

Bank of Tianjin Co., LTD.*

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock code: 1578)



2018 Annual Report



* *Bank of Tianjin Co., Ltd. is not an authorized institution within the meaning of the Banking Ordinance (Chapter 155 of Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorized to carry on banking and/or deposit-taking business in Hong Kong.*

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Definitions

In this annual report, unless the context otherwise requires, the following items shall have the meanings set out below:

“Articles of Association”	the articles of association of the Bank as may be amended, supplemented or otherwise modified from time to time
“Bank”, “our Bank”, “we” or “us”	Bank of Tianjin Co., Ltd. (天津銀行股份有限公司), a joint stock company incorporated on November 6, 1996 in Tianjin, China with limited liability in accordance with PRC laws, and, if the context requires, includes its predecessors, subsidiaries, branches and sub-branches
“Board” or “Board of Directors”	the board of Directors of the Bank
“Board of Supervisors”	the board of Supervisors of the Bank
“CBIRC”	the China Banking and Insurance Regulatory Commission
“CBIRC Tianjin Office”	Tianjin Regulatory Bureau of China Banking and Insurance Regulatory Commission
“China” or “PRC”	the People’s Republic of China, excluding for the purposes of this annual report Hong Kong, Taiwan and Macau
“Director(s)”	the director(s) of the Bank
“Domestic Shares”	ordinary shares issued by our Bank, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid up in Renminbi
“Foreign Shares”	ordinary shares issued by our Bank, with a nominal value of RMB1.00 each, which are subscribed for in a currency other than Renminbi, or the consideration for which is the injection of assets and are held by persons other than PRC nationals or PRC corporate entities, and are not listed on any stock exchange
“H Shares”	ordinary shares issued by our Bank, with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

Definitions

“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“PBoC” or “Central Bank”	The People’s Bank of China (中國人民銀行)
“Reporting Period”	the year ended December 31, 2018
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Selling Shareholder(s)”	the state-owned shareholders, collectively, who are required to reduce their shareholding pursuant to the relevant PRC regulations relating to reduction of state-owned shares
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	the shareholder(s) of the Bank
“Supervisor(s)”	the supervisor(s) of the Bank

Company Profile

Legal Chinese Name	天津銀行股份有限公司
Abbreviation in Chinese	天津銀行
Legal English Name	Bank of Tianjin Co., Ltd.
Abbreviation in English	Bank of Tianjin
Legal Representative	LI Zongtang
Authorized Representatives	ZHANG Furong, NGAI Wai Fung
Board Secretary	ZHANG Furong
Joint Company Secretaries	ZHANG Furong, NGAI Wai Fung
Registered Address and Headquarter Address	No. 15 Youyi Road, Hexi District, Tianjin, China
Principal Place of Business in Hong Kong	40/F, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong
Telephone	86-22-2840 5262
Facsimile	86-22-2840 5518
Email	bangongshi@bankoftianjin.com
Website	www.bankoftianjin.com
Website of Hong Kong Stock Exchange for Publishing H Share Annual Report	www.hkexnews.hk
Date of Initial Registration	November 6, 1996
Business License No. of Corporation	120000000007636
Uniform Social Credit Code	911200001030702984
Finance Permit Institution Number	B0108H212000001

Company Profile

Listing Place of Stock	The Stock Exchange of Hong Kong Limited
Stock Name	Bank of Tianjin
Stock Code	1578
H Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Legal Advisor as to PRC Laws	GRANDALL LAW FIRM (TIANJIN)
Legal Advisor as to Hong Kong Laws	Paul Hastings 21-22/F, Bank of China Tower 1 Garden Road Hong Kong
Auditor	Domestic Auditor: Deloitte Touche Tohmatsu Certified Public Accountants LLP 30/F, Bund Center No.222 East Yanan Road Shanghai, PRC International Auditor: Deloitte Touche Tohmatsu 35/F One Pacific Place 88 Queensway Hong Kong

Summary of Accounting Data and Financial Indicators

	For the year ended December 31,					
	2018	2017	Year-on-year Change between 2018 and 2017	2016	2015	2014
(Amounts in thousands of RMB unless otherwise stated)						
			Rate of change (%)			
OPERATING RESULTS						
Interest income ⁽¹⁾	27,487,524	27,894,735	N/A	25,202,576	26,656,584	24,769,304
Interest expense	(20,781,987)	(19,493,523)	6.6	(14,843,351)	(15,977,161)	(15,620,494)
NET INTEREST INCOME ⁽¹⁾	6,705,537	8,401,212	N/A	10,359,225	10,679,423	9,148,810
Investment income ⁽¹⁾	3,793,253	–	N/A	–	–	–
Fee and commission income	1,881,805	2,112,839	(10.9)	1,442,473	1,026,900	560,684
Fee and commission expense	(344,211)	(79,374)	333.7	(40,421)	(31,171)	(36,481)
NET FEE AND COMMISSION INCOME ⁽²⁾	1,537,594	2,033,465	(24.4)	1,402,052	995,729	524,203
Net trading losses	(145,176)	(157,018)	(7.5)	(56,748)	153,862	182,894
Net gains arising from derecognition of financial assets measured at amortized cost	132,526	–	N/A	–	–	–
Other income, gains or losses	114,480	(134,343)	185.2	110,207	92,730	84,639
OPERATING INCOME	12,138,214	10,143,316	19.7	11,814,736	11,921,744	9,940,546
Operating expenses	(3,447,071)	(3,102,593)	11.1	(3,767,642)	(3,817,123)	(3,261,328)
Impairment losses, net of reversals	(3,481,867)	(2,131,853)	63.3	(2,352,964)	(1,757,695)	(975,286)
Share of results of associates	8,233	(25,932)	131.7	16,244	–	–
PROFIT BEFORE TAX	5,217,509	4,882,938	6.9	5,710,374	6,346,926	5,703,932
Income tax expense	(987,422)	(939,874)	5.1	(1,192,470)	(1,414,543)	(1,274,971)
PROFIT FOR THE YEAR	4,230,087	3,943,064	7.3	4,517,904	4,932,383	4,428,961
Attributable to:						
Equity holders of the Bank	4,181,248	3,916,386	6.8	4,522,053	4,916,440	4,417,231
Non-controlling interests	48,839	26,678	83.1	(4,149)	15,943	11,730
Earnings per share (Expressed in RMB Yuan per share)						
– Basic	0.69	0.65	6.2	0.77	0.96	0.88

Summary of Accounting Data and Financial Indicators

	For the year ended December 31,					
	2018	2017	Year-on-year Change between 2018 and 2017	2016	2015	2014
(Amounts in thousands of RMB unless otherwise stated)						
			Rate of change (%)			
MAJOR INDICATORS OF ASSETS/ LIABILITIES						
Total assets	659,339,903	701,913,589	(6.1)	657,310,107	565,667,731	478,859,079
Of which: loans and advances to customers	276,943,278	241,637,249	14.6	207,854,530	179,570,910	166,461,335
Total liabilities	611,619,166	657,157,727	(6.9)	615,555,327	532,420,027	449,969,138
Of which: due to customers	342,877,165	357,857,635	(4.2)	365,470,957	334,691,026	289,467,447
Share capital	6,070,552	6,070,552	–	6,070,552	5,126,048	5,126,048
Equity attributable to equity holders of the Bank	46,999,489	44,083,453	6.6	41,709,929	33,023,651	28,672,168
Total equity	47,720,737	44,755,862	6.6	41,754,780	33,247,704	28,889,941

	For the year ended December 31,					
	2018	2017	Year-on-year Change between 2018 and 2017	2016	2015	2014
PROFITABILITY INDICATORS (%)						
Return on average total assets ⁽³⁾	0.62	0.58	0.04	0.74	0.94	1.00
Return on average equity ⁽⁴⁾	9.15	9.12	0.03	12.05	15.88	18.32
Net interest spread ^{(1) (5)}	1.23	0.81	0.42	1.43	1.74	1.73
Net interest margin ^{(1) (6)}	1.59	1.25	0.34	1.76	2.08	2.06
Net fee and commission income to operating income	12.67	20.05	(7.38)	11.87	8.35	5.27
Cost-to-income ratio ⁽⁷⁾	27.18	29.42	(2.24)	27.52	22.49	23.63

