208,174	208,174	Investment income, interest income
Asset-backed securities	1,696	69,493	44,571	115,760	115,760	Investment income, interest income
Wealth management products	2,114	–	–	2,114	2,114	Investment income
Total	700,615	465,774	44,811	1,211,200	1,211,200	

The Group 2023						
	Trading assets	Debt investments	Other debt investments	Carrying amount	Maximum risk exposure (Note)	Type of income
Funds	585,875	–	–	585,875	585,875	Investment income
Trust plans	9,176	296,837	250	306,263	306,263	Investment income, interest income
Asset management plans	105,316	127,271	–	232,587	232,587	Investment income, interest income
Asset-backed securities	5,468	92,971	58,931	157,370	157,370	Investment income, interest income
Wealth management products	1,141	–	–	1,141	1,141	Investment income
Total	706,976	517,079	59,181	1,283,236	1,283,236	

Note: Maximum risk 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 recognised in the balance sheet.

45.2 Structured entities sponsored by the Group which the Group did not consolidate but held an interest

The structured entities which are not consolidated and set up by the Group consist primarily of wealth management products, trust plans, funds, asset management plans and asset-backed securities. The nature and purpose of these structured entities are to manage investors' assets and collect management fees. These structured entities generally finance the purchase of assets by issuing units of the products. Interest held by the Group includes direct investments in these structured entities and fees charged by providing management services.

As at 31 December 2024 and 31 December 2023, unconsolidated structured entities sponsored by the Group are set out as below:

	The Group	
	2024	2023
Wealth management products	2,177,582	2,264,211
Funds	334,238	231,554
Trust plans	320,626	149,387
Asset management plans	69,782	67,826
Asset-backed securities	59,143	30,084
Total	2,961,371	2,743,062

In 2024, the commission income earned from offering management services to the investors of these structured entities by the Group is RMB4,391 million (2023: RMB5,598 million).

45.3 Unconsolidated structured entities sponsored by the Group during the year in which the Group does not have an interest on 31 December 2024

Unconsolidated structured entities sponsored by the Group after 1 January 2024 but matured before 31 December 2024 in which the Group does not have an interest were mainly the non-principal-guaranteed wealth management products.

The aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2024 but matured before 31 December 2024 was RMB119,455 million (The aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2023 but matured before 31 December 2023 was RMB96,849 million). In 2024, the amount of fee and commission income received from such category of non-principal-guaranteed wealth management products by the Group was RMB23 million (2023: RMB21 million).

VIII. Segment reporting

Senior management of the Group evaluates the operations of the Group in accordance with the economic areas of the respective branches and subsidiaries. Each branch serves its local customers and a 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 evaluations 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 include: 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 Lasa branch;

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

The Group 2024												
	Head office	Fujian	Beijing	Shanghai	Guangdong	Zhejiang	Jiangsu	Northeast and other regions	Western region	Central region	Eliminations	Total
Operating income	79,601	30,245	7,321	7,535	10,523	11,354	11,413	19,865	14,966	19,403	-	212,226
Net interest income	32,515	22,771	6,977	6,568	9,624	11,844	10,709	16,068	13,546	17,485	-	148,107
Including: Net inter-segment interest (expense) income	(32,760)	5,910	12,390	13,972	1,958	(2,454)	(2,565)	2,361	(3,757)	4,945	-	-
Net fee and commission income	14,312	4,844	540	609	623	(633)	577	1,267	827	1,130	-	24,096
Other income	32,774	2,630	(196)	358	276	143	127	2,530	593	788	-	40,023
Operating expenses	(41,410)	(24,319)	(3,899)	(5,479)	(12,244)	(6,904)	(4,884)	(8,010)	(7,854)	(10,026)	-	(125,029)
Operating profit	38,191	5,926	3,422	2,056	(1,721)	4,450	6,529	11,855	7,112	9,377	-	87,197
Add: Non-operating income	79	73	6	7	19	7	12	19	32	35	-	289
Less: Non-operating expenses	(159)	(35)	(9)	(9)	(29)	7	(12)	(75)	(26)	(19)	-	(366)
Total profit	38,111	5,964	3,419	2,054	(1,731)	4,464	6,529	11,799	7,118	9,393	-	87,120
Less: Income tax expenses												(9,629)
Net profit												77,491
Segment assets	4,659,741	992,602	803,772	857,418	863,855	580,732	559,155	1,114,631	755,685	1,088,683	(1,835,635)	10,440,639
Including: Investment in an associate												3,917
Undistributed assets	3,445	472										67,259
Total assets												10,507,898
Segment liabilities	3,970,307	925,776	800,319	850,795	865,585	576,239	552,567	1,080,358	748,547	1,079,278	(1,835,635)	9,614,136
Undistributed liabilities												151
Total liabilities												9,614,287
Supplemental information												
Credit commitments	537,681	113,874	38,171	40,427	157,578	121,023	95,039	217,885	185,068	270,176	-	1,776,922
Depreciation and amortisation	1,241	981	404	420	593	278	419	848	738	920	-	6,842
Capital expenditures	1,037	844	40	75	246	100	185	652	192	286	-	3,657

	The Group											Total
	2023											
	Head office	Fujian	Beijing	Shanghai	Guangdong	Zhejiang	Jiangsu	Northeast and other regions	Western region	Central region	Eliminations	
Operating income	81,137	30,359	6,165	7,839	10,350	10,580	12,390	19,023	14,062	18,926	-	210,831
Net interest income	33,222	23,389	5,476	6,909	9,433	11,158	11,535	15,766	12,777	16,838	-	146,503
Including: Net inter-segment interest (expense) income	(36,761)	5,129	11,561	13,478	2,947	(1,758)	(1,528)	3,181	(2,218)	5,969	-	-
Net fee and commission income	16,454	5,159	651	823	740	(676)	724	1,379	986	1,515	-	27,755
Other income	31,461	1,811	38	107	177	98	131	1,878	299	573	-	36,573
Operating expenses	(42,973)	(20,449)	(4,854)	(4,742)	(7,123)	(5,133)	(5,943)	(8,711)	(14,196)	(12,567)	-	(126,691)
Operating profit	38,164	9,910	1,311	3,097	3,227	5,447	6,447	10,312	(134)	6,359	-	84,140
Add: Non-operating income	101	84	4	4	40	8	22	23	17	25	-	328
Less: Non-operating expenses	(31)	(44)	(2)	(4)	(8)	(2)	(3)	(17)	(6)	(22)	-	(139)
Total profit	38,234	9,950	1,313	3,097	3,259	5,453	6,466	10,318	(123)	6,362	-	84,329
Less: Income tax expenses												(6,675)
Net profit												77,654
Segment assets	4,829,387	888,283	644,002	756,407	737,144	500,933	566,309	1,022,624	712,677	975,412	(1,532,898)	10,100,280
Including: Investment in an associate	3,397	475										3,872
Undistributed assets												58,046
Total assets												10,158,326
Segment liabilities	4,209,772	820,415	642,326	748,487	733,866	495,365	559,830	991,284	712,947	969,034	(1,532,898)	9,350,428
Undistributed liabilities												179
Total liabilities												9,350,607
Supplemental information												
Credit commitments	531,064	117,772	33,260	31,610	116,447	105,077	103,604	229,741	175,181	263,584	-	1,707,340
Depreciation and amortisation	1,125	916	382	396	574	288	400	942	765	997	-	6,785
Capital expenditures	1,135	469	62	95	221	160	318	1,377	363	306	-	4,506

IX. Related party relationship and transactions

1. Related Party Relationship

The Group

Related parties with no controlling interest

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

Name	Economic nature	Place of registration	Principal activities	Legal representative	Registered capital (RMB hundred million)	
					2024/12/31	2023/12/31
The Finance Bureau of Fujian Province	Legal entity of government agencies	Fuzhou	Administration of Fujian provincial fiscal and tax policy	Lin Zhonglin	N/A	N/A
Fujian Financial Investment Co., Ltd.	Limited Company	Fuzhou	Investment management	Wan Chongwei	1,000.00	1,000.00
PICC Property and Casualty Company Limited	Incorporated Company	Beijing	Insurance services	Yu Ze	222.43	222.43
PICC Life Insurance Company Limited	Incorporated Company	Beijing	Insurance services	Xiao Jianyou	257.61	257.61
China National Tobacco Corporation	Owned by the whole people	Beijing	Production, and sales of tobacco products	Zhang Jianmin	570.00	570.00
China National Tobacco Fujian Corporation	Owned by the whole people	Fuzhou	Sales of tobacco products	Zhao Jiancheng	1.37	1.37
China Tobacco Hunan Investment Management Company	Limited Company	Changsha	Investment management	Xiao Bing	2.00	2.00
The People's Insurance Company (Group) of China Limited	Incorporated Company	Beijing	Investment management and insurance services	Ding Xiangqun	442.24	442.24
China National Tobacco Guangdong Corporation	Owned by the whole people	Guangzhou	Production, and sales of tobacco products	Wang Deyuan	1.40	1.40
Fujian Sanhua Color Printing Co., Ltd.	Limited Company	Longyan	Trademark, advertisement and other printed matter production	Chen Beirong	0.12	0.12

Number of shares held by Shareholders holding more than 5% (inclusive) of the Bank's shares:

Name	31 December 2024		31 December 2023	
	Shares	Proportion	Shares	Proportion
	Million shares	(%)	Million shares	(%)
The Finance Bureau of Fujian Province (1)	453	2.18	453	2.18
Fujian Financial Investment Co., Ltd. (1)	3,512	16.91	3,512	16.91
PICC Life Insurance Company Limited (2)	1,276	6.14	1,276	6.14
PICC Property and Casualty Company Limited (2)	1,229	5.91	1,229	5.91
China National Tobacco Corporation (3)	1,110	5.34	1,110	5.34
China National Tobacco Fujian Corporation (3)	573	2.76	132	0.64
China Tobacco Hunan Investment Management Company (3)	226	1.09	226	1.09
The People's Insurance Company (Group) of China Limited (2)	174	0.84	174	0.84
China National Tobacco Guangdong Corporation (3)	99	0.48	99	0.48
Fujian Sanhua Color Printing Co., Ltd. (3)	46	0.22	46	0.22
Haisheng Investment Management Company of Fujian Tobacco (3)	–	–	441	2.13
Total	8,698	41.87	8,698	41.88

Note: (1) As of 31 December 2024, the aggregate proportion of the Finance Bureau of Fujian Province and its wholly-owned subsidiary Fujian Financial Investment Co., Ltd. was 19.09%.

(2) As of 31 December 2024, PICC Property and Casualty Company Limited and PICC Life Insurance Company Limited are both subsidiaries of The People's Insurance Company (Group) of China Limited. The aggregate proportion is 12.89%.

(3) As of 31 December 2024, Fujian Company of China National Tobacco Corporation, China Tobacco Hunan Investment Management Co., Ltd., Guangdong Company of China National Tobacco Corporation and Fujian Sanhua Color Printing Co., Ltd. are subsidiaries of China National Tobacco Corporation. The aggregate proportion is 9.90%. Fujian Company of China National Tobacco Corporation and its wholly-owned subsidiary, Fujian Tobacco Haisheng Investment Management Co., Ltd., completed the registration procedures for the gratuitous transfer of 441,504,000 A-shares of the Bank's RMB ordinary shares on 7 May 2024.

