

Management Discussion and Analysis

— Organisational Management and Human Resources Development and Management

Organisational Management

As at the end of 2018, the Bank had a total of 11,741 institutions worldwide, including 11,193 institutions in the Chinese mainland and 548 institutions in Hong Kong, Macao, Taiwan and other countries and regions. Its domestic commercial banking business comprised 10,726 institutions, including 38 tier-1 and direct branches, 353 tier-2 branches and 10,334 outlets.

The geographic distribution of organisations and employees of the Bank was set forth below:

Unit: RMB million/unit/person, except percentages

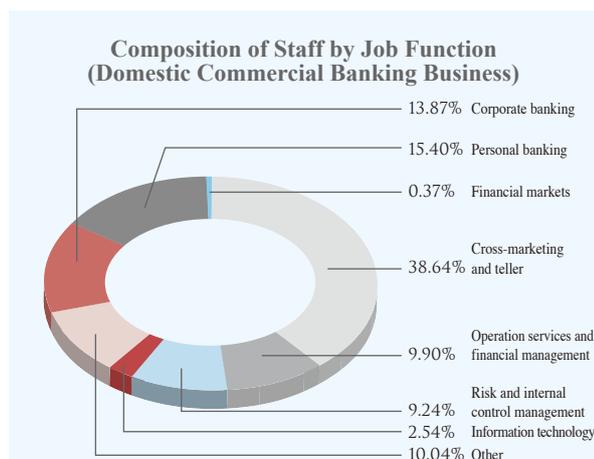
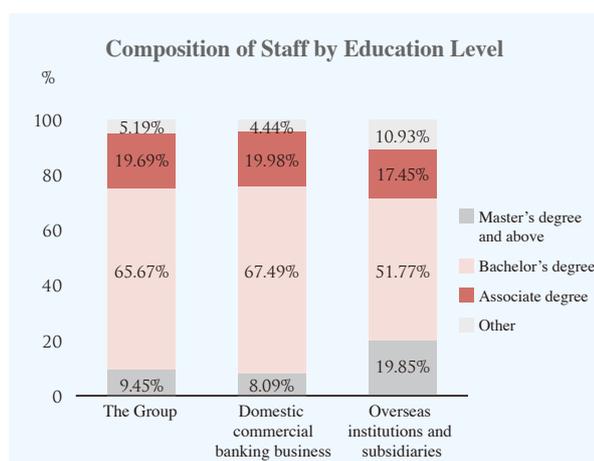
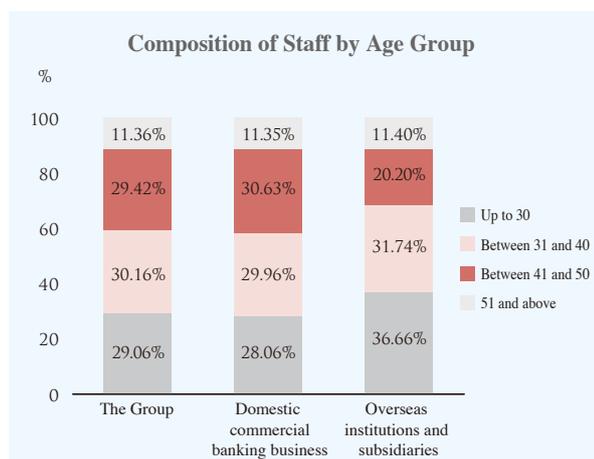
Items	Assets		Organisations		Employees	
	Total assets	% of total	Number	% of total	Number	% of total
Northern China	6,956,012	29.99%	2,089	17.80%	61,524	19.85%
Northeastern China	698,381	3.01%	952	8.11%	25,040	8.07%
Eastern China	4,401,655	18.98%	3,595	30.62%	92,847	29.94%
Central and Southern China	3,268,088	14.09%	2,830	24.10%	68,416	22.06%
Western China	1,662,692	7.17%	1,727	14.71%	37,970	12.24%
Hong Kong, Macao and Taiwan	4,197,031	18.10%	422	3.59%	18,555	5.98%
Other countries and regions	2,009,680	8.66%	126	1.07%	5,767	1.86%
Elimination	(1,926,264)					
Total	21,267,275	100.00%	11,741	100.00%	310,119	100.00%

Note: The proportion of geographic assets was based on data before intra-group elimination.