Summary of Accounting Data and Financial Indicators

	For the year ended December 31,					
	2018	2017	Year-on-year Change between 2018 and 2017	2016	2015	2014
ASSET QUALITY INDICATORS (%)						
Non-performing loan ratio ⁽⁸⁾	1.65	1.50	0.15	1.48	1.34	1.09
Allowance coverage ratio ⁽⁹⁾	250.37	193.81	56.56	193.56	202.84	238.15
Allowance to gross loan ratio ⁽¹⁰⁾	4.13	2.91	1.22	2.87	2.73	2.61
	For the year ended December 31,					
	2018	2017	Year-on-year Change between 2018 and 2017	2016	2015	2014
CAPITAL ADEQUACY RATIO INDICATORS (%)						
<i>Calculated based on Capital Adequacy Measures</i>						
Core capital adequacy ratio ⁽¹¹⁾	N/A	N/A	N/A	N/A	N/A	N/A
Capital adequacy ratio ⁽¹²⁾	N/A	N/A	N/A	N/A	N/A	N/A
<i>Calculated based on Capital Administrative Measures</i>						
Core tier-one capital adequacy ratio ⁽¹³⁾	9.83	8.64	1.19	9.48	9.33	10.64
Tier-one capital adequacy ratio ⁽¹⁴⁾	9.84	8.65	1.19	9.48	9.33	10.64
Capital adequacy ratio ⁽¹⁵⁾	14.53	10.74	3.79	11.88	12.23	12.61
Total equity to total assets	7.24	6.38	0.86	6.35	5.88	6.03
OTHER INDICATORS (%)						
Loan-to-deposit ratio ⁽¹⁶⁾	85.59	69.56	16.03	58.57	55.93	58.51
Liquidity ratio ⁽¹⁷⁾	50.29	35.41	14.88	34.39	43.14	38.12
Percentage of loans to the single largest customer ⁽¹⁸⁾	5.02	6.36	(1.34)	7.83	4.50	6.46
Percentage of loans to the top ten customers ⁽¹⁹⁾	29.47	41.55	(12.08)	35.76	28.49	33.75

Summary of Accounting Data and Financial Indicators

Notes:

- (1) The Bank adopted International Financial Reporting Standard 9 – Financial Instruments (IFRS 9) issued by the International Accounting Standards Board (IASB) in July 2014. The effective date of the standard is January 1, 2018. Combining the requirements of IFRS 9 and International Accounting Standard 1 – Presentation of Financial Statements (IAS 1), the Bank reclassified certain financial assets measured at amortized cost under the original standard to financial assets measured at fair value through profit or loss under the new standard. The interest generated by such assets was also transferred from interest income item to investment income item, which would affect the interest income, net interest income, investment income, net interest spread and net interest margin. According to the transition requirements of IFRS 9, the Bank chose not to restate the information during the comparison period. In order to maintain the comparability of the two important financial indicators, the Bank still based on the relevant requirements of the International Accounting Standard 39 – Financial Instruments: Recognition and Measurement (IAS 39) to calculate the interest income and net interest income for 2018, and then calculate the net interest spread and net interest margin for 2018 accordingly. The interest income calculated according to IAS 39 was RMB31,280.8 million which included the amount in investment income item and the net interest income was RMB10,498.8 million which included the amount in investment income item, which was 12.1% and 25.0% higher than the figures for 2017 on the same comparison basis.
- (2) Decrease in our net fee and commission income is mainly attributable to the fact that the Bank decreased the scale of issuance of wealth management products in accordance with new regulations on asset management, leading to a decrease in wealth management business income and increase in fee and commission expenses as a result of third party handling fee increment.
- (3) Calculated by dividing net profit for the year by average balance of total assets at the beginning and the end of the year.
- (4) Calculated by dividing net profit for the year by average balance of total equity at the beginning and the end of the year.
- (5) Calculated as the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities.
- (6) Calculated by dividing net interest income by the daily average balance of total interest-earning assets.
- (7) Calculated by dividing total operating expenses (excluding tax and surcharges) by total operating income.
- (8) Calculated by dividing total non-performing loans by gross loans (excluding interests).
- (9) Calculated by dividing total allowance for impairment losses on loans to customers by total non-performing loans.
- (10) Calculated by dividing total allowance for impairment losses on loans to customers by gross loans to customers.
- (11) Calculated by dividing (i) core capital, net of core capital deductions, by (ii) sum of risk-weighted assets and 12.5 times capital charge for market risk.
- (12) Calculated by dividing (i) total capital, net of capital deductions, by (ii) sum of risk-weighted assets and 12.5 times capital charge for market risk.
- (13) Calculated by dividing core tier-one capital, net of core tier-one capital deductions, by risk-weighted assets.
- (14) Calculated by dividing tier-one capital, net of tier-one capital deductions, by risk-weighted assets.
- (15) Calculated by dividing total capital, net of capital deductions, by risk-weighted assets.
- (16) Loan-deposit ratios of as of December 31, 2017 and December 31, 2018 were calculated according to the Notice on Adjusting the Calculation of Loan-to-Deposit Ratio for Commercial Banks (《中國銀監會關於調整商業銀行存貸比計算口徑的通知》) issued by CBRC.
- (17) Liquidity ratio is calculated in accordance with the formula promulgated by the China Banking and Insurance Regulatory Commission.
- (18) Calculated by dividing total loans to the single largest customer by net capital.
- (19) Calculated by dividing total loans to the top ten customers by net capital.

Chairman's Statement



LI Zongtang
Chairman

Chairman's Statement

In 2018, the Bank adjusted and optimized our development strategies vigorously and clarified the operational objectives and directions by insisting in strategies-driven development amidst the complicated economic and financial situation at home and abroad as well as stringent and prudent external financial regulatory environment. The Bank insisted on treating risk prevention and control as our first priority and responding to various challenges calmly during transformation and development. The Bank put into practice the dual-track development strategies of "transformation + innovation" to seize new market opportunities and carriers accurately while closely followed the innovative trend of financial business. Our overall operation remained stable, and our assets and liabilities structure has been gradually improved. Effectiveness, quality, and extensive coordinated development being kept in good momentum and various operational indicators have been gradually enhanced.

In 2018, the Board of the Bank amended the Strategic Development Plan of Bank of Tianjin Co., Ltd. for 2016-2020(《天津銀行股份有限公司2016-2020年發展戰略規劃》) by closely combining with the progress of development strategies, which summarized our Bank's overall strategies as "6 dimensions + dual-track strategy + ten major projects (2.0)". It established 6 dimensions of "mainstream bank in Beijing-Tianjin-Hebei region, dual-track bank, value-driven bank, bank offering superior experience, bank that cares for employees", the dual-track strategy of "transformation + innovation", as well as ten major projects (2.0) of "three major managements, three major constructions and four major drivers and safeguard", which specified the operational objectives and directions for our Bank. Meanwhile, in 2018, the election of the new session of the Board of the Bank was completed successfully. The new session of the Board has been insisted on implementing various regulatory requirements thoroughly, further improving establishment of systems, focusing on strengthening equity management, continuing to monitor and track on risk management profile, performing information disclosure obligations in compliance with laws and regulations, as well as promoting the corporate governance of the Bank constantly.