1.2 Other major shareholders of the Bank

Name	Economic nature	Place of registration	Principal activities	Legal representative	Registered capital (RMB hundred million)	
					2024/12/31	2023/12/31
Fujian Provincial Port Group Co., Ltd. (4)	Limited Company	Fuzhou	Port terminal infrastructure construction and operation	Chen Zhiping	100.00	100.00
Fujian Provincial Communication Transportation Group Co., Ltd. (4)	Limited Company	Fuzhou	Transportation	Wu Dingshan	32.20	32.20
Xiamen Port Holding Group Co., Ltd. (4)	Limited Company	Xiamen	Port facility services	Cai Liquan	31.00	31.00
Fuzhou Port Group Co., Ltd. (4)	Limited Company	Fuzhou	Marina facility services	Gao Yu	12.04	12.04
Fujian Shipping Company (4)	Limited Company	Fuzhou	Water transport and foreign trade	Wu Liangqi	8.00	5.20
Fujian Investment and Development Group Co., Ltd. (5)	Limited Company	Fuzhou	Industrial investment and development	Wang Fei	100.00	100.00
Fujian Huaxing Group Co., Ltd. (5)	Limited Company	Fuzhou	State-owned asset management and operations	Wang Wei	27.30	27.30
Ruizhong Life Insurance Co., Ltd. (6)	Limited Company	Beijing	Insurance services	Zhao Guodong	565.00	N/A

- (4) On 26 May 2023, the Annual General Meeting passed a resolution that Fujian Provincial Port Group Co., Ltd. will appoint supervisor to the Bank, which can exercise significant influence over the Bank and constitute a related party of the Bank. Xiamen Port Holding Group Co., Ltd. and Fujian Provincial Communication Transportation Group Co., Ltd. are subsidiaries of Fujian Provincial Port Group Co., Ltd.. Fuzhou Port Group Co., Ltd. and Fujian Shipping Company are subsidiaries of Fujian Provincial Communication Transportation Group Co., Ltd.. The above companies have a total shareholding ratio of less than 5%.
- (5) On 20 June 2024, the Annual General Meeting passed a resolution that Fujian Investment and Development Group Co., Ltd. appointed supervisor to the Bank, which can exercise significant influence over the Bank and constitute a related party of the Bank. Fujian Huaxing Group Co., Ltd. is a subsidiary of Fujian Investment and Development Group Co., Ltd., with a total shareholding ratio of less than 5%.
- (6) On 20 June 2024, the Annual General Meeting passed a resolution that Huaxia Life Insurance Co., Ltd. appointed supervisor to the Bank, which can exercise significant influence over the Bank and constitute a related party of the Bank, with a total shareholding ratio of less than 5%. On 20 August 2024, Huaxia Life Insurance Co., Ltd. transferred its equity holdings in the Bank to Ruizhong Life Insurance Co., Ltd..

1.3 The major shareholders' related parties which have credit-related transactions with the Group

Credit-related transactions: refer to the provision of financial support by a banking institution to related parties, or the guarantee of compensation and payment obligations that may arise from related parties' economic activities, including loans (including trade finance), acceptance and discounting of bills, overdrafts, bond investments, investment in special purpose vehicles, establishment of letters of credit, factoring, guarantees, letters of guarantee, loan commitments, securities repurchases, loan at call, and other on-balance-sheet and off-balance-sheet businesses in which the banking institution essentially bears credit risk.

(a) Fujian Financial Investment Co., Ltd. and its related parties

- Fujian Financial Investment Co., Ltd.
- Huafu Securities Co., Ltd.
- Huafu Securities Asset Management Co., Ltd.

(b) The People's Insurance Company (Group) of China Limited and its related parties

- PICC Property and Casualty Company Limited
- China Securities Credit Investment Co., Ltd.

(c) China National Tobacco Corporation and its related parties

- Fujian Province Tobacco Company Fuzhou Company
- China Tobacco Guangxi Industry Co., Ltd.
- Hangzhou Xiang Yi Chun Jiang Shan Ju Real Estate Co., Ltd.
- Hongta Securities Co., Ltd.
- Inner Mongolia Shanghai Temple Mining Co., Ltd.
- Xiamen Haisheng Rongchuang Information Technology Co., Ltd.
- Xiamen Xiang'an Xing Hai Sheng Real Estate Development Co., Ltd.
- Yunnan Hongta Bank
- Zhong Wei Xin Sheng Real Estate Development (Fujian) Co., Ltd.
- Zunyi Da Xing Fu Fei Co., Ltd.
- Yunnan Honghe Investment Co., Ltd.
- Changde Jinpeng Printing Co., Ltd.
- China Tobacco Guizhou Industrial Co., Ltd.

(d) Fujian Provincial Port Group Co., Ltd. and its related parties

- Fujian Provincial Port Group Co., Ltd.
- Fu Zhou Port (Luo Yuan) Group Co., Ltd.
- Fujian Atl – Shengfeng Logistics Co., Ltd.
- Fujian Jiangyin International Container Terminal Co., Ltd.
- Fujian Cross Border E-commerce Co., Ltd.
- Fujian Provincial Port Group Finance Co., Ltd.
- Fujian Shipping Company
- Fujian Hong Yuan Environment Resources Co., Ltd.

- Fujian Provincial Communication Transportation Group Co., Ltd.
- Fujian Shaowu Minyun Passenger Transportation Station Co., Ltd.
- Fujian Province Sugar Liquor And Non-Staple Food Co., Ltd.
- Fujian Xiaocuo Port Development Co., Ltd.
- Fujian Zhangzhou Port Chemical Terminal Co., Ltd.
- Fuzhou Port Group Co., Ltd.
- Fuzhou Minyun Public Traffic Co., Ltd.
- Lianjiang Minyun Public Traffic Co., Ltd.
- Xiamen Port Commerce Information Co., Ltd.
- Xiamen Port Haiheng Industrial Co., Ltd.
- Xiamen Port Wine Co., Ltd.
- Xiamen Port Holding Group Co., Ltd.
- Xiamen Port Trading Co., Ltd.
- Xiamen Port Ecological Agriculture Co., Ltd.
- Xiamen Port Dredging & Engineering Co., Ltd.
- Xiamen Port Ye Shui Fu Logistics Co., Ltd.
- Xiamen Port Dredging Engineering Co., Ltd.
- Xiamen International Port Co., Ltd.
- Xiamen Hailong Manning Service Co., Ltd.
- Xiamen Haixia Supply Chain Development Co., Ltd.
- Xiamen Haixia Investment Co., Ltd.
- Xiamen Penavico International Freight & Forwarding Co., Ltd.
- Xiamen Penavico Navigation Co., Ltd.
- Xiamen Sunlit Co., Ltd.
- Xiamen Port Group Gangdian Service Co., Ltd.
- Xiamen Pilot Free Trade Zone Electronic Port Co., Ltd.

- Zhangzhou Haiming Logistics Co., Ltd.
- Zhangzhou Longwen Long-distance Transportation Public Transport Co., Ltd.
- Zhangzhou Xiangcheng Long-distance Transportation Public Transport Co., Ltd.
- (e) Fujian Investment and Development Group Co., Ltd. and its related parties
 - Fujian Investment and Development Group Co., Ltd.
 - Fujian Strait Financial Leasing Co., Ltd.
 - Fujian Mintou Power Distribution Co., Ltd.
 - Fujian Railway Co., Ltd.
 - Fujian Yongtai Mintou Pumped Storage Co., Ltd.
 - Fujian Zhongmin Logistics Co., Ltd.
 - Min Xin Holdings Limited
 - Nanping Mintou Power Distribution Co., Ltd.
 - CNOOC Fujian New Energy Co., Ltd.
 - Zhongmin Energy Co., Ltd.
- (f) Ruizhong Life Insurance Co., Ltd. and its related parties
 - Powerchina Road Bridge Group Co., Ltd.
 - Fosun International Limited
 - Jiangsu Hualan New Pharmaceutical Material Co., Ltd.

1.4 Associates

Details of general information and related information of associates are set out in Note VII, 9.

1.5 Other related parties

Other related parties include key management personnel (Foreign exchange losses 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 act as board of directors or senior management.

2. Related party transactions

The conditions and prices of related party transactions between the Group and the Bank are determined according to the Group's contract, and are examined and approved in accordance with the transaction type and content of transaction by corresponding decision-making authority.

2.1 Interest income

Related party	2024	2023
Fujian Provincial Port Group Co., Ltd. and its related parties	532	71
Ruizhong Life Insurance Co., Ltd. and its related parties	88	N/A
Fujian Investment and Development Group Co., Ltd. and its related parties	84	N/A
China Tobacco and its related parties	58	71
Xiamen International Bank Co., Ltd.	11	N/A
Fujian Financial Investment Co., Ltd. and its related parties	5	18
The People's Insurance Company (Group) of China Limited and its related parties	2	–
Zhejiang Energy Group Co., Ltd. and its related parties	N/A	21
Associates	75	102
Others	9	6
Total	864	289
Proportion in amount of related similar transactions	0.25%	0.08%

Note: As at 31 December 2024, Zhejiang Energy Group Co., Ltd. and its related parties were no longer related parties of the Group.

2.2 Interest expense

Related party	2024	2023
China Tobacco and its related parties	2,693	5,791
The People's Insurance Company (Group) of China Limited and its related parties	356	807
Fujian Financial Investment Co., Ltd. and its related parties	264	176
Fujian Investment and Development Group Co., Ltd. and its related parties	140	N/A
Fujian Provincial Port Group Co., Ltd. and its related parties	25	38
The Finance Bureau of Fujian Province	14	13
Ruizhong Life Insurance Co., Ltd. and its related parties	2	N/A
Xiamen International Bank Co., Ltd.	1	N/A
Zhejiang Energy Group Co., Ltd. and its related parties	N/A	7
Associates	20	27
Others	1	2
Total	3,516	6,861
Proportion in amount of related similar transactions	1.80%	3.39%

Note: As at 31 December 2024, Zhejiang Energy Group Co., Ltd. and its related parties were no longer related parties of the Group.

2.3 Investment income

Related party	2024	2023
Fujian Investment and Development Group Co., Ltd. and its related parties	22	N/A
China Tobacco and its related parties	4	–
Fujian Financial Investment Co., Ltd. and its related parties	3	–
Fujian Provincial Port Group Co., Ltd. and its related parties	2	–
Xiamen International Bank Co., Ltd.	2	N/A
Total	33	–
Proportion in amount of related similar transactions	0.09%	0.00%

2.4 Fee and commission income

Related party	2024	2023
Fujian Financial Investment Co., Ltd. and its related parties	225	69
The People's Insurance Company (Group) of China Limited and its related parties	208	177
Ruizhong Life Insurance Co., Ltd. and its related parties	5	N/A
Fujian Provincial Port Group Co., Ltd. and its related parties	4	4
China Tobacco and its related parties	1	–
The Finance Bureau of Fujian Province	–	7
Others	1	1
Total	444	258
Proportion in amount of related similar transactions	1.49%	0.78%

2.5 Fees and commission expense

Related party	2024	2023
Fujian Financial Investment Co., Ltd. and its related parties	138	25
The People's Insurance Company (Group) of China Limited and its related parties	78	47
Xiamen International Bank Co., Ltd.	24	N/A
Associates	4	6
Others	1	8
Total	245	86
Proportion in amount of related similar transactions	4.26%	1.60%

2.6 General and administrative expenses-insurance

Related party	2024	2023
The People's Insurance Company (Group) of China Limited and its related parties	701	658
Proportion in amount of related similar transactions	1.13%	1.05%

In 2024, the Bank was paid RMB1.4142 million in compensation from PICC Property and Casualty Company Limited (2023: RMB0.76 million).