Human Resources Development and Management

As at the end of 2018, the Bank had 310,119 employees. There were 285,797 employees in the Chinese mainland, of which 274,263 worked in the Bank's domestic commercial banking business. The Bank had 24,322 employees in Hong Kong, Macao, Taiwan and other countries and regions. As at the end of 2018, the Bank bore costs for a total of 5,493 retirees.

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In 2018, in line with the Group's strategies and annual priorities, the Bank further deepened reform of its organisational structure and management mechanism, and rebuilt its customer and product service system based on customer demands and experience. It improved the organisational structure for inclusive finance, established the SME Services Department at the Head Office, and reinforced the support for micro and small-sized enterprises, so as to enhance its inclusive finance service capabilities. The Bank further refined its product and service system for corporate banking, and set up the Global Transaction Banking Department at the Head Office to provide integrated, scenario-based, and smart transaction banking services for corporate banking customers. It refined the globalised, integrated financial group management structure, and established the Equity Investment and Subsidiary Management Department to strengthen group-level management over its integrated enterprises. Moreover, the Bank enhanced the competitiveness of branches in provincial capitals by further specifying their management modes and development strategies.

The Bank vigorously strengthened its human resources and cultivated management professionals by carrying out the "Hundred-Talent Programme" and "Sailing Programme" and by continuously training internationalised and comprehensive talented personnel. It reinforced the development of its professional personnel resources, enhanced the allocation of FinTech and innovative personnel and built a talent pool of employees fluent in minority languages. Following national targeted poverty alleviation strategies, the Bank implemented a special recruitment plan for impoverished college students and designated management personnel to poverty-stricken areas, so as to ensure tangible poverty alleviation results. The Bank sat atop the ranking for "Best Employer in Financial Industry in the Opinion of Chinese University Students" for the 11th consecutive year.

In active response to national strategies, the Bank leveraged its characteristic advantages in globalised operations. It held Belt and Road International Financial Exchange & Cooperation Seminars for

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four Central and East European countries and nine African countries. It refined its personnel expense allocation mechanism, and promoted the overall implementation of the Broad Band Salary System so as to enhance the input-output efficiency of its resources. In addition, the Bank actively held special training sessions on topics, such as the development of key areas, including the Beijing-Tianjin-Hebei region, the Guangdong-Hong Kong-Macao Greater Bay Area, the Yangtze River Economic Belt and Hainan FTZ, as well as important fields including poverty alleviation, inclusive finance, internal risk control and disposal of NPLs, technology innovation, and business process improvement. In 2018, the domestic commercial banking institutions of the Bank held a variety of training courses, totalling 86,980 sessions with 2,966,118 participants.

The Bank's remuneration policy is in line with corporate governance requirements, business development strategies, market positioning and talent competition strategies. The Board of Directors of the Bank has set up the Personnel and Remuneration Committee to assist the Board of Directors in reviewing the Bank's human resources and remuneration strategies. Independent director serves as the Chairman of the Committee. Please refer to the section "Corporate Governance-Special Committees of the Board of Directors" for details of the work progress of the Personnel and Remuneration Committee. Based on the human resources and remuneration strategies determined by the Board of Directors, the Senior Management of the Bank is responsible for formulating rules and regulations for remuneration management.

The Bank's remuneration distribution follows the principle of "remuneration by post, paying by

performance", and employee remuneration consists of basic salary, performance remuneration and benefits. Among them, the basic salary depends on the post value and the ability of employees to perform their duties; performance remuneration depends on performance evaluation results of the Group, the institution or department of the employee and the employee, and is linked to performance, risk, internal control, ability and other factors. Deferred payment is required for more than 40% of performance remuneration of personnel who are responsible for major risk management and control, with not less than 3 years of the period of deferred payment. If the risk loss within the responsibility is excessively exposed during the term of service, the Bank may recover part or all of the performance remuneration paid within the corresponding period, and stop the payment of the part that has not been paid. The benefits mainly include social insurance, housing provident fund, enterprise annuity and other non-cash remuneration, which are managed in accordance with local regulatory policies. The Bank's remuneration policy applies to all employees who have established a labor contract relationship with the Bank, with no exceptions beyond the remuneration policy.

The Bank has formulated an allocation mechanism for total remuneration, the distribution of total remuneration of branches is linked to the completion of comprehensive benefits of branches, taking full consideration of risk factors so as to focus on risk-adjusted value creation and enhance long-term performance. The Bank continued to improve the internal remuneration distribution structure, and allocate more remuneration resources to the primary-level institutions and employees to effectively boost the driving forces powering sustainable development of the Bank.