In 2018, with the vigorous support from shareholders together with concerns and care from various sectors of the community, our Bank's operating income amounted to RMB12.14 billion, representing an increase of 19.7% as compared to the same period last year, hit a record high since our establishment. Profit before provisions amounted to RMB8.70 billion, representing an increase of 24.0% as compared to the same period last year; net profit amounted to RMB4.23 billion, representing an increase of 7.3% as compared to the same period last year; rate of return on capital was 9.15%, representing an increase of 0.03% as compared to the same period last year. The capital adequacy ratio was 14.53%. The cost-to-income ratio was 27.18%. The non-performing loan ratio was 1.65%. The allowance coverage ratio was 250.37%. All operational indicators were improved comprehensively. In 2018, we ranked 232nd in the "Global Banking 500 (by Brand Value)". We ranked 200th (by tier-one capital) in the latest Top 1,000 World Banks published by the Banker, a UK magazine, in 2018, ranked 32nd among Chinese banks in the list. We ranked 172nd in the Top 500 Service Enterprises in China, 10 places up from that in the last year. The Bank received "AAA" rating from rating companies such as Lianhe Credit Rating and Dagong Global. The recognition and confidence to the development of the Bank were fully demonstrated.

On behalf of the Bank, I would like to extend my sincere gratitude to our shareholders, clients, and the community who give us care and support. We will continue to reward shareholders, clients and society with concrete performance.

Perseverance in overcoming the challenges. 2019 marks the 70th anniversary of the foundation of New China, is a key year to grow into a moderately prosperous society, and also an important year for the Bank to consolidate and examine the efficiency of our strategic development plan for 2016-2020. The Bank will thoroughly and comprehensively implement the national strategic deployment by combining with the actual circumstances of regional development firmly. We will insist on the return to our origins and put greater support on real economy. We will constantly help and push Bank of Tianjin to record even better results and climb to a new height by fully exert regional and market influence as well as strive for attaining both enhancement in quality and efficiency.



LI Zongtang

Chairman

President's Statement



SUN Liguó
President

President's Statement

The year 2018 was the first year for the Bank to implement a new strategic development plan. In face of unprecedented difficulties, the Bank firmly held onto its new development notion of "putting quality first and giving priority to performance". We have positioned the Bank in "six dimensions" as its strategic vision targets and persistently pushed forward the dual-track strategy of "transformation + innovation". We worked together to meet the challenges and unwaveringly implemented various tasks under the "10 major projects (version 2.0)". As a result, we achieved sound operating results across all businesses and satisfactorily completed various tasks assigned by the Board of Directors, alongside with a high quality development trend forming in shape.

As of the end of 2018, our total assets amounted to RMB659.340 billion, while our total liabilities amounted to RMB611.619 billion. Operating income for the year was RMB12.138 billion, representing an increase of 19.67%. Our net profits amounted to RMB4.230 billion, representing an increase of 7.28%. The capital adequacy ratio was 14.53%. The non-performing loan ratio was 1.65%. The allowance coverage ratio was 250.37%. All indicators were further optimized, with improved structure and fully fell in line with regulatory requirements.

Digit is the most powerful form of language, and the year-round changes in the indicators were fully in line with the adjustment of our development strategy, showing the characteristics of upward and downward movement and a degree of flexibility. We saw moderate downward adjustment of the scale indicators in light of active balance sheet wind-down and improvement across all performance indicators. It proved that we have chosen the correct pattern of organic development that unraveled a new path most suitable for the Bank.

During the year, the Bank officially implemented the new strategic development plan to set the beginning of a new chapter with the "10 major projects (2.0)". We strived to break away from pure-pursuit of grand figures, drastically adjusted the structure of assets and liabilities, and achieved remarkable results. We closely focused on the "four batches" (四個一批) program, refined customer marketing strategies, and innovative development to support our corporate banking business; actively adjusted the financial market business to achieve "quantity reduction and quality improvement", and fruitful innovations. We have also taken responsibility and taken measures to resolve non-performing assets, and promoted compliance awareness through case study and education. Our business development was thus comprehensively promoted and our operation started reaping positive results.

During the year, the Bank has continuously improved its corporate governance system and taken consolidation measures to set sail again. We rationalized the internal organization structure of the head office and branches, further reduced the management layers; restructured the team structure within the head office, completed the department name change and responsibilities adjustment; reformed subsidiary management system, strengthened group management, established sound subsidiary governance and management and other systems to achieve comprehensive development. We also consolidated and refined the Bank's rules and regulations, and established an institutional system covering the Boards of Directors and Supervisors, senior management and all departments, bringing the Bank's corporate governance standards to a new level.

During the year, the Bank vigorously focused on infrastructure construction. We faced up to the problems left over by history while courageously forging ahead in the face of difficulties, cleaning up long-term accounts receivable, invalid seals, self-service machines, waste materials and vehicles accumulated by the Bank over the years, and establishing rules and regulations. We completed relocation of the business departments of the head office and construction of the monitoring center, started the renovation of the financial technology center, operation center and data center building. We have further enhanced our corporate image and brand status by standardizing the interior and exterior signage of our business outlets.

"Blueprints cannot be done at one go, dreams cannot come true overnight, achievement takes continuous efforts". In the coming year, the Bank will continue to follow the path of high-quality development. We will spare no efforts to improve our capital strength, enhance our ability to withstand risks, and adhere to the dual-track strategy of "transformation and innovation". We will remain alert all the time, actively respond to the changing trends, unswervingly implement the new strategic development plan, and fully deploy and implement the "10 major projects (version 2.0)". While continuously enhancing our capability to support the real economy, prevent and control financial risks, and achieve sustainable growth, we are committed to creating greater value for our shareholders, employees and the society.



SUN Ligu
President

Management Discussion and Analysis

I ENVIRONMENT AND PROSPECTS

In 2018, the PRC's economic fundamentals were good, economic growth remained resilient, and its domestic economy continued to operate within an appropriate range. The overall situation was stable and managed to maintain a progressive trend. The country's major development targets were slightly exceeded. In particular, the "Three Critical Battles" made a good start, the supply-side structural reform was further advanced, "Reform and Opening" was intensified, standard of living continued to improve, thus sustained economic development and social stability were maintained.

Looking forward to 2019, the global environment is complicated and challenging. The worldwide economic landscape and international trade environment will continue to change. The negative impact of the US tightening monetary policy and global trade friction on the economy cannot be ignored. The PRC's economy will continue to grow steadily with stabilized national consumption and slow but steady infrastructure investment. It is expected that the annual economic growth target will be achieved. The economic development of the country will adhere to the general working guideline of making progress while maintaining stability, with the supply-side structural reform as its backbone to deepen market reform and opening, and accelerate the construction of a modern economic system. The national policy will be to continue to fight for victory of the "Three Critical Battles", and strive to stimulate the vitality of individuals and enterprises, keep the economy running in a reasonable range, further stabilize the employment, finance, foreign trade, foreign investment, investment, and expectations, maintaining sustained and healthy economic development and overall social stability. The domestic macroeconomic policy will strengthen counter-cyclical adjustment, continue to implement a proactive fiscal policy and a prudent monetary policy. As further efforts in the fiscal policy, it is expected that more tax reduction measures will be introduced. The monetary policy emphasizes adjustment ahead, timely fine-tuning, and operation in a well-regulated and befitted manner to maintain a reasonably ample liquidity. As a regional commercial bank, while based on the regional economic development, we will closely abide by the State policy, "improve the real economy, keep financial risks at bay and deepen the financial reform", in order to provide diversified and differentiated financial services for the synergistic development of the Beijing-Tianjin-Hebei region and actively promote the transformation and paradigm shift in the development of the region. We will adhere to the "dual track" strategy of transformation and innovation, create our core competitiveness with an aim to comprehensively enhance the economic efficiency and overall strength of Bank of Tianjin.

Management Discussion and Analysis

II CORPORATE STRATEGIES

Our strategic vision targets to position the Bank: 1. to be a mainstream bank in Beijing-Tianjin-Hebei region. Aiming at the Beijing-Tianjin-Hebei region and supporting the development of the real economy, we are to make important contributions to the development of Beijing-Tianjin-Hebei region; 2. to be a dual-track bank. Promoting traditional business transformation centered on customers and creating a comprehensive digital layout shepherded by technology and data, we are to become a dual-track bank for “transformation + innovation”; 3. to be a value-driven bank. Transforming from the “pursuit of quantity” to the “pursuit of quality and efficiency”, we are dedicated to enhance efficiency and quality to bring values for the shareholders; 4. to be a bank proud of compliance and integrity, we are to perfectly comply with all regulatory requirements and serve the society with integrity; 5. to be a bank offering superior experience. Promoting digital transformation of end-to-end customer journeys, we are to become a digital bank with first-class customer experience; 6. to be a bank that cares for employees. Treasuring talents, strengthening employees’ sense of belonging, and providing employees with the best development opportunities, we are committed to devoting more attention to employees.