2.7 General and administrative expenses-property rent

Related party	2024	2023
China Tobacco and its related parties	40	30
Fujian Provincial Port Group Co., Ltd. and its related parties	6	–
Fujian Financial Investment Co., Ltd. and its related parties	3	2
Zhejiang Energy Group Co., Ltd. and its related parties	N/A	1
Total	49	33
Proportion in amount of related similar transactions	0.08%	0.05%

Note: As at 31 December 2024, Zhejiang Energy Group Co., Ltd. and its related parties were no longer related parties of the Group.

2.8 Other operating income

Related party	2024	2023
Fujian Financial Investment Co., Ltd. and its related parties	46	5
China Tobacco and its related parties	–	1
Others	1	–
Total	47	6
Proportion in amount of related similar transactions	9.34%	0.93%

2.9 Non-operating income

Related party	2024	2023
Fujian Financial Investment Co., Ltd. and its related parties	10	30
Total	10	30
Proportion in amount of related similar transactions	3.46%	9.15%

3. Unsettled amount of related party transactions

3.1 Deposits with banks and other financial institutions

Related party	2024	2023
Associates	–	2
Total	–	2
Proportion in amount of related similar transactions	0.00%	0.00%

3.2 Placements with banks and other financial institutions

Related party	2024	2023
China Tobacco and its related parties	300	–
Associates	–	276
Total	300	276
Proportion in amount of related similar transactions	0.08%	0.08%

3.3 Financial assets purchased under resale agreements

Related party	2024	2023
China Tobacco and its related parties	400	–
Total	400	–
Proportion in amount of related similar transactions	0.23%	0.00%

3.4 Derivative financial instruments

31 December 2024				
Related party	Transaction type	Notional amount	Fair value	
			Derivative financial assets	Derivative financial liabilities
Xiamen International Bank Co., Ltd.	Exchange rate derivatives	2,411	49	(40)
Xiamen International Bank Co., Ltd.	Interest rate derivatives	13,180	231	(96)
Total		15,591	280	(136)
Proportion in amount of related similar transactions			0.40%	0.18%

31 December 2023				
Related party	Transaction type	Notional amount	Fair value	
			Derivative financial assets	Derivative financial liabilities
Xiamen International Bank Co., Ltd.	Exchange rate derivatives	N/A	N/A	N/A
Xiamen International Bank Co., Ltd.	Interest rate derivatives	N/A	N/A	N/A
Total		–	–	–
Proportion in amount of related similar transactions			0.00%	0.00%

3.5 Loans and advances to customers

Related party	2024	2023
Fujian Investment and Development Group Co., Ltd. and its related parties	3,084	N/A
Ruizhong Life Insurance Co., Ltd. and its related parties	1,834	N/A
Fujian Provincial Port Group Co., Ltd. and its related parties	983	1,182
China Tobacco and its related parties	457	568
Zhejiang Energy Group Co., Ltd. and its related parties	N/A	56
Associates	3,442	2,153
Others	502	183
Total	10,302	4,142
Proportion in amount of related similar transactions	0.18%	0.08%

Note: As at 31 December 2024, Zhejiang Energy Group Co., Ltd. and its related parties were no longer related parties of the Group.

3.6 Trading assets

Related party	2024	2023
Fujian Financial Investment Co., Ltd. and its related parties	288	550
China Tobacco and its related parties	204	330
Fujian Provincial Port Group Co., Ltd. and its related parties	195	233
Xiamen International Bank Co., Ltd.	145	N/A
Fujian Investment and Development Group Co., Ltd. and its related parties	136	N/A
Ruizhong Life Insurance Co., Ltd. and its related parties	30	N/A
Total	998	1,113
Proportion in amount of related similar transactions	0.11%	0.12%

3.7 Debt investments

Related party	2024	2023
Fujian Provincial Port Group Co., Ltd. and its related parties	3,418	3,298
Fujian Financial Investment Co., Ltd. and its related parties	637	2,100
Ruizhong Life Insurance Co., Ltd. and its related parties	200	N/A
Xiamen International Bank Co., Ltd.	190	N/A
Zhejiang Energy Group Co., Ltd. and its related parties	N/A	10
Total	4,445	5,408
Proportion in amount of related similar transactions	0.23%	0.30%

Note: As at 31 December 2024, Zhejiang Energy Group Co., Ltd. and its related parties were no longer related parties of the Group.

3.8 Other debt investments

Related party	2024	2023
Xiamen International Bank Co., Ltd.	1,597	N/A
The People's Insurance Company (Group) of China Limited and its related parties	506	–
China Tobacco and its related parties	428	756
Fujian Provincial Port Group Co., Ltd. and its related parties	254	248
Fujian Financial Investment Co., Ltd. and its related parties	151	–
Fujian Investment and Development Group Co., Ltd. and its related parties	105	N/A
Ruizhong Life Insurance Co., Ltd. and its related parties	7	N/A
Zhejiang Energy Group Co., Ltd. and its related parties	N/A	195
Associates	1,083	496
Total	4,131	1,695
Proportion in amount of related similar transactions	0.66%	0.30%

Note: As at 31 December 2024, Zhejiang Energy Group Co., Ltd. and its related parties were no longer related parties of the Group.

3.9 Lease payment receivables

Related party	2024	2023
Ruizhong Life Insurance Co., Ltd. and its related parties	188	N/A
Zhejiang Energy Group Co., Ltd. and its related parties	N/A	25
Others	64	–
Total	252	25
Proportion in amount of related similar transactions	0.19%	0.02%

Note: As at 31 December 2024, Zhejiang Energy Group Co., Ltd. and its related parties were no longer related parties of the Group.

3.10 Deposits from banks and other financial institution

Related party	2024	2023
Fujian Financial Investment Co., Ltd. and its related parties	2,125	4,651
Xiamen International Bank Co., Ltd.	836	N/A
Fujian Provincial Port Group Co., Ltd. and its related parties	187	851
The People's Insurance Company (Group) of China Limited and its related parties	172	5,244
China Tobacco and its related parties	72	362
Associates	1,116	1,847
Others	–	33
Total	4,508	12,988
Proportion in amount of related similar transactions	0.25%	0.70%

3.11 Deposits from customers

Related party	2024	2023
China Tobacco and its related parties	73,242	86,345
The People's Insurance Company (Group) of China Limited and its related parties	14,841	15,018
Fujian Financial Investment Co., Ltd. and its related parties	7,716	5,616
Fujian Investment and Development Group Co., Ltd. and its related parties	4,535	N/A
The Finance Bureau of Fujian Province	1,488	3,428
Fujian Provincial Port Group Co., Ltd. and its related parties	671	1,161
Ruizhong Life Insurance Co., Ltd. and its related parties	64	N/A
Zhejiang Energy Group Co., Ltd. and its related parties	N/A	273
Associates	549	257
Others	12	21
Total	103,118	112,119
Proportion in amount of related similar transactions	1.86%	2.18%

Note: As at 31 December 2024, Zhejiang Energy Group Co., Ltd. and its related parties were no longer related parties of the Group.

3.12 Right-of-use assets

Related party	2024	2023
China Tobacco and its related parties	87	79
Fujian Financial Investment Co., Ltd. and its related parties	2	6
Total	89	85
Proportion in amount of related similar transactions	0.96%	0.86%

3.13 Lease liabilities

Related party	2024	2023
China Tobacco and its related parties	96	80
Fujian Financial Investment Co., Ltd. and its related parties	2	7
Zhejiang Energy Group Co., Ltd. and its related parties	N/A	1
Total	98	88
Proportion in amount of related similar transactions	1.05%	0.91%

Note: As at 31 December 2024, Zhejiang Energy Group Co., Ltd. and its related parties were no longer related parties of the Group.

3.14 Other accounts payable

Related party	2024	2023
China Tobacco and its related parties	5	–
The People's Insurance Company (Group) of China Limited and its related parties	–	1
Total	5	1
Proportion in amount of related similar transactions	0.04%	0.01%

3.15 Credit line

Related party	31 December 2024	31 December 2023
Fujian Financial Investment Co., Ltd. and its related parties	55,000	21,000
The People's Insurance Company (Group) of China Limited and its related parties	40,000	54,000
Fujian Investment and Development Group Co., Ltd. and its related parties	37,100	N/A
Fujian Provincial Port Group Co., Ltd. and its related parties	29,100	29,100
China Tobacco and its related parties	23,000	17,000
Xiamen International Bank Co., Ltd.	22,000	N/A
Zhejiang Energy Group Co., Ltd. and its related parties	N/A	8,500
Total	206,200	129,600

Note: As at 31 December 2024, Zhejiang Energy Group Co., Ltd. and its related parties were no longer related parties of the Group.

For details of major credit-related transactions, please refer to the relevant resolutions of the board of directors publicly disclosed by the Bank.

3.16 Off-balance sheet items

Bank acceptances

Related party	2024	2023
China Tobacco and its related parties	631	294
Fujian Provincial Port Group Co., Ltd. and its related parties	134	119
Ruizhong Life Insurance Co., Ltd. and its related parties	7	N/A
Fujian Investment and Development Group Co., Ltd. and its related parties	–	N/A
Zhejiang Energy Group Co., Ltd. and its related parties	N/A	604
Associates	694	1,495
Total	1,466	2,512
Proportion in amount of related similar transactions	0.19%	0.32%

Note: As at 31 December 2024, Zhejiang Energy Group Co., Ltd. and its related parties were no longer related parties of the Group.

Letters of guarantee

Related party	2024	2023
Fujian Investment and Development Group Co., Ltd. and its related parties	139	N/A
Fujian Provincial Port Group Co., Ltd. and its related parties	58	39
China Tobacco and its related parties	29	81
Zhejiang Energy Group Co., Ltd. and its related parties	N/A	30
Total	226	150
Proportion in amount of related similar transactions	0.21%	0.18%

Note: As at 31 December 2024, Zhejiang Energy Group Co., Ltd. and its related parties were no longer related parties of the Group.

Letters of credit

Related party	2024	2023
China Tobacco and its related parties	70	50
Fujian Provincial Port Group Co., Ltd. and its related parties	–	61
Zhejiang Energy Group Co., Ltd. and its related parties	N/A	89
Associates	1,153	230
Total	1,223	430
Proportion in amount of related similar transactions	0.38%	0.15%

Note: As at 31 December 2024, Zhejiang Energy Group Co., Ltd. and its related parties were no longer related parties of the Group.

4. Key management personnel remuneration

	2024	2023
Salary and welfare	16	19

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 and needs to be disclosed.