In 2018, the Bank actively changed its developmental philosophy, continue to achieve its dual-track strategy of “transformation + innovation” and actively adjusted its asset-liability structure. In respect of transformation, the Bank will promote traditional business transformation inside out based on customers. Regarding innovation, the Bank will fully implement digital layout as guided by technology and data. In addition, by capitalizing on the upgrading of “Ten Major Projects (1.0)” to “Ten Major Projects (2.0)”, the Bank will, based on “Three Major Managements”, “Three Major Constructions”, and “Four Major Drivers and Safeguard”, further build a “strong head office” to boost the Bank’s achieving its strategic visions and development goals.

In 2018, the Bank materialized an operating income of RMB12.14 billion, representing an increase of 19.7% as compared to 2017, achieving a record high. Profit before allowance increased by 24.0% as compared to 2017; allowance coverage ratio reached 250.37%, representing an increase of 56.56 percentage points as compared to 2017. Net profit reached RMB4.23 billion, representing an increase of 7.3% as compared to 2017. Capital adequacy ratio reached 14.53%, representing an increase of 3.79 percentage points as compared to 2017. Tier-one capital adequacy ratio reached 9.84%, representing an increase of 1.19 percentage points as compared to 2017. Core tier-one capital adequacy ratio reached 9.83%, representing an increase of 1.19 percentage points as compared to 2017. Other major regulatory indicators also showed overall increment, suggesting the Bank’s transformation and innovative measures during the past two years were effective.

Management Discussion and Analysis

In 2018, the Bank actively adjusted the asset-liability structure, showing satisfying results in terms of supporting real economy. In 2018, the Bank actively shrank the balance sheet, total assets and total liabilities decreased by 6.1% and 6.9%, respectively as compared to the same period of last year. In terms of assets, the Bank significantly reduced deposits with banks, placements with banks and financial assets held under resale agreements by 40.0%; reduced investment securities and other financial assets by 18.8%, among which the scale of below-standard existing assets issued by other banks such as wealth management products, trust beneficiary rights and asset management plans was reduced by 37.6%. Meanwhile, the Bank increased the granting of credit capital, remaining balance of loans and advances to customers recorded an increase of 14.6% year-on-year, remaining balance of retail loans and advances recorded an increase of 208.4%. In terms of liabilities, the Bank significantly reduced financial assets sold under repurchase agreements as well as deposits from banks and other financial institutions by 51.4%. Meanwhile, remaining balance of debt securities recorded an increase of 34.7% year-on-year and remaining balance of borrowings from central bank recorded an increase of 126.5% year-on-year.

The Bank also strengthened its pricing management while actively shrank the balance sheet and adjusted asset-liability structure. Average yield of our loans and advances to customers reached 5.55%, representing an increase of 72 basis points as compared to 2017; average yield of investment securities and other financial assets reached 4.74%, representing an increase of 55 basis points as compared to 2017, among which the average yield of debt securities investment increased by 132 basis points as compared to 2017. Net interest margin increased by 34 basis points from 1.25% in 2017 to 1.59% in 2018. Net interest spread increased by 42 basis points from 0.81% in 2017 to 1.23% in 2018. Net interest margin and net interest spread demonstrated a “double increment”.

In 2019, the Bank will continue to adhere to the new development concept of “putting quality first and giving priority to performance and efficiency”, maintain strategic focus and patience, fully promote dual-track strategy of “transformation + innovation” and “Ten Major Projects (2.0)”, integrate the synergistic development strategy of Beijing-Tianjin-Hebei region, strive to enhance support for real economy, and financial risk control capability and the ability to maintain stable and healthy growth.

Management Discussion and Analysis

III ANALYSIS OF THE INCOME STATEMENT

	For the year ended December 31,		Rate of change (%)
	2018	2017	
	<i>(Amounts in thousands of RMB, unless otherwise stated)</i>		
Interest income ⁽¹⁾	27,487,524	27,894,735	N/A
Interest expense	(20,781,987)	(19,493,523)	6.6
NET INTEREST INCOME⁽¹⁾	6,705,537	8,401,212	N/A
Investment income ⁽¹⁾	3,793,253	–	N/A
Fee and commission income	1,881,805	2,112,839	(10.9)
Fee and commission expense	(344,211)	(79,374)	333.7
NET FEE AND COMMISSION INCOME⁽²⁾	1,537,594	2,033,465	(24.4)
Net trading losses	(145,176)	(157,018)	(7.5)
Net gains arising from derecognition of financial assets measured at amortized cost	132,526	–	N/A
Other income, gains or losses	114,480	(134,343)	185.2
OPERATING INCOME	12,138,214	10,143,316	19.7
Operating expenses	(3,447,071)	(3,102,593)	11.1
Impairment losses, net of reversals	(3,481,867)	(2,131,853)	63.3
Share of results of associates	8,233	(25,932)	131.7
PROFIT BEFORE TAX	5,217,509	4,882,938	6.9
Income tax expense	(987,422)	(939,874)	5.1
PROFIT FOR THE YEAR	4,230,087	3,943,064	7.3

Management Discussion and Analysis

Notes:

- (1) The Bank adopted IFRS 9 issued by the IASB in July 2014. The effective date of the standard is January 1, 2018. Combining the requirements of IFRS 9 and IAS 1 – Presentation of Financial Statements, the Bank reclassified certain financial assets measured at amortized cost under the original standard to financial assets measured at fair value through profit or loss under the new standard. The interest generated by such assets was also transferred from interest income item to investment income item, which would affect the interest gains, net interest income, investment income, net interest spread and net interest margin. According to the transition requirements of IFRS 9, the Bank chose not to restate the information during the comparison period. In order to maintain the comparability of the two important financial indicators, the Bank still based on the relevant requirements of the IAS 39 to calculate the interest income and net interest income for 2018, and then calculate the net interest spread and net interest margin for 2018 accordingly. The interest gains calculated according to IAS 39 was RMB31,280.8 million which included the amount in investment income item and the net interest income was RMB10,498.8 million which included the amount in investment income item, which was 12.1% and 25.0% higher than the figures for 2017 on the same comparison basis.
- (2) Decrease in our net fee and commission income is mainly attributable to the fact that the Bank decreased the scale of issuance of wealth management products in accordance with new regulations on asset management, leading to a decrease in wealth management business income and increase in fee and commission expenses as a result of third party handling fee increment.

For the year ended December 31, 2018, the Bank's profit before tax increased by 6.9% from RMB4,882.9 million for the year ended December 31, 2017 to RMB5,217.5 million and the profit for the year increased by 7.3% from RMB3,943.1 million for the year ended December 31, 2017 to RMB4,230.1 million.

1 Net Interest Income, Net Interest Spread and Net Interest Margin

The Bank adopted IFRS 9 issued by the IASB in July 2014. The effective date of the standard is January 1, 2018. Combining the requirements of IFRS 9 and IAS 1 – Presentation of Financial Statements, the Bank reclassified certain financial assets measured at amortized cost under the original standard to financial assets measured at fair value through profit or loss under the new standard. The interest generated by such assets was also transferred from interest income item to investment income item, which would affect the interest income, net interest income, investment income, net interest spread and net interest margin. According to the transition requirements of IFRS 9, the Bank chose not to restate the information during the comparison period. In order to maintain the comparability of the two important financial indicators, the Bank still based on the relevant requirements of the IAS 39 to calculate the interest income and net interest income for 2018, and then calculate the net interest spread and net interest margin for 2018 accordingly. The interest gains calculated according to IAS 39 was RMB31,280.8 million which included the amount in investment income item and the net interest income was RMB10,498.8 million which included the amount in investment income item, which was 12.1% and 25.0% higher than the figures for 2017 on the same comparison basis.