2. Off-balance sheet items

Contractual amount

	The Group and the Bank	
	2024	2023
Bank acceptances	788,291	776,166
Credit card commitments	537,681	531,064
Letters of credit	321,788	290,125
Letters of guarantee	106,417	85,500
Irrevocable loan commitments	22,745	24,485
Total	1,776,922	1,707,340

3. Capital commitments

	Contractual amount of the Group		Contractual amount of the Bank	
	2024	2023	2024	2023
Authorised but not contracted for	4,533	6,902	4,533	6,902
Contracted but not paid for	4,659	1,521	4,650	1,509
	9,192	8,423	9,183	8,411

4. Collateral

Assets pledged

4.1 The carrying amount of assets pledged as collateral under repurchase agreements is as follows:

	The Group		The Bank	
	2024	2023	2024	2023
Bonds	261,110	406,986	208,454	390,053
Bills	9,768	13,260	9,768	13,260
Total	270,878	420,246	218,222	403,313

As at 31 December 2024, none of the bills purchased under resale agreements by the Group and the Bank were used to carry out the sold under repurchased business (31 December 2023: Nil).

Debt securities pledged as collateral for borrowings from Central Bank by the Group as at 31 December 2024 amounted to RMB107,709 million in total (31 December 2023: RMB352,277 million).

4.2 As at 31 December 2024, the Group and the Bank have no pledged bonds to credit derivative transactions (31 December 2023: Nil).

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 2024, the fair value of pledged assets available for sale or convertible is RMB11,372 million (31 December 2023: RMB12,599 million).

5. Redemption commitment of certificate treasury bonds and saving treasury bonds

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 2024 and 31 December 2023, 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 have not been paid are as follows:

	The Group and the Bank	
	2024	2023
Certificate treasury bonds and saving treasury bonds	2,271	2,149

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

6. Fiduciary Business

	The Group		The Bank	
	2024	2023	2024	2023
Fiduciary loans	109,710	130,239	109,710	130,239
Fiduciary funds	109,710	130,239	109,710	130,239
Fiduciary wealth management products	2,177,582	2,264,211	15,384	21,524

Fiduciary loans are loans in that depositors designated a specific third party as the loan party, and related credit risk of the loan is borne by depositors who designated borrowers.

Fiduciary wealth management refers to a kind of service that the entrusted Group is responsible for the operation and management of customer assets. The investment risk of fiduciary wealth management products 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 ongoing 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 book interest rate risk, reputation risk, strategic risk, information technology risk, and money-laundering risk.

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

2. Risk management framework

Risk management is the basic safeguard for survival and development of commercial banks. The Group has taken risk management as one of its core competitiveness, formulated a development strategy focused 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, formulated the administrative measures for deferred payment of performance-based remuneration for credit-related positions, 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 defence to conduct risk management according to the risk management rules and policies. Operation institutions take precautions against all the business and operating risks, 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 defence, which is responsible for the constitution of the Group's risk management strategy, policy, regulations and process, and supervision of the execution. Meanwhile, the risk management department is responsible for the identification, evaluation and supervision of the risk that the Group faces, assessing the Group's risk condition periodically, taking measures for continuous improvement, and pushing forward the outspread of overall risk management work. The internal audit department is the third line of defence. It is responsible for all process audits, continuously providing independent and prospective audits 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 organising, implementing the credit risk management strategies and policies of the Group, and making basic rules for the Group risk management affairs. In addition, the department 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 is under control. The Group set up risk management department and professional risk management desk in two major lines called enterprise 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 regulations and operating rules and approving projects within the approving authority. The Group also sets up several specialised 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 them throughout the Group. The credit management procedure for corporate and personal loans can be classified as credit investigation, credit examination, credit approval, credit disbursement, and post-disbursement monitoring and recovery process. In addition, the Group issued Due Diligence of Credit approval to clarify the duties of different positions, to effectively control the credit risk, and to strengthen compliance of credit business.

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 optimised 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 high-quality clients in new infrastructures, strategic emerging industries, advanced manufacturing industry, domestic replacement, specialized and sophisticated enterprise and 'four major economics' of Fujian Province); 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.

In accordance with the 'Rules on Capital Management of Commercial Banks' and relevant guidance of NFRA, the Group has improved its internal customer rating system, continuously updated policies, optimized models and systems, and conducted a comprehensive and systematic assessment of various factors that may impact the future repayment ability of customers. The Group has 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 policies, adjust and optimise client structure, as well as identify credit service of individual customer. Meanwhile, the related results of internal rating have continuously entered into various risk management areas including authorisation management, customer access, limit management, economic capital measurement and asset impairment calculation. The Group has developed and launched a credit risk weighted assets ("CRWA") measurement system, enabling the calculation of CRWA in accordance with the internal ratings method. With the continued advancement of the new capital management regulations, the Group's capabilities in the identification, measurement, monitoring, and control of credit risk have been further enhanced.

The Group developed a Risk Management System (RMS), which includes modules for due diligence, credit limits, post-lending monitoring, and data management. The post-lending module leverages big data technologies to comprehensively collect and integrate internal and external risk information. Nearly 70 system-based early warning rules have been designed and implemented, enabling automated batch processing to generate early warning records, promptly identifying potential customer risks. The system supports graded push notifications of early warning records and facilitates proactive tracking, investigation, feedback, and adjustment, thereby significantly improving the timeliness and accuracy of risk alerts. The system provides data interfaces to connect with downstream approval and credit utilization systems, implementing hard controls based on early warning levels, ensuring that risk signals are effectively transmitted and applied at critical stages of the credit approval process.

To accurately and effectively assessed credit risk, Measures for the Risk Classification of Financial Assets of Industrial Bank Co., Ltd. have been established to make sure the Group adjusts financial asset risk classification according to real conditions of projects. In accordance with regulatory requirements, the Group performs risk classification on financial assets that bear credit risk on the balance sheet, including but not limited to loans, bonds, other investments, interbank assets, receivables, and others. For off-balance sheet items that bear credit risk, risk classification is carried out in accordance with the relevant requirements for on-balance sheet assets. Based on 5 levels classified by NFRA, the Group has classified its financial asset risks into 9 levels as level 1 (normal), level 2 (normal), level 3 (normal), level 1 (special mention), level 2 (special mention), level 3 (special mention), substandard, doubtful and loss. The Group has various management policies for 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 as those in loans and advances to customers. According to substance-over-form principle, the Group includes the non-standard credit loans in the comprehensive risk management system and manages them by comparing to traditional loans. The Group provides uniform credit, carries out general control on risks, executes uniform credit policy 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. 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 in 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 is lifetime ECLs.

The key judgements and assumptions adopted by the Group when measuring ECL 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. The Group considers that the credit risk of a Financial Instrument has increased significantly when one or more of the following quantitative, qualitative or cap criteria are triggered:

- Asset quality is classified as special-mentioned;
- The number of overdue days or days in arrears with interest exceeds 30 days;
- The absolute and relative levels of change in the probability of default exceed a certain range;
- Downgraded by more than three levels or more;
- Other significant increases in credit risk.

The Group periodically reviews the applicability of the evaluation criteria to the current situation. During the Reporting Period, the Group further deepened the application of forward-looking information and improved the risk differentiation ability of the model. At the same time, the Group has established a strict stage upward migration mechanism, and the upgrading of corporate financial instruments from the third stage to the second stage should meet the requirements of the observation period, and the financial instruments of the third stage cannot be directly moved to the first stage.

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 recognises the financial asset as default, and the standard is consistent with the definition of the credit-impaired:

(1) Quantitative criteria:

- Payment overdue for more than 90 days or classified or loans divided into substandard, doubtful or loss according to Measures for the Risk Classification of Financial Assets of Industrial Bank Co., Ltd..

(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 made a certain proportion of loan loss provisions;
- The Group expects to sell 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 passively 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 applicable PD; for retail credit assets, it is based on PD of division of pool, and the macroeconomic forward-looking adjustment is conducted to obtain the applicable PD; for bond assets, the PD is mapped to the main benchmark mainly through external rating, and the applicable PD 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 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.

Risk portfolio

When measuring expected credit losses on a portfolio basis, the Group has classified exposures with similar risk characteristics, with the main businesses being divided into non-retail business, bond business, retail business and credit card business. The Group groups the models according to similar risk characteristics, and the main reference indicators for the current grouping include national standard industries and product types. In grouping, the Group has obtained sufficient information to ensure its statistical reliability.

Forward-looking information incorporated in the ECL model

According to the different risk characteristics of assets, the Group divides assets into different risk groups, and collects external authoritative data and internal risk-related data for modelling within a reasonable cost and time range according to the risk characteristics of different risk groups.

During the reporting period, the Group expanded its macroeconomic index database to four categories: national economy, fiscal and monetary policy, price index and economic climate survey, fixed assets and real estate, and then formed macroeconomic indicator forecasts under multiple scenarios of "benchmark", "optimistic", "pessimistic", "extremely optimistic" and "extremely pessimistic" through quantitative statistical modelling combined with expert judgment.

The Group fully considers the differentiated risk characteristics of different assets, differentiates asset classes and constructs quantitative models to obtain the relationship between macroeconomic indicators and systemic risk factors, and then transmits the estimation results of one-year default probability and default loss rate based on macroeconomic forecasts.

The macroeconomic information used by the Group includes macro indicators such as the year-on-year growth rate of GDP in the quarter, the cumulative year-on-year growth rate of fixed asset investment completion, the stock of social financing scale: the year-on-year and quarterly growth rates. Among them, the GDP forecast for the quarter is about 4.84% year-on-year under the 2024 baseline scenario, the optimistic scenario forecast is 0.76 percentage points higher than the benchmark, the pessimistic scenario forecast is 1.04 percentage points lower than the benchmark, and the extremely pessimistic scenario forecast is 1.98 percentage points lower than the benchmark.

By using the year-on-year growth rate of GDP for the current quarter as the core indicator, a measurement model was established, combining macro data analysis and expert judgment, the weights of optimism, benchmark, pessimism and extreme pessimism were determined. In 2024, the benchmark scenario accounted for the highest weight, the extremely pessimistic scenario accounted for the lowest weight.

Expected credit loss is sensitive to the parameters used in the model, the macroeconomic variables of forward-looking forecasts, the weighting probability under multiple scenarios, and other factors considered in the application of expert judgment. Changes in these input parameters, assumptions, models, and judgments will have an impact on the significant increase in credit risk and the measurement of expected credit losses.

Assuming a 10% increase in the weight of the optimistic scenario and a 10% reduction in the weight of the benchmark scenario, the Group's credit impairment provision decreased by less than 0.90% as at 31 December 2024; Assuming a 10% increase in the weight of the pessimistic scenario and a 10% decrease in the weight of the benchmark scenario, the Group's credit impairment allowance increases by less than 1.20%; Assuming a 10% increase in the weight of the extreme pessimistic scenario and a 10% decrease in the weight of the benchmark scenario, the Group's credit impairment allowance increases by less than 3.62%.

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 2024, the maximum credit risk exposure of the Group amounted to RMB12,147,188 million (31 December 2023: RMB11,122,727 million); the maximum credit risk exposure of the Bank amounted to RMB11,844,622 million (31 December 2023: RMB10,822,985 million).

Credit exposure

Loans and advances to customers

	The Group				
	2024				
	Stage 1	Stage 2	Stage 3	Purchased financial assets that have already been impaired	Total
Low risk	5,540,793	29,088	2,264	–	5,572,145
Medium risk	–	97,822	2,060	–	99,882
High risk	–	–	62,887	–	62,887
Total carrying amount	5,540,793	126,910	67,211	–	5,734,914
Allowance for impairment losses	(62,074)	(32,523)	(51,036)	–	(145,633)
Total	5,478,719	94,387	16,175	–	5,589,281

	The Group				
	2023				
	Stage 1	Stage 2	Stage 3	Purchased financial assets that have already been impaired	Total
Low risk	5,275,900	43,554	92	–	5,319,546
Medium risk	–	81,326	4,485	–	85,811
High risk	–	–	60,216	–	60,216
Total carrying amount	5,275,900	124,880	64,793	–	5,465,573
Allowance for impairment losses	(64,571)	(27,241)	(50,752)	–	(142,564)
Total	5,211,329	97,639	14,041	–	5,323,009

The Group classifies asset risk characteristics according to the quality of assets. “Low risk” means that the borrower can fulfil 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				
	2024				
	Stage 1	Stage 2	Stage 3	Purchased financial assets that have already been impaired	Total
Low risk	1,774,457	740	144	–	1,775,341
Medium risk	–	1,561	11	–	1,572
High risk	–	–	9	–	9
Total carrying amount	1,774,457	2,301	164	–	1,776,922
Allowance for impairment losses	(6,193)	(142)	(7)	–	(6,342)
Total	1,768,264	2,159	157	–	1,770,580

	The Group				
	2023				
	Stage 1	Stage 2	Stage 3	Purchased financial assets that have already been impaired	Total
Low risk	1,703,619	1,722	63	–	1,705,404
Medium risk	–	1,885	1	–	1,886
High risk	–	–	50	–	50
Total carrying amount	1,703,619	3,607	114	–	1,707,340
Allowance for impairment losses	(6,077)	(139)	(8)	–	(6,224)
Total	1,697,542	3,468	106	–	1,701,116

Financial investments

	The Group 2024				Total
	Stage 1	Stage 2	Stage 3	Purchased financial assets that have already been impaired	
Low risk	2,506,268	277	–	–	2,506,545
Medium risk	–	14,511	871	–	15,382
High risk	–	–	46,295	–	46,295
Total carrying amount	2,506,268	14,788	47,166	–	2,568,222
Allowance for impairment losses	(3,818)	(1,988)	(35,436)	–	(41,242)
Total	2,502,450	12,800	11,730	–	2,526,980

	The Group 2023				Total
	Stage 1	Stage 2	Stage 3	Purchased financial assets that have already been impaired	
Low risk	2,347,840	3,855	–	–	2,351,695
Medium risk	–	24,660	2,743	–	27,403
High risk	–	–	35,421	–	35,421
Total carrying amount	2,347,840	28,515	38,164	–	2,414,519
Allowance for impairment losses	(3,799)	(5,600)	(31,189)	–	(40,588)
Total	2,344,041	22,915	6,975	–	2,373,931

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 2024					
	Stage 1	Stage 2	Stage 3	Purchased financial assets that have already been impaired	Total
Low risk	662,887	–	–	–	662,887
Medium risk	–	–	–	–	–
High risk	–	–	9	–	9
Total carrying amount	662,887	–	9	–	662,896
Allowance for impairment losses	(504)	–	(9)	–	(513)
Total	662,383	–	–	–	662,383

The Group 2023					
	Stage 1	Stage 2	Stage 3	Purchased financial assets that have already been impaired	Total
Low risk	749,428	–	–	–	749,428
Medium risk	–	–	–	–	–
High risk	–	–	9	–	9
Total carrying amount	749,428	–	9	–	749,437
Allowance for impairment losses	(526)	–	(9)	–	(535)
Total	748,902	–	–	–	748,902

The Group classifies risk characteristics of deposits with banks and other financial institutions based on asset entry and internal rating changes. “Low risk” means that the issuer’s initial internal rating is above the entry level, and 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, 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 about loans and advances to customers, inter-bank placements, investments and finance lease receivables

As at 31 December 2024, 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	Total
Measured at amortised cost:					
Cash and balances with Central Bank	394,940	-	-	394,940	-
Deposits with banks and other financial institutions	107,222	-	9	107,231	(114)
Placements with banks and other financial institutions	378,114	-	-	378,114	(366)
Financial assets purchased under resale agreements	177,551	-	-	177,551	(33)
Loans and advances to customers					
– Corporate loans and advances	3,311,731	80,242	39,623	3,431,596	(80,706)
– Personal loans and advances	1,925,528	46,668	27,588	1,999,784	(64,927)
Debt investments	1,876,210	14,408	46,688	1,937,306	(41,242)
Finance lease receivables	114,976	636	3,297	118,909	(3,996)
Financial assets, Others	66,271	35	101	66,407	(1,940)
Total	8,352,543	141,989	117,306	8,611,838	(193,324)
Fair value through other comprehensive income:					
Loans and advances to customers					
– Corporate loans and advances	303,534	-	-	303,534	(550)
Other debt investments	630,068	380	478	630,916	(2,720)
Total	933,592	380	478	934,450	(3,270)
Credit commitments	1,774,457	2,301	164	1,776,922	(6,342)

As at 31 December 2023, 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	418,569	-	-	418,569	-	-	-	-
Deposits with banks and other financial institutions	185,966	-	9	185,975	(60)	-	(9)	(69)
Placements with banks and other financial institutions	363,314	-	-	363,314	(383)	-	-	(383)
Financial assets purchased under resale agreements	200,148	-	-	200,148	(83)	-	-	(83)
Loans and advances to customers								
– Corporate loans and advances	3,048,128	79,117	36,071	3,163,316	(40,183)	(14,605)	(24,275)	(79,063)
– Personal loans and advances	1,908,028	45,758	28,722	1,982,508	(24,388)	(12,636)	(26,477)	(63,501)
Debt investments	1,777,265	26,962	37,707	1,841,934	(3,799)	(5,600)	(31,189)	(40,588)
Finance lease receivables	113,688	615	4,738	119,041	(1,097)	(238)	(3,029)	(4,364)
Financial assets, Others	37,001	25	146	37,172	(1,700)	(8)	(141)	(1,849)
Total	8,052,107	152,477	107,393	8,311,977	(71,693)	(33,087)	(85,120)	(189,900)
Fair value through other comprehensive income:								
Loans and advances to customers								
– Corporate loans and advances	319,744	5	-	319,749	(852)	-	(10)	(862)
Other debt investments	570,575	1,553	457	572,585	(500)	(917)	(790)	(2,207)
Total	890,319	1,558	457	892,334	(1,352)	(917)	(800)	(3,069)
Credit commitments	1,703,619	3,607	114	1,707,340	(6,077)	(139)	(8)	(6,224)

3.3.1 Loans and advances to customers

As at 31 December 2024, 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:

	31 December 2024		31 December 2023	
	The Group	The Bank	The Group	The Bank
Stage 1				
Unsecured loans	1,465,695	1,392,954	1,419,457	1,341,568
Guaranteed loans	1,494,124	1,494,124	1,298,070	1,298,070
Collateralised loans	2,580,974	2,580,974	2,558,373	2,558,373
– Secured by mortgage	1,949,559	1,949,559	1,861,795	1,861,795
– Secured by collaterals	631,415	631,415	696,578	696,578
Subtotal	5,540,793	5,468,052	5,275,900	5,198,011
Stage 2				
Unsecured loans	40,011	36,519	30,480	28,293
Guaranteed loans	30,360	30,360	30,539	30,539
Collateralised loans	56,539	56,539	63,861	63,861
– Secured by mortgage	47,883	47,883	53,856	53,856
– Secured by collaterals	8,656	8,656	10,005	10,005
Subtotal	126,910	123,418	124,880	122,693
Stage 3				
Unsecured loans	23,109	20,063	22,739	20,587
Guaranteed loans	18,394	18,394	16,690	16,662
Collateralised loans	25,708	24,697	25,364	23,607
– Secured by mortgage	22,255	21,244	19,608	17,851
– Secured by collaterals	3,453	3,453	5,756	5,756
Subtotal	67,211	63,154	64,793	60,856
Total	5,734,914	5,654,624	5,465,573	5,381,560
Fair value of collateral held against credit-impaired loans	7,050	6,835	6,724	5,808

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 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.

	31 December 2024		31 December 2023	
	The Group	The Bank	The Group	The Bank
Credit-impaired	9	9	9	9
Less: allowances for impairment losses	(9)	(9)	(9)	(9)
Subtotal	–	–	–	–
Neither past due nor credit-impaired				
– Grade A to AAA	644,421	648,451	715,744	726,918
– Grade B to BBB	1,306	1,306	743	743
– Unrated	15,441	14,363	30,956	30,843
Total	661,168	664,120	747,443	758,504
Interest accrued	1,719	1,682	1,985	2,103
Less: allowances for impairment losses	(504)	(502)	(526)	(525)
Subtotal	662,383	665,300	748,902	760,082
Total	662,383	665,300	748,902	760,082

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 trading counterparties of 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					
	2024					
	Unrated	AAA	AA	A	Lower than A	Total
Credit-impaired						
– Other corporates	29,273	75	7,757	52	9,988	47,145
– Banking and non-banking financial institution	21	–	–	–	–	21
Total	29,294	75	7,757	52	9,988	47,166
Allowance for impairment losses						(35,436)
Subtotal						11,730
Overdue but not credit impaired						
– Other corporates	–	401	121	–	–	522
Allowance for impairment losses						(50)
Subtotal						472
Neither overdue nor credit impaired						
– Government	770,738	417,931	23,610	2,183	–	1,214,462
– Policy banks	144,006	–	–	1,035	–	145,041
– Banking and non-banking financial institution	241,619	330,826	42,796	27,451	8,646	651,338
– Other corporates	135,986	486,089	175,221	22,458	21,122	840,876
Total	1,292,349	1,234,846	241,627	53,127	29,768	2,851,717
Allowance for impairment losses						(5,756)
Subtotal						2,845,961
Total						2,858,163

	The Group					
	2023					
	Unrated	AAA	AA	A	Lower than A	Total
Credit-impaired						
– Other corporates	23,693	1,434	3,405	52	9,559	38,143
– Banking and non-banking financial institution	21	–	–	–	–	21
Total	23,714	1,434	3,405	52	9,559	38,164
Allowance for impairment losses						(31,189)
Subtotal						6,975
Overdue but not credit impaired						
– Other corporates	350	–	–	–	–	350
Allowance for impairment losses						(25)
Subtotal						325
Neither overdue nor credit impaired						
– Government	932,538	351,861	374	1,261	–	1,286,034
– Policy banks	39,930	9,014	–	581	–	49,525
– Banking and non-banking financial institution	199,235	215,108	34,353	7,225	4,397	460,318
– Other corporates	210,045	466,065	195,290	18,647	31,537	921,584
Total	1,381,748	1,042,048	230,017	27,714	35,934	2,717,461
Allowance for impairment losses						(9,374)
Subtotal						2,708,087
Total						2,715,387

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 on 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. Collateral mainly includes financial collateral, real estate, accounts receivable and other collateral.