Management Discussion and Analysis

The following tables set forth, for the year ended December 31, 2017 and 2018, the average balance of our interest-earning assets and interest-bearing liabilities, interest income and expense from these assets and liabilities, and the average yield of these interest-earning assets and the average cost of these interest-bearing liabilities.

	For the year ended December 31,					
	2018			2017		
Average balance	Interest income ⁽⁵⁾	Average yield (%)	Average balance	Interest income	Average yield (%)	
<i>(Amounts in millions of RMB, except percentages)</i>						
Interest-earning Assets						
Loans and advances to customers	252,950.2	14,038.3	5.55	225,435.5	10,880.7	4.83
Investment securities and other financial assets, including	321,890.9	15,262.1	4.74	345,259.5	14,468.4	4.19
– Trust beneficiary rights, wealth management products and asset management plans	179,229.7	9,126.2	5.09	210,599.7	10,452.0	4.96
– Debt securities investment	142,661.2	6,135.9	4.30	134,659.8	4,016.4	2.98
Amounts due from banks and other financial institutions ⁽¹⁾	24,552.7	1,013.7	4.13	32,097.0	1,157.4	3.61
Deposits with banks and other financial institutions	6,481.7	179.9	2.78	14,226.4	556.0	3.91
Balances with central bank	52,357.2	786.8	1.50	54,807.1	832.2	1.52
Total interest-earning assets	658,232.7	31,280.8	4.75	671,825.5	27,894.7	4.15
Allowance for impairment losses	(10,984.2)			(8,169.0)		
Non-interest earning assets ⁽²⁾	14,267.3			11,218.0		
Total assets	661,515.8	31,280.8	4.73	674,874.5	27,894.7	4.13

Management Discussion and Analysis

	For the year ended December 31,					
	2018			2017		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
<i>(Amounts in millions of RMB, except percentages)</i>						
Interest-bearing Liabilities						
Due to customers	335,610.2	10,037.3	2.99	328,994.4	8,744.8	2.66
Deposits from banks and other financial institutions	49,736.4	2,138.0	4.30	94,529.6	4,240.4	4.49
Amounts due to banks and other financial institutions ⁽³⁾	48,671.7	1,639.9	3.37	71,650.1	2,505.1	3.50
Debt securities issued	142,903.8	6,536.2	4.57	86,519.1	3,922.7	4.53
Borrowings from central bank	13,026.8	430.6	3.31	2,515.8	80.5	3.20
Total interest-bearing liabilities	589,948.9	20,782.0	3.52	584,209.0	19,493.5	3.34
Non-interest-bearing liabilities ⁽⁴⁾	24,627.6			45,631.3		
Total liabilities	614,576.5	20,782.0	3.38	629,840.3	19,493.5	3.09
Net interest income⁽⁵⁾		10,498.8			8,401.2	
Net interest spread^{(5) (6)}			1.23			0.81
Net interest margin^{(5) (7)}			1.59			1.25

Notes:

- (1) Consists of financial assets held under resale agreements and placements with banks and other financial institutions.
- (2) Consists of cash, interest receivables, property and equipment, intangible assets, other receivables, repossessed assets and deferred tax assets, derivative financial assets, interests in associates.
- (3) Consists of financial assets sold under repurchase agreements and placements from banks and other financial institutions.
- (4) Consists of interest payables, taxes payable, other payables, provision, salaries and benefits payable and dividends payable, derivative financial liabilities.
- (5) Adjustment has been made to conform with the same calculation basis of the previous year, IAS 39, for investment income, net interest income, net interest spread and net interest margin to maintain the comparability of the important financial indicators between the two periods.
- (6) Calculated as the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities.
- (7) Calculated by dividing net interest income by the daily average balance of total interest-earning assets.

Management Discussion and Analysis

2 Interest Income

The Bank's interest income for the year ended December 31, 2018 decreased by 1.5% to RMB27,487.5 million from RMB27,894.7 million for the year ended December 31, 2017. The decrease was mainly due to the adoption of International Financial Reporting Standard 9 (IFRS 9) from January 1, 2018 onward by our Bank, which reclassified certain financial assets measured at amortized cost under the original standard to financial assets measured at fair value through profit or loss under the new standard and also transferred the interest generated by such assets from interest income item to investment income item.

After the adjustment made to conform with the same calculation basis of the previous year, our interest income (including investment income) increased by 12.1% to RMB31,280.8 million for the year ended December 31, 2018 from RMB27,894.7 million for the year ended December 31, 2017, which was primarily attributable to the average yield of our interest-earning assets increased by 60 basis points from 4.15% for the year ended December 31, 2017 to 4.75% for year ended December 31, 2018.

Interest income from loans and advances to customers

For the year ended December 31, 2018, interest income from loans and advances to customers increased by 29.0% from RMB10,880.7 million for the year ended December 31, 2017 to RMB14,038.3 million for the year ended December 31, 2018, primarily due to the average balance of loans and advances to customers increased by 12.2% from RMB225,435.5 million for the year ended December 31, 2017 to RMB252,950.2 million for the year ended December 31, 2018 and the average yield of our loans and advances to customers increased by 72 basis points from 4.83% for the year ended December 31, 2017 to 5.55% for the year ended December 31, 2018; the increase in average balance of loans and advances to customers primarily reflected the fact that the Bank actively adjusted the asset structure to support real economy and achieved remarkable outcome; the increase of the average yield of our loans and advances to customers was primarily due to the fact that the Bank placed more emphasis on the principle of "putting quality first and giving priority to performance" throughout 2018. Leverage on the remarkable outcome of structural adjustment, average interest rate of corporate loans achieved an increase as compared to the same period of last year.

Interest income from trust beneficiary rights, wealth management products and asset management plans

For the year ended December 31, 2018, interest income from trust beneficiary rights, wealth management products and asset management plans decreased by 12.7% from RMB10,452.0 million for the year ended December 31, 2017 to RMB9,126.2 million for the year ended December 31, 2018, primarily due to the average balance of trust beneficiary rights, wealth management products and asset management plans decreased 14.9% from RMB210,599.7 million for the year ended December 31, 2017 to RMB179,229.7 million for the year ended December 31, 2018. The decrease of the average balance was primarily due to the fact that the Bank actively adjusted the asset structure and reduced the corresponding scale of assets.

Management Discussion and Analysis

Interest income from debt securities investment

Interest income from debt securities investment increased by 52.8% from RMB4,016.4 million for the year ended December 31, 2017 to RMB6,135.9 million for the year ended December 31, 2018, primarily due to a 5.9% increase in the average balance of our debt securities investment from RMB134,659.8 million for the year ended December 31, 2017 to RMB142,661.2 million for the year ended December 31, 2018, the average yield of our debt securities investment increased 132 basis points from 2.98% for the year ended December 31, 2017 to 4.30% for the year ended December 31, 2018. The increase in the average balance of our debt securities investment was primarily due to the fact that the Bank actively increased our debt securities assets and increased the asset liquidity. The main reason for the increase in the average yield of our debt securities investment was that the Bank further enhanced the research on market judgement and strategy, adjusted the types and structure of debt securities investment products in accordance to the market trend and obtain higher revenue.

Interest income from amounts due from banks and other financial institutions

Interest income from amounts due from banks and other financial institutions decreased by 12.4% from RMB1,157.4 million for the year ended December 31, 2017 to RMB1,013.7 million for the year ended December 31, 2018, primarily due to a decrease of 23.5% in the average balance of our amounts due from banks and other financial institutions from RMB32,097.0 million for the year ended December 31, 2017 to RMB24,552.7 million for the year ended December 31, 2018. The decrease in the average balance of our amounts due from banks and other financial institutions was due to the fact that the Bank actively adjusted the asset structure and reduced the scale of bank assets such as amounts due from banks and other financial institutions.