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 Restructured loans

According to the 'Rules on Risk Classification of Financial Assets of Commercial Banks', restructured loans refer to loans made by the Group to borrowers who are experiencing financial difficulties, with the aim of facilitating debt repayment. These loans involve adjustments to the loan agreement that are favorable to the borrower or provide refinancing for the borrower's existing loans, including rollover or additional debt financing. As of 31 December 2024, the balance of restructured loans that meet the above-mentioned requirements amounted to RMB27.54 billion.

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 Group's business objectives.

According to the Group's market risk management structure, market risk management is critical for the risk management of the Group. Any major events should be reported to the Asset and Liability Management Committee for review and then authorised 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 indicator.

For daily control and management of treasury business, the risk management department of the treasury centre built up mid-stage risk control system to carry out implanting risk management and report to the risk management department of the Group.

4.1 Interest rate risk

The Group's interest rate risk comprises interest rate risk in the banking book and interest rate risk in the trading book. Interest rate risk in the banking book includes gap risk, basis risk and option risk, with gap risk being the primary risk. Gap risk arising from the mismatch between the agreed maturity date (fixed interest rate) and the repricing date (floating interest rate) of interest-bearing assets and interest payment liabilities.

For interest rate risk in the banking book, the Group primarily assesses the interest rate risk position of the balance sheet through interest rate sensitivity 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 emphasises the effect of the interest rate fluctuation on short-term income, while the economic value analysis emphasises the effect of the interest rate fluctuation on present value of net cash flow. 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 centralised the interest rate risk to the Head Office, so as to improve the efficiency of management and control the interest rate risk.

For interest rate risk in the trading book, the Group mainly achieves the real-time monitoring of the interest rate risk of the trading book through the quota system, the use of financial transactions and analysis system and the scientific exposure measurement models. According to regulatory requirements, the Group has strengthened the management of market risk measurement models, standardised the developing, testing and commissioning process, and built on regular evaluation mechanisms to ensure the accuracy of measurement models. The Group applies the online trading and analysis system to timely measure and control the interest rate risk exposure of transaction book, which provides effective technical support to control the interest rate risk of transaction book.

At the balance sheet date, an analysis of contractual repricing date or maturity date, whichever is earlier, of the financial assets and financial liabilities is as follows:

	The Group					Non-interest bearing	Total
	2024						
	Within 3 months	3-12 months	1-5 years	Over 5 years			
Financial assets:							
Cash and balances with Central Bank	379,257	–	–	–	15,683	394,940	
Deposits with banks and other financial institutions	105,457	1,660	–	–	–	107,117	
Placements with banks and other financial institutions	180,701	171,616	25,431	–	–	377,748	
Derivative financial assets	–	–	–	–	70,524	70,524	
Financial assets purchased under resale agreements	177,518	–	–	–	–	177,518	
Loans and advances to customers	3,430,863	1,830,611	257,914	89,471	–	5,608,859	
Financial investments:							
Trading assets	41,527	150,213	75,687	160,732	495,030	923,189	
Debt investments	90,108	209,968	689,194	906,794	–	1,896,064	
Other debt investments	47,910	158,362	251,328	173,316	–	630,916	
Other equity investments	–	–	–	–	4,011	4,011	
Finance lease receivables	74,545	25,454	11,437	3,477	–	114,913	
Other assets	7,924	1,114	–	–	55,429	64,467	
Total financial assets	4,535,810	2,548,998	1,310,991	1,333,790	640,677	10,370,266	
Financial liabilities:							
Borrowing from Central Bank	43,518	47,901	–	–	–	91,419	
Deposits from banks and other financial institutions	1,321,336	510,775	–	–	–	1,832,111	
Placements from banks and other financial institutions	215,313	116,717	4,832	–	–	336,862	
Trading liabilities	24,928	–	–	–	1,812	26,740	
Derivative financial liabilities	–	–	–	–	74,890	74,890	
Financial assets sold under repurchase agreements	226,889	35,107	–	–	–	261,996	
Deposits from customers	3,138,792	1,097,327	1,393,002	–	1,239	5,630,360	
Debt securities issued	338,034	606,262	303,674	5,017	–	1,252,987	
Lease liabilities	654	1,840	5,893	917	–	9,304	
Other liabilities	3,593	3,281	–	–	27,826	34,700	
Total financial liabilities	5,313,057	2,419,210	1,707,401	5,934	105,767	9,551,369	
Net position	(777,247)	129,788	(396,410)	1,327,856	534,910	818,897	

	The Group					Non-interest bearing	Total
	2023						
	Within 3 months	3-12 months	1-5 years	Over 5 years			
Financial assets:							
Cash and balances with Central Bank	406,269	–	–	–	12,300	418,569	
Deposits with banks and other financial institutions	182,784	3,122	–	–	–	185,906	
Placements with banks and other financial institutions	133,964	187,270	41,938	–	–	363,172	
Derivative financial assets	–	–	–	–	43,679	43,679	
Financial assets purchased under resale agreements	199,772	293	–	–	–	200,065	
Loans and advances to customers	3,357,819	1,687,157	218,869	69,638	–	5,333,483	
Financial investments:							
Trading assets	75,628	51,697	102,235	108,962	619,186	957,708	
Debt investments	103,602	215,234	765,658	716,852	–	1,801,346	
Other debt investments	69,315	140,846	276,251	86,173	–	572,585	
Other equity investments	–	–	–	–	3,836	3,836	
Finance lease receivables	84,735	18,155	11,118	669	–	114,677	
Other assets	6,576	1,737	146	–	26,864	35,323	
Total financial assets	4,620,464	2,305,511	1,416,215	982,294	705,865	10,030,349	
Financial liabilities:							
Borrowing from Central Bank	131,305	175,759	–	–	–	307,064	
Deposits from banks and other financial institutions	1,532,028	320,950	–	–	–	1,852,978	
Placements from banks and other financial institutions	217,161	121,834	10,499	–	–	349,494	
Trading liabilities	12,665	–	–	–	281	12,946	
Derivative financial liabilities	–	–	–	–	43,279	43,279	
Financial assets sold under repurchase agreements	412,505	4,063	–	–	–	416,568	
Deposits from customers	3,064,719	823,682	1,325,918	–	2,745	5,217,064	
Debt securities issued	255,420	390,950	231,147	152,008	–	1,029,525	
Lease liabilities	681	1,907	5,791	1,280	–	9,659	
Other liabilities	5,731	7,179	–	–	40,647	53,557	
Total financial liabilities	5,632,215	1,846,324	1,573,355	153,288	86,952	9,292,134	
Net position	(1,011,751)	459,187	(157,140)	829,006	618,913	738,215	

The following tables illustrate the potential impact of a parallel upward or downward shift of 100 basis points in yield curves of all currencies 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			
	2024		2023	
	Net interest income (decrease) increase	Other comprehensive income (decrease) increase	Net interest income (decrease) increase	Other comprehensive income (decrease) increase
+100 basis points	(9,189)	(18,456)	(10,263)	(12,181)
- 100 basis points	9,189	19,457	10,263	12,670

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 deposits, shift upward or downward parallel. Therefore, it does not reflect the potential impact of non-parallel shifts 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 centralised 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 "daytime self-trading positions". The positions are centralised 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 a low level.

The following tables are the structure analysis of the relevant financial assets and financial liabilities by currency.

	The Group			
	2024			
	RMB	USD equivalent to RMB	Other currencies equivalent to RMB	Total
Financial assets:				
Cash and balances with Central Bank	389,558	4,951	431	394,940
Deposits with banks and other financial institutions	90,993	10,918	5,206	107,117
Placements with banks and other financial institutions	343,028	34,343	377	377,748
Derivative financial assets	63,511	6,721	292	70,524
Financial assets purchased under resale agreements	177,518	–	–	177,518
Loans and advances to customers	5,438,309	69,588	100,962	5,608,859
Financial investments:				
Trading assets	856,158	59,880	7,151	923,189
Debt investments	1,836,689	52,507	6,868	1,896,064
Other debt investments	516,844	102,780	11,292	630,916
Other equity investments	3,911	100	–	4,011
Finance lease receivables	112,465	2,448	–	114,913
Other assets	61,769	2,661	37	64,467
Total financial assets	9,890,753	346,897	132,616	10,370,266
Financial liabilities:				
Borrowing from Central Bank	91,419	–	–	91,419
Deposits from banks and other financial institutions	1,705,419	120,062	6,630	1,832,111
Placements from banks and other financial institutions	217,048	95,495	24,319	336,862
Trading liabilities	26,740	–	–	26,740
Derivative financial liabilities	66,585	8,182	123	74,890
Financial assets sold under repurchase agreements	250,617	218	11,161	261,996
Deposits from customers	5,430,477	120,805	79,078	5,630,360
Debt securities issued	1,151,915	75,204	25,868	1,252,987
Leasing liabilities	8,781	314	209	9,304
Other liabilities	33,834	388	478	34,700
Total financial liabilities	8,982,835	420,668	147,866	9,551,369
Net position	907,918	(73,771)	(15,250)	818,897

	The Group			
	2023			
	RMB	USD equivalent to RMB	Other currencies equivalent to RMB	Total
Financial assets:				
Cash and balances with Central Bank	413,193	4,964	412	418,569
Deposits with banks and other financial institutions	163,300	18,654	3,952	185,906
Placements with banks and other financial institutions	343,857	18,684	631	363,172
Derivative financial assets	36,587	6,907	185	43,679
Financial assets purchased under resale agreements	195,243	4,822	–	200,065
Loans and advances to customers	5,111,285	77,678	144,520	5,333,483
Financial investments:				
Trading assets	947,423	9,427	858	957,708
Debt investments	1,730,451	51,466	19,429	1,801,346
Other debt investments	493,489	76,090	3,006	572,585
Other equity investments	3,756	80	–	3,836
Finance lease receivables	114,111	566	–	114,677
Other assets	34,909	298	116	35,323
Total financial assets	9,587,604	269,636	173,109	10,030,349
Financial liabilities:				
Borrowing from Central Bank	307,064	–	–	307,064
Deposits from banks and other financial institutions	1,792,905	55,087	4,986	1,852,978
Placements from banks and other financial institutions	243,964	95,178	10,352	349,494
Trading liabilities	12,946	–	–	12,946
Derivative financial liabilities	33,620	9,559	100	43,279
Financial assets sold under repurchase agreements	407,799	8,075	694	416,568
Deposits from customers	5,046,475	119,426	51,163	5,217,064
Debt securities issued	1,010,211	17,047	2,267	1,029,525
Leasing liabilities	9,232	350	77	9,659
Other liabilities	53,279	207	71	53,557
Total financial liabilities	8,917,495	304,929	69,710	9,292,134
Net position	670,109	(35,293)	103,399	738,215

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	
	2024	2023
	Foreign exchange gains (losses)	Foreign exchange gains (losses)
5% appreciation	3,912	551
5% depreciation	(3,912)	(551)

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 arising 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 risks

Other price risks mainly derive 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 is influenced by various factors, including macroeconomic conditions, monetary and regulatory policies, and the behavior of market participants.