Interest income from deposits with banks and other financial institutions

Interest income from deposits with banks and other financial institutions decreased by 67.6% from RMB556.0 million for the year ended December 31, 2017 to RMB179.9 million for the year ended December 31, 2018, primarily due to a decrease of 54.4% in the average balance of our deposits with banks and other financial institutions from RMB14,226.4 million for the year ended December 31, 2017 to RMB6,481.7 million for the year ended December 31, 2018, and the average yield of our deposits with banks and other financial institutions decreased by 113 basis points from 3.91% for the year ended December 31, 2017 to 2.78% for the year ended December 31, 2018. The decrease in average balance of our deposits with banks and other financial institutions was mainly due to the fact that the Bank actively adjusted the asset structure and reduced the scale of deposits with banks and other financial institutions. The decrease in the average yield of our deposits with banks and other financial institutions was mainly due to the decrease in market interest rate.

Interest income from balances with central bank

Interest income from balances with central bank decreased by 5.5% from RMB832.2 million for the year ended December 31, 2017 to RMB786.8 million for the year ended December 31, 2018, primarily due to a decrease of 4.5% in the average balance of our balances with central bank from RMB54,807.1 million for the year ended December 31, 2017 to RMB52,357.2 million for the year ended December 31, 2018. The average yield of our balances with central bank decreased by 2 basis points from 1.52% for the year ended December 31, 2017 to 1.50% for the year ended December 31, 2018.

Management Discussion and Analysis

3 Interest Expense

Our interest expense increased by 6.6% from RMB19,493.5 million for the year ended December 31, 2017 to RMB20,782.0 million for the year ended December 31, 2018, primarily due to an increase of 1.0% in the average balance of our interest-bearing liabilities from RMB584,209.0 million for the year ended December 31, 2017 to RMB589,948.9 million for the year ended December 31, 2018, the average cost of our interest-bearing liabilities increased by 18 basis points from 3.34% for the year ended December 31, 2017 to 3.52% for the year ended December 31, 2018. The increase in the average cost of our interest-bearing liabilities reflected the increase in average cost of amounts due to customers, debt securities issued and borrowings from central bank. The increase in the average balance of our interest-bearing liabilities was primarily due to the increase in average balance of amounts due to customers, debt securities issued and borrowings from central bank.

Interest expense on amounts due to customers

Our interest expense on amounts due to customers increased by 14.8% from RMB8,744.8 million for the year ended December 31, 2017 to RMB10,037.3 million for the year ended December 31, 2018, primarily due to an increase of 2.0% in the average balance of amounts due to customers from RMB328,994.4 million for the year ended December 31, 2017 to RMB335,610.2 million for the year ended December 31, 2018, the average cost of amounts due to customers increased by 33 basis points from 2.66% for the year ended December 31, 2017 to 2.99% for the year ended December 31, 2018. The average balance and average cost of amounts due to customers remained relatively stable.

Interest expense on deposits from banks and other financial institutions

Our interest expense on deposits from banks and other financial institutions decreased by 49.6% from RMB4,240.4 million for the year ended December 31, 2017 to RMB2,138.0 million for the year ended December 31, 2018, primarily due to a decrease of 47.4% in the average balance of deposits from banks and other financial institutions from RMB94,529.6 million for the year ended December 31, 2017 to RMB49,736.4 million for the year ended December 31, 2018, the average cost of our deposits from banks and other financial institutions decreased by 19 basis points from 4.49% for the year ended December 31, 2017 to 4.30% for the year ended December 31, 2018. The decrease in the average balance of our deposits from banks and other financial institutions primarily reflected the fact that the Bank actively adjusted the liability structure and reduced the scale of deposits from banks and other financial institutions. The decrease in the average cost of our deposits from banks and other financial institutions primarily reflected the decrease in market interest rate.

Management Discussion and Analysis

Interest expense on amounts due to banks and other financial institutions

Our interest expense on amounts due to banks and other financial institutions decreased by 34.5% from RMB2,505.1 million for the year ended December 31, 2017 to RMB1,639.9 million for the year ended December 31, 2018, primarily due to a decrease of 32.1% in the average balance of amounts due to banks and other financial institutions from RMB71,650.1 million for the year ended December 31, 2017 to RMB48,671.7 million for the year ended December 31, 2018, the average cost of amounts due to banks and other financial institutions decreased by 13 basis points from 3.50% for the year ended December 31, 2017 to 3.37% for the year ended December 31, 2018. The decrease in the average balance of our amounts due to banks and other financial institutions was primarily due to the fact that the Bank actively adjusted the liability structure and reduced the scale of such liabilities. The decrease in the average cost of our amounts due to banks and other financial institutions was primarily due to the decrease in market interest rate.

Interest expense on debt securities issued

Our interest expense on debt securities issued increased by 66.6% from RMB3,922.7 million for the year ended December 31, 2017 to RMB6,536.2 million for the year ended December 31, 2018, primarily due to an increase of 65.2% in the average balance of our debt securities issued from RMB86,519.1 million for year ended December 31, 2017 to RMB142,903.8 million for the year ended December 31, 2018, the average cost of our debt securities issue increased by 4 basis points from 4.53% for year ended December 31, 2017 to 4.57% for the year ended December 31, 2018. The increase in the average balance of our debt securities issued was primarily due to the fact that the Bank increased interbank negotiable certificates, financial liabilities and the scale of tier-two capital bonds. The increase in the average cost of our debt securities issued was primarily due to the fact that the Bank actively adjusted the liability structure, attracted medium- and long-term liabilities and increased its liquidity.

Interest expense on borrowings from central bank

Our interest expense on borrowings from central bank increased by 434.9% from RMB80.5 million for the year ended December 31, 2017 to RMB430.6 million for the year ended December 31, 2018, primarily due to an increase of 417.8% in the average balance of our borrowings from central bank from RMB2,515.8 million for the year ended December 31, 2017 to RMB13,026.8 million for the year ended December 31, 2018, the average cost of our borrowings from central bank increased by 11 basis points from 3.20% for the year ended December 31, 2017 to 3.31% for the year ended December 31, 2018. The increase in the average balance of our borrowings from central bank was primarily due to the fact that leveraged on our first-tier trader qualification in open market, the Bank actively commenced the business operation of medium-term lending facilities (MLF) and increased the scale of loans to central bank. The increase in the average cost of our borrowings from central bank was primarily due to the fact that central bank increased the interest rate of MLF.

Management Discussion and Analysis

4 Investment Income

Investment income represent gains from financial asset investment measured at fair value through profit or loss, including debt securities investment, trust beneficiary rights, wealth management products and asset management plans measured at fair value through profit or loss. The Bank recorded investment income of RMB3,793.3 million for the year ended December 31, 2018, mainly due to the Bank's adoption of IFRS 9 since January 1, 2018. Certain financial assets measured at amortized cost under the original standard was reclassified to financial assets measured at fair value through profit or loss under the new standard, interest income arising from the corresponding assets was also reclassified from interest income to investment income for accounting purpose.

5 Net Fee and Commission Income

The following table sets forth the principal components of our net fee and commission income for the year ended December 31, 2017 and 2018.

	For the year ended December 31,			Rate of change (%)
	2018	2017	Change in amount	
<i>(Amounts in millions of RMB, except percentages)</i>				
Fee and commission income				
Wealth management service fees	1,010.5	1,229.2	(218.7)	(17.8)
Consultancy fees	139.2	259.0	(119.8)	(46.3)
Agency commissions and fiduciary services fees	380.8	237.4	143.4	60.4
Acceptance and guarantee commitment fees	90.1	194.4	(104.3)	(53.7)
Settlement and clearing fees	217.0	157.4	59.6	37.9
Bank card fees	40.4	35.2	5.2	14.8
Others	3.8	0.2	3.6	1,800
Subtotal	1,881.8	2,112.8	(231.0)	(10.9)
Fee and commission expense	(344.2)	(79.3)	(264.9)	334.0
Net fee and commission income	1,537.6	2,033.5	(495.9)	(24.4)

Our net fee and commission income decreased by 24.4% from RMB2,033.5 million for the year ended December 31, 2017 to RMB1,537.6 million for the year ended December 31, 2018. The decrease in our net fee and commission income was primarily due to the fact that the Bank decreased the scale of issuance of wealth management products in accordance with new regulations on asset management, leading to a decrease in wealth management business income and increase in fee and commission expenses as a result of third party handling fee increment. For the year ended December 31, 2018, wealth management service fees amounted to RMB1,010.5 million, compared to RMB1,229.2 million for the year ended December 31, 2017.

Management Discussion and Analysis

6 Net Trading Losses

Net trading losses arise from the realised and unrealized profit and loss of financial assets measured at fair value through profit or loss and the net disposal gain of debt instruments measured at fair value through other comprehensive income. Our net trading losses amounted to RMB145.2 million for the year ended December 31, 2018, while the Bank had a net trading losses of RMB157.0 million for the year ended December 31, 2017.

7 Operating Expenses

The following table sets forth, for the year ended December 31, 2017 and 2018, the principal components of our operating expenses.

	For the year ended December 31,			Rate of change (%)
	2018	2017	Change in amount	
<i>(Amounts in millions of RMB, except percentages)</i>				
Operating expenses				
Staff costs	1,955.7	1,843.2	112.5	6.1
Other general and administrative expenses	415.2	353.9	61.3	17.3
Rental and property management expenses	389.2	339.9	49.3	14.5
Depreciation and amortization	239.8	224.5	15.3	6.8
Office expenses	299.2	222.4	76.8	34.5
Sundry taxes	148.0	118.7	29.3	24.7
Total operating expenses	3,447.1	3,102.6	344.5	11.1
Cost-to-income ratio⁽¹⁾	27.2%	29.4%	–	(2.2)

Notes:

(1) Calculated by dividing total operating expenses, excluding sundry taxes, by total operating income.

Our operating expenses increased by 11.1% from RMB3,102.6 million for the year ended December 31, 2017 to RMB3,447.1 million for the year ended December 31, 2018. The increase was primarily due to the increase in our staff costs.

Our cost-to-income ratio (excluding sundry taxes) was 29.4% and 27.2% for the year ended December 31, 2017 and 2018, respectively.

Management Discussion and Analysis

Staff costs

Staff costs are the largest component of our operating expenses, which amounted to RMB1,955.7 million for the year ended December 31, 2018, representing an increase of 6.1% from RMB1,843.2 million for the year ended December 31, 2017.

	For the year ended December 31,			Rate of change (%)
	2018	2017	Change in amount	
	<i>(Amounts in millions of RMB, except percentages)</i>			
Salaries, bonuses and allowances	1,322.6	1,201.2	121.4	10.1
Social insurance	299.1	275.5	23.6	8.6
Contribution to annuity funds	90.3	121.7	(31.4)	(25.8)
Housing funds	116.5	105.8	10.7	10.1
Staff welfare	89.6	102.7	(13.1)	(12.8)
Labor union fees and staff education expenses	37.6	36.3	1.3	3.6
Total	1,955.7	1,843.2	112.5	6.1

Other general and administrative expenses

Our other general and administrative expenses amounted to RMB415.2 million for the year ended December 31, 2018, representing an increase of 17.3% from RMB353.9 million for the year ended December 31, 2017.

Office expenses and rental and property management expenses

The office expenses and rental and property management expenses amounted to RMB688.4 million for the year ended December 31, 2018, representing an increase of 22.4% from RMB562.3 million for the year ended December 31, 2017.

Depreciation and amortization

Depreciation and amortization amounted to RMB239.8 million for the year ended December 31, 2018, representing an increase of 6.8% from RMB224.5 million for the year ended December 31, 2017.

Sundry taxes

The sundry taxes amounted to RMB148.0 million for the year ended December 31, 2018, representing an increase of 24.7% from RMB118.7 million for the year ended December 31, 2017. The increase in sundry taxes was primarily due to the increase in value-added tax payable for the year as compared to last year, leading to an increase in sundry taxes.

Management Discussion and Analysis

8 Impairment Losses

The following table sets forth the principal components of our impairment losses for the periods indicated.

	For the year ended December 31,			Rate of change (%)
	2018	2017	Change in amount	
	<i>(Amounts in millions of RMB, except percentages)</i>			
Loans and advances to customers	3,857.7	1,338.6	2,519.1	188.2
Off-balance sheet credit commitments	(370.6)	(207.3)	(163.3)	78.8
Financial assets held under resale agreements	76.6	(39.3)	115.9	(294.9)
Debt instruments measured at amortized cost	(62.9)	N/A	–	–
Debt instruments measured at fair value through other comprehensive income	(11.4)	N/A	–	–
Placements with banks and other financial institutions	(5.9)	–	(5.9)	–
Deposits with banks and other financial institutions	(1.6)	–	(1.6)	–
Investments classified as receivables	N/A	1,035.6	–	–
Others	–	4.3	(4.3)	(100.0)
Total	3,481.9	2,131.9	1,350.0	63.3

Our impairment losses for the year ended December 31, 2018 were RMB3,481.9 million, representing an increase of 63.3% from RMB2,131.9 million for the year ended December 31, 2017, which was primarily due to the provision of asset impairment and disclosure of relevant information in accordance with the requirements under IFRS 9 since 2018. IFRS 9 requires us to use the expected-loss impairment model to replace the incurred-loss impairment model in impairment provision. While adopting IFRS 9, the Bank has a wider range of provision for asset impairment. The more sufficient impairment provision reflected that our impairment loss provision is more scientific and prudent.

Management Discussion and Analysis

9 Income Tax Expenses

The following table sets forth the principal components of our income tax expenses for the periods indicated.

	For the year ended December 31,			
	2018	2017	Change in amount	Rate of change (%)
	<i>(Amounts in millions of RMB, except percentages)</i>			
Profit before tax	5,217.5	4,882.9	334.6	6.9
Tax calculated at applicable statutory tax rate of 25%	1,304.4	1,220.7	83.7	6.9
Underprovision of tax in prior years	4.9	4.0	0.9	22.5
Tax effect of expense not deductible for tax purpose	15.1	25.2	(10.1)	(40.1)
Tax effect of income not taxable for tax purpose ⁽¹⁾	(337.0)	(310.0)	(27.0)	8.7
Income tax expense	987.4	939.9	47.5	5.1

Note:

- (1) The income not taxable for tax purpose mainly represents interest income arising from government bonds, which is income tax free in accordance with the PRC tax regulations.

Our income tax for the year ended December 31, 2018 were RMB987.4 million, representing an increase of 5.1% from RMB939.9 million for the year ended December 31, 2017. The increase was primarily due to an increase in our profit before tax.

Management Discussion and Analysis

IV ANALYSIS OF THE STATEMENT OF FINANCIAL POSITION

1 Assets

The following table sets forth, as at the dates indicated, the components of our total assets.

	As of December 31, 2018		As of December 31, 2017	
	Amount	% of the total	Amount	% of the total
<i>(Amounts in millions of RMB, except percentages)</i>				
ASSETS				
Gross loans and advances to customers	288,789.0	43.8	248,880.7	35.4
Allowance for impairment losses	(11,845.7)	(1.8)	(7,243.5)	(1.0)
Loans and advances to customers, net	276,943.3	42.0	241,637.2	34.4
Investment securities and other financial assets, net	294,971.2	44.7	363,452.6	51.8
Financial assets held under resale agreements	2,556.0	0.4	9,356.8	1.3
Cash and balances with central bank	62,313.4	9.5	57,372.5	8.2
Deposits with banks and other financial institutions	4,063.5	0.6	8,003.9	1.1
Placements with banks and other financial institutions	11,187.0	1.7	12,295.0	1.8
Derivative financial assets	70.3	0.0	–	–
Other assets ⁽¹⁾	7,235.2	1.1	9,795.6	1.4
TOTAL ASSETS	659,339.9	100.0	701,913.6	100.0

Note:

- (1) Consists primarily of interest receivable, property and equipment, deferred tax assets, interests in associates, intangible assets and other receivables.