The Group's liquidity risk management organizational structure consists of the Board of Directors, the Board of Supervisors, the senior management, a dedicated management committee, and specific implementation departments. The Board of Directors and its Risk Management Committee bear ultimate responsibility for liquidity risk management, serving as the decision-making body for liquidity risk management, and ensuring the authenticity and accuracy of liquidity risk disclosures. Senior management and the Assets and Liabilities Management Committee act as the monitoring and management bodies for liquidity risk, responsible for setting liquidity risk preferences, as well as formulating strategies, policies, and procedures for liquidity risk management. The Board of Supervisors supervises and evaluates the performance of the Board of Directors and senior management in liquidity risk management, and regularly reports to the shareholders' meeting (shareholders). Specific implementation departments, in accordance with the responsibilities outlined in the Group's '*Liquidity Risk Management Measures*', perform relevant functions in daily liquidity management, risk identification, and indicator measurement.

The Group manages liquidity risk in accordance with the basic principles of unified leadership, hierarchical management, real-time monitoring, and dynamic adjustment. Annually, based on external macroeconomic conditions, market liquidity, business strategy, and operational characteristics, the Group formulates a unified liquidity risk preference and a standardized liquidity risk management strategy. These are incorporated, along with credit risk, interest rate risk, and operational risk, as key components of the comprehensive risk assessment report, which is regularly submitted to the Risk Management and Consumer Protection Committee for review. The Group regularly monitors liquidity ratios, liquidity matching ratios, liquidity coverage ratios, and net stable funding ratios, adjusts and optimizes liquidity management measures flexibly, considering both internal and external macroeconomic conditions and liquidity in the money markets.

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							
	2024							
	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	70,343	–	–	–	–	–	324,597	394,940
Deposits with banks and other financial institutions	79,146	25,306	1,100	1,667	–	–	–	107,219
Placements with banks and other financial institutions	–	90,801	92,077	173,787	25,491	–	–	382,156
Financial assets purchased under resale agreements	–	177,596	–	–	–	–	–	177,596
Loans and advances to customers	–	570,274	405,699	1,304,038	1,711,921	3,238,921	96,169	7,327,022
Financial investments:								
Trading assets	244,111	14,047	73,038	338,381	227,912	118,876	32,981	1,049,346
Debt investments	–	26,259	43,912	219,638	749,623	1,199,870	3,518	2,242,820
Other debt investments	–	6,508	30,932	161,044	277,128	350,659	19	826,290
Other equity investments	–	–	–	–	–	–	4,011	4,011
Financial lease receivables	161	4,185	7,371	40,023	67,835	12,983	1,029	133,587
Other non-derivative financial assets	48,504	1,102	3,877	1,967	5,239	3,125	673	64,487
Total non-derivative financial assets:	442,265	916,078	658,006	2,240,545	3,065,149	4,924,434	462,997	12,709,474
Non-derivative financial liabilities:								
Borrowing from Central Bank	–	14,498	29,142	48,544	–	–	–	92,184
Deposits from banks and other financial institutions	1,103,881	62,852	156,338	518,948	–	–	–	1,842,019
Placements from banks and other financial institutions	–	125,758	90,465	117,417	5,187	–	–	338,827
Trading liabilities	6,956	19,569	42	104	–	–	69	26,740
Financial assets sold under repurchase agreements	–	190,462	36,572	35,386	–	–	–	262,420
Deposits from customers	2,293,669	410,195	438,407	1,114,582	1,581,265	–	–	5,838,118
Debt securities issued	–	43,346	296,963	620,371	313,632	5,385	–	1,279,697
Lease liabilities	–	387	350	2,196	5,911	1,080	–	9,924
Other non-derivative financial liabilities	19,353	1,907	4,137	6,263	2,788	52	200	34,700
Total non-derivative financial liabilities	3,423,859	868,974	1,052,416	2,463,811	1,908,783	6,517	269	9,724,629
Net position	(2,981,594)	47,104	(394,410)	(223,266)	1,156,366	4,917,917	462,728	2,984,845

	The Group							
	2023							
	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	60,038	–	–	–	–	–	358,531	418,569
Deposits with banks and other financial institutions	170,531	9,307	2,971	3,178	–	–	9	185,996
Placements with banks and other financial institutions	–	37,516	99,410	190,558	42,610	–	–	370,094
Financial assets purchased under resale agreements	–	199,634	292	295	–	–	–	200,221
Loans and advances to customers	–	599,541	475,609	1,294,272	1,537,903	2,979,780	81,976	6,969,081
Financial investments:								
Trading assets	178,027	23,576	65,378	284,412	203,998	187,289	31,465	974,145
Debt investments	–	16,544	44,007	241,257	844,820	1,073,061	6,252	2,225,941
Other debt investments	–	10,802	39,325	146,898	306,411	129,320	83	632,839
Other equity investments	–	–	–	–	–	–	3,836	3,836
Financial lease receivables	330	3,761	9,421	36,117	73,516	8,879	1,108	133,132
Other non-derivative financial assets	21,101	1,649	2,711	2,031	4,549	2,545	896	35,482
Total non-derivative financial assets:	430,027	902,330	739,124	2,199,018	3,013,807	4,380,874	484,156	12,149,336
Non-derivative financial liabilities:								
Borrowing from Central Bank	–	12,933	118,865	179,139	–	–	–	310,937
Deposits from banks and other financial institutions	971,629	220,590	342,422	325,093	–	–	–	1,859,734
Placements from banks and other financial institutions	–	124,219	93,972	122,876	11,096	–	–	352,163
Trading liabilities	1,218	11,519	15	149	–	–	45	12,946
Financial assets sold under repurchase agreements	–	406,404	6,178	4,076	–	–	–	416,658
Deposits from customers	2,054,781	703,378	307,118	832,814	1,519,180	–	–	5,417,271
Debt securities issued	–	40,711	215,892	407,415	262,412	165,086	–	1,091,516
Lease liabilities	6	473	280	2,010	6,396	1,418	–	10,583
Other non-derivative financial liabilities	34,763	1,853	4,910	8,131	3,600	422	199	53,878
Total non-derivative financial liabilities	3,062,397	1,522,080	1,089,652	1,881,703	1,802,684	166,926	244	9,525,686
Net position	(2,632,370)	(619,750)	(350,528)	317,315	1,211,123	4,213,948	483,912	2,623,650

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 2024						
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Interest rate derivatives	26	27	(315)	(4,482)	(11)	(4,755)
Exchange rate derivatives	(13)	613	847	(119)	–	1,328
Other derivatives	501	515	639	–	–	1,655
Total	514	1,155	1,171	(4,601)	(11)	(1,772)

The Group 2023						
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Interest rate derivatives	26	(18)	(63)	(1,563)	(27)	(1,645)
Exchange rate derivatives	356	1,687	(249)	62	–	1,856
Other derivatives	718	1,015	1,045	–	–	2,778
Total	1,100	2,684	733	(1,501)	(27)	2,989

(2) Derivatives settled on a gross basis

The Group's major 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 2024						
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Exchange rate derivatives						
– Cash inflow	411,211	281,989	555,145	106,289	4,713	1,359,347
– Cash outflow	(413,119)	(270,920)	(527,486)	(100,920)	(4,713)	(1,317,158)
Total	(1,908)	11,069	27,659	5,369	–	42,189

	The Group					
	2023					
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Exchange rate derivatives						
– Cash inflow	275,636	211,887	518,261	123,389	445	1,129,618
– Cash outflow	(277,193)	(212,609)	(520,653)	(123,004)	(445)	(1,133,904)
Total	(1,557)	(722)	(2,392)	385	–	(4,286)

5.3 Liquidity risk analysis of off-balance sheet items

The Group's off-balance sheet items mainly include credit card commitments, letters of credit, letters of guarantee, bank acceptances and irrevocable loan commitments. The tables below set forth the liquidity of the off-balance sheet items:

	The Group				The Group			
	2024				2023			
	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	12,401	162,204	363,076	537,681	531,064	–	–	531,064
Letters of credit	320,874	914	–	321,788	289,514	611	–	290,125
Letters of guarantee	77,289	28,910	218	106,417	56,158	27,177	2,165	85,500
Bank acceptances	788,291	–	–	788,291	776,166	–	–	776,166
Irrevocable loan commitments	10,246	10,745	1,754	22,745	906	14,511	9,068	24,485
Total	1,209,101	202,773	365,048	1,776,922	1,653,808	42,299	11,233	1,707,340

6. Capital management

During the reporting period, the Group had conscientiously implemented the capital management policy according to the '*Rules on Capital Management of Commercial Banks*'. The Group will ensure capital adequacy ratio and the overall strategic development match with target management requirements, in order to achieve healthy, sustainable and rapid development.

In 2024, the Group implemented capital-intensive operation and management to continuously improve and optimise 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 arranged the asset business structure and promote optimal capital allocation.

The Group implements the new capital accord in accordance with the '*Rules on Capital Management of Commercial Banks*' and closely monitors the adequacy of the Group's and the Bank's capital and the use of regulatory capital in compliance with regulatory guidelines.

The Group's capital management includes three key aspects: capital adequacy ratio management, capital financing management, and economic capital management. Among them, capital adequacy ratio management is the primary focus of capital management. The Group calculates the capital adequacy ratio in accordance with regulatory guidelines. The Group's capital is divided into three components: common equity tier 1 capital, additional tier 1 capital, and tier 2 capital.

Starting from 1 January 2024, in accordance with the 'Rules on Capital Management of Commercial Banks' and relevant regulations issued by National Financial Regulatory Administration, commercial banks are required to meet the minimum capital requirements. Specifically, the common equity tier 1 capital adequacy ratio must not be lower than 5%, the tier 1 capital adequacy ratio must not be lower than 6%, and the capital adequacy ratio must not be lower than 8%. In addition, banks must also comply with reserve capital requirements and additional capital requirements for global and domestic systemically important banks.

Capital adequacy ratio management is at the core of the Group's capital management. The capital adequacy ratio reflects the Group's ability to operate prudently and withstand risks. The Group's capital adequacy ratio management objective is to prudently set the capital adequacy ratio target based on factors such as regulatory requirements, market conditions, strategic and business development plans, and risk trends, while ensuring compliance with statutory regulatory requirements.

As of 31 December 2024, the Group's common equity tier 1 capital adequacy ratio, tier 1 capital adequacy ratio, and capital adequacy ratio all meet the requirements of the 'Rules on Capital Management of Commercial Banks' and other relevant provisions. For more information regarding capital, please refer to the 'Industrial Bank Capital Management Pillar III Annual Report 2024' published on the Bank's official website.

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 values are measured through appropriate methods and parameters, and regularly reviewed by the Board of Directors to keep 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 is not observable with the utilisation of valuation techniques.

When recognising the fair value of the financial instrument, 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 recognises the fair value and classifies it to level 1. The financial instruments of the Group divided into level 1 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 a recurring basis

For financial assets and financial liabilities at fair value on a recurring basis, three levels of fair value measurement are analysed as follows:

	The Group							
	2024				2023			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets:								
Placements with banks and other financial institutions	–	–	–	–	–	241	–	241
Trading assets	221,903	668,872	32,414	923,189	201,984	722,556	33,168	957,708
Other debt investments	–	609,021	21,895	630,916	–	565,390	7,195	572,585
Other equity investments	670	–	3,341	4,011	619	–	3,217	3,836
Loans and advances to customers								
At fair value through profit or loss	–	19,578	–	19,578	–	10,474	–	10,474
At fair value through other comprehensive income	–	303,534	–	303,534	–	319,749	–	319,749
Derivative financial assets	–	70,524	–	70,524	–	43,679	–	43,679
Total	222,573	1,671,529	57,650	1,951,752	202,603	1,662,089	43,580	1,908,272
Financial liabilities:								
Trading liabilities	1,598	25,073	69	26,740	60	12,841	45	12,946
Derivative financial liabilities	–	74,890	–	74,890	–	43,279	–	43,279
Placements from banks and other financial institutions	–	41,637	–	41,637	–	51,972	–	51,972
Total	1,598	141,600	69	143,267	60	108,092	45	108,197

In 2024 and 2023, 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 investment	Other equity investment	Trading liabilities	Total
At 1 January 2024	33,168	7,195	3,217	(45)	43,535
Gains or losses					
– in profit or loss	(2,512)	1,378	–	–	(1,134)
– in other comprehensive income	–	(2,118)	124	–	(1,994)
Purchase	8,019	16,054	–	(24)	24,049
Sold and settle	(6,261)	(614)	–	–	(6,875)
At 31 December 2024	32,414	21,895	3,341	(69)	57,581
Unrealised gains or losses as at 31 December 2024 included in profit or loss for assets held at 31 December 2024	(2,377)	–	–	–	(2,377)

	Trading assets	Other debt investment	The Group Other equity investment	Trading liabilities	Total
At 1 January 2023	40,230	6,661	2,795	(208)	49,478
Gains or losses					
– in profit or loss	(1,200)	327	–	–	(873)
– in other comprehensive income	–	(701)	–	–	(701)
Purchase	8,859	3,718	422	–	12,999
Sold and settle	(14,721)	(2,810)	–	163	(17,368)
At 31 December 2023	33,168	7,195	3,217	(45)	43,535
Unrealised gains or losses as at 31 December 2023 included in profit or loss for assets held at 31 December 2023	(1,140)	–	–	–	(1,140)

Information of Level 3 financial instruments:

Items	Fair value on 31 December 2024	The Group Fair value on 31 December 2023	Value Tech
Trading assets			
Equity investments	10,843	12,266	Net asset value method
Trust beneficiary rights and asset management plans	11,832	9,693	Discounted cash flow method
Debt	5,222	5,625	Discounted cash flow method
Others	4,517	5,584	Discounted cash flow method
Other debt investments			
Debt	21,812	6,939	Discounted cash flow method
Trust beneficiary rights and asset management plans	83	256	Discounted cash flow method
Other equity investments	3,341	3,217	Net asset value method
Trading liabilities	(69)	(45)	Note
Total	57,581	43,535	

Note: Trading liabilities are the equity of other shareholders in the consolidated structured entity, and the fair value is the amount attributable to the investors of the structured entity calculated based on the net value of the structured entity.

7.3 Financial assets and liabilities measured not by fair value

All financial instruments not measured at fair value are carried at amounts which are not materially different from the fair value except as follows:

		The Group			
		2024			
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets:					
Debt investments	1,896,064	1,990,431	–	1,552,411	438,020
Total	1,896,064	1,990,431	–	1,552,411	438,020
Financial liabilities:					
Debt securities issued	1,252,987	1,268,277	–	1,268,277	–
Total	1,252,987	1,268,277	–	1,268,277	–

		The Group			
		2023			
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets:					
Debt investments	1,801,346	1,828,786	–	1,359,166	469,620
Total	1,801,346	1,828,786	–	1,359,166	469,620
Financial liabilities:					
Debt securities issued	1,029,525	1,034,760	–	1,034,760	–
Total	1,029,525	1,034,760	–	1,034,760	–

Quantitative information of level 2, 3 at fair value:

		The Group		
Items	Fair value at 31 December 2024	Fair value at 31 December 2023	Valuation Technique	Inputs
Debt investments	1,990,431	1,828,786	Discounted cash flow method	Yield rate of bonds, default rate, loss given default, discount rate
Debt securities issued	1,268,277	1,034,760	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 2024				
	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
Financial assets:					
Placements with banks and other financial institutions	241	(34)	–	–	–
Derivative financial assets	43,679	26,845	–	–	70,524
Loans and advances to customers measured at fair value through profit or loss	10,474	26	–	–	19,578
Loans and advances to customers measured at fair value through other comprehensive income	319,749	–	22	312	303,534
Trading assets	957,708	6,138	–	–	923,189
Other debt investments	572,585	287	4,132	(871)	630,916
Other equity investments	3,836	–	(87)	–	4,011
Total financial assets	1,908,272	33,262	4,067	(559)	1,951,752
Financial liabilities (1)	(108,197)	(30,609)	–	–	(143,267)

	The Bank 2024				
	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
Financial assets:					
Placements with banks and other financial institutions	241	(34)	–	–	–
Derivative financial assets	43,675	26,833	–	–	70,508
Loans and advances to customers measured at fair value through profit or loss	10,474	26	–	–	19,578
Loans and advances to customers measured at fair value through other comprehensive income	319,749	–	22	312	303,534
Trading assets	894,921	7,051	–	–	939,207
Other debt investments	568,979	287	4,165	(871)	625,335
Other equity investments	3,255	–	(210)	–	3,307
Total financial assets	1,841,294	34,163	3,977	(559)	1,961,469
Financial liabilities (1)	(107,914)	(30,611)	–	–	(141,455)

(1) Financial liabilities include placements with banks and other financial institutions, trading liabilities and derivative financial liabilities.

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

2. Financial assets and financial liabilities denominated in foreign currencies

	The Group 2024				
	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
Cash and balances with Central Bank	5,376	–	–	–	5,382
Deposits with banks and other financial institutions	22,606	–	–	–	16,124
Placements with banks and other financial institutions	19,315	–	–	–	34,720
Derivative financial assets	7,092	(79)	–	–	7,013
Financial assets purchased under resale agreement	4,822	–	–	–	–
Loans and advances to customers	222,198	–	–	(78)	170,550
Financial investments:					
Trading assets	10,285	669	–	–	67,031
Debt investments	70,895	–	–	(7)	59,375
Other debt investments	79,096	–	(1,589)	(84)	114,072
Other equity investments	80	–	96	–	100
Finance lease receivables	566	–	–	(1)	2,448
Other financial assets	414	–	–	–	2,698
Total of financial assets	442,745	590	(1,493)	(170)	479,513
Financial liabilities (1)	(374,639)	1,354	–	–	(568,534)

	The Bank 2024				
	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
Cash and balances with Central Bank	5,376	–	–	–	5,382
Deposits with banks and other financial institutions	21,856	–	–	–	15,998
Placements with banks and other financial institutions	19,315	–	–	–	34,720
Derivative financial assets	7,092	(79)	–	–	7,013
Financial assets purchased under resale agreement	4,822	–	–	–	–
Loans and advances to customers	222,198	–	–	(78)	170,550
Financial investments:					
Trading assets	10,285	669	–	–	67,031
Debt investments	70,895	–	–	(7)	59,375
Other debt investments	79,096	–	(1,589)	(84)	114,072
Other equity investments	80	–	96	–	100
Other financial assets	172	–	–	–	2,332
Total of financial assets	441,187	590	(1,493)	(169)	476,573
Financial liabilities (1)	(368,739)	1,354	–	–	(561,922)

(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 in the above tables have no inevitable relationship.

3. Transfer of financial assets

3.1 Assets-securitised

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 consolidates 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 or 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.

The Group analyses and judges if the relevant financial assets transferred to be derecognised based on the degree of transfer of risk and return:

- When the Group transfers substantially all the risks (mainly including 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 derecognises the transferred financial assets. The Group has RMB20,728 million securitised financial assets in 2024 (2023: RMB16,589 million). Meanwhile, the Group subscribed for a certain percentage of asset-backed securities. As at 31 December 2024, the above asset-backed securities held by the Group amounted to RMB98 million (31 December 2023: RMB75 million).
- In 2024, the Group transferred assets include financial assets with carrying amount of Nil (2023: Nil), where the Group neither transferred nor retained substantially all the risks (mainly including 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 2024, the Group continued to recognise the financial assets with carrying amount of RMB9,081 million (31 December 2023: RMB10,396 million) based on its extent of continuing involvement in the assets, and recognised 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-parties that financial assets (or financial assets that share the same substance) are settled at a fixed price of repurchasing when they are sold at a fixed date. Due to the fixed repurchasing price, the Group retains almost all the credit and market risks and benefits of the assets. The sold financial assets (cannot be used within the period) should not be recognised in the financial statement, but should be regarded as guarantees because the Group retains all the risks and returns. Besides, the Group recognises the financial liabilities by the price received. In these trading, the right of counter-parties to the Group is not limited to the transferred financial assets.

As at 31 December 2024 and 31 December 2023, 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, 19).

Included in the repurchase agreement, the book value of the financial assets which had been transferred but continued to be recognised by the Group and relevant liabilities are as follows:

Item	The Group			
	2024		2023	
	Bond	Bill	Bond	Bill
Assets book value	261,110	9,768	406,986	13,260
Liabilities book value	252,170	9,723	403,187	13,202

3.3 Securities lending transactions

The counterparties are allowed to sell or repledge those securities sold under agreements to repurchase in the absence of default by the Group, but has an obligation to return the securities at the maturity of the contract. The Group determines that it retains substantially all the risks and rewards of these securities and therefore does not derecognise them.

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

As at the approval date of the financial statements, there are no material post-balance-sheet date events which should be disclosed by the Group, except for dividend distribution. For details of dividend distribution, see Note VII, 32.

XV. Financial statements approved

The financial statements were approved by the Board of Directors of the Bank on 27 March 2025.

Supplementary Financial Information

(Expressed in millions of RMB, 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 (2023) (ZJHGG [2023] No.65) issued by CSRC.

	The Group	
	2024	2023
Gains and losses on the disposal of non-current assets	115	29
Government grants recognised in profit or loss	661	652
Other non-operating income and expenses	(84)	180
Subtotal	692	861
Impact on income tax expenses	(241)	(238)
Total	451	623
Total non-recurring profit or loss attributable to ordinary shareholders of the Bank	433	593
Total non-recurring profit or loss attributable to non-controlling interests	18	30
Net profit attributable to ordinary shareholders of the Bank, after deduction of non-recurring profit or loss	72,560	72,311

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 Group") does not include "Trading assets, Debt investments, Other debt investments and Other equity investments" in non-recurring profit or loss.

II Return on net assets ("ROE") and earnings per share ("EPS")

The related data is calculated in accordance with the provisions in 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		
	Weighted average ROE (%)	Basic EPS (RMB)	Diluted EPS (RMB)
Net profit attributable to ordinary shareholders of the Bank	9.89	3.51	3.23
Net profit attributable to ordinary shareholders of the Bank, after deduction of non-recurring profit or loss	9.83	3.49	3.21

	The Group		
	Weighted average ROE (%)	Basic EPS (RMB)	Diluted EPS (RMB)
Net profit attributable to ordinary shareholders of the Bank	10.64	3.51	3.24
Net profit attributable to ordinary shareholders of the Bank, after deduction of non-recurring profit or loss	10.55	3.48	3.21

The Company's Organizational Structure