As of December 31, 2018, our total assets amounted to RMB659,339.9 million, representing a decrease of 6.1% from RMB701,913.6 million for the year ended December 31, 2017. The decrease was primarily due to the fact that the Bank actively adjusted the asset structure and reduced investment securities and other financial assets.

Management Discussion and Analysis

Loans and advances to customers

The following table sets forth, as of the dates indicated, a breakdown of our loans by business line.

	As of December 31, 2018		As of December 31, 2017	
	Amount	% of the total	Amount	% of the total
<i>(Amounts in millions of RMB except percentages)</i>				
Corporate loans	171,739.2	59.5	202,547.2	81.4
Personal loans	106,010.4	36.7	34,379.2	13.8
Finance lease receivables	8,774.3	3.0	8,711.8	3.5
Discounted bills	2,265.1	0.8	3,242.5	1.3
Total	288,789.0	100.0	248,880.7	100.0

Corporate loans

Our corporate loans amounted to RMB171,739.2 million as of December 31, 2018, representing a decrease of 15.2% compared to RMB202,547.2 million as of December 31, 2017.

The following table sets forth a breakdown of our corporate loans by contract maturity as of the dates indicated.

	As of December 31, 2018		As of December 31, 2017	
	Amount	% of the total	Amount	% of the total
<i>(Amounts in millions of RMB, except percentages)</i>				
Short-term loans (one year or less)	57,224.7	33.3	102,432.5	50.6
Medium and long-term loans (over one year)	114,514.5	66.7	100,114.7	49.4
Total corporate loans	171,739.2	100.0	202,547.2	100.0

Short-term loans as a percentage of our corporate loan portfolio decreased from 50.6% as of December 31, 2017 to 33.3% as of December 31, 2018 and our medium- and long-term loans as a percentage of our corporate loan portfolio increased from 49.4% as of December 31, 2017 to 66.7% as of December 31, 2018. The changes in the above percentages of our corporate loan portfolio were primarily due to the fact that the Bank proactively adjusted and perfected the credit business structure.

Management Discussion and Analysis

The following table sets forth, as of the dates indicated, the distribution of our corporate loans by product type.

	As of December 31, 2018		As of December 31, 2017	
	Amount	% of the total	Amount	% of the total
<i>(Amounts in millions of RMB, except percentages)</i>				
Working capital loans	102,802.7	59.9	141,073.3	69.6
Fixed assets loans	57,428.8	33.4	50,175.1	24.8
Trade finance	4,880.5	2.8	5,300.4	2.6
Others ⁽¹⁾	6,627.2	3.9	5,998.4	3.0
Total corporate loans	171,739.2	100.0	202,547.2	100.0

Note:

(1) Consists primarily of advances under bank acceptance and letters of credit issued by the Bank and corporate overdraft.

Our working capital loans amounted to RMB102,802.7 million as of December 31, 2018, representing a decrease of 27.1% compared to RMB141,073.3 million as of December 31, 2017. The decrease in our working capital loans was primarily due to the fact that the Bank further adjusted and perfected the credit business structure.

Our fixed assets loans amounted to RMB57,428.8 million as of December 31, 2018, representing an increase of 14.5% compared to RMB50,175.1 million as of December 31, 2017. The increase in our fixed assets loans was primarily due to the fact that the Bank strived to create "the mainstream bank in Beijing-Tianjin-Hebei region", focused on the Beijing-Tianjin-Hebei region and supported development of the real economy. In 2018, the Bank increased the financial support in the operation of fixed assets in the region.

Our trade finance amounted to RMB5,300.4 million and RMB4,880.5 million as of December 31, 2017 and December 31, 2018. Our other corporate loans amounted to RMB5,998.4 million and RMB6,627.2 million as of December 31, 2017 and December 31, 2018.

Management Discussion and Analysis

Personal loans

Our personal loans amounted to RMB106,010.4 million as of December 31, 2018, representing an increase of 208.4% as compared to RMB34,379.2 million as of December 31, 2017. This increase was mainly attributable to an increase in personal consumption loans.

The following table sets forth a breakdown of our personal loans by product type as of the dates indicated.

	As of December 31, 2018		As of December 31, 2017	
	Amount	% of the total	Amount	% of the total
	<i>(Amounts in millions of RMB, except percentages)</i>			
Personal consumption loans	77,896.2	73.6	8,793.0	25.6
Residential mortgage loans	22,928.9	21.6	21,286.2	61.9
Personal business loans	4,496.6	4.2	3,815.8	11.1
Credit card overdrafts	688.7	0.6	484.2	1.4
Total personal loans	106,010.4	100.0	34,379.2	100.0

Our personal consumption loans amounted to RMB77,896.2 million as of December 31, 2018, representing an increase of 785.9% compared to RMB8,793.0 million as of December 31, 2017. The increase in our personal consumption loans was primarily due to the fact that the Bank actively adjusted the asset structure.

Our residential mortgage loans amounted to RMB22,928.9 million as of December 31, 2018, representing an increase of 7.7% compared to RMB21,286.2 million as of December 31, 2017. The increase in our residential mortgage loans was primarily due to our strict implementation of differentiated credit policy, providing key support for the inelastic and improvement demand for housing loans. Our optimization of the loaning process and constant enhancement of customer experiences are widely recognized by our customers.

Our personal business loans amounted to RMB4,496.6 million as of December 31, 2018, representing an increase of 17.8% compared to RMB3,815.8 million as of December 31, 2017. The increase in our personal business loans was primarily due to our support to SMEs, our additional effort to develop personal business loans services in response to the Government's calling. We further satisfied the demand for rapid and small amount loans of individual business and entrepreneurs.

Our credit card overdrafts amounted to RMB484.2 million and RMB688.7 million as of December 31, 2017 and December 31, 2018.

Management Discussion and Analysis

Finance lease receivables

Our finance lease receivables increased by 0.7% to RMB8,774.3 million as of December 31, 2018 from RMB8,711.8 million as of December 31, 2017, primarily due to a small expansion in loan scale.

Discounted bills

Discounted bills represented an important component of our portfolio of loans and advances to customers. Our discounted bills decreased by 30.1% to RMB2,265.1 million as of December 31, 2018 from RMB3,242.5 million as of December 31, 2017, primarily as a result of market reasons.

Investment securities and other financial assets

As of December 31, 2018, the balance of our investment securities and other financial assets amounted to RMB294,971.2 million, representing a decrease of 18.8% compared to RMB363,452.6 million as of December 31, 2017. This decrease was mainly due to our active adjustment of asset structure, reduction in investment in wealth management products issued by other financial institutions and business scale of interbank investment such as trust beneficiary rights while increasing issuance of assets like corporate bonds to give support to development of real economy.

Management Discussion and Analysis

The following table sets forth, as of December 31, 2017 and December 31, 2018, the components of our investment securities and other financial assets.

	As of December 31, 2018		As of December 31, 2017	
	Amount	% of the total	Amount	% of the total
<i>(Amounts in millions of RMB, except percentages)</i>				
Debt securities				
Held-to-maturity investments	N/A	N/A	49,123.3	13.5
Debt securities classified as receivables	N/A	N/A	39,860.5	11.0
Available-for-sale debt securities	N/A	N/A	33,108.7	9.1
Debt securities held for trading	N/A	N/A	5,720.1	1.6
Debt securities measured at amortized cost	93,271.7	31.6	N/A	N/A
Debt securities measured at fair value through other comprehensive income	49,457.6	16.8	N/A	N/A
Debt securities measured at fair value through current profit or loss	1,854.1	0.6	N/A	N/A
Allowance for impairment losses	(153.7)	(0.1)	(115.0)	0.0
Subtotal	144,429.7	48.9	127,697.6	35.2
Funds	5,900.9	2.0	3,103.6	0.9
Wealth management products issued by other financial institutions				
	1,039.3	0.4	67,924.6	18.7
Trust beneficiary rights, assets management plans, net				
Trust beneficiary rights	59,309.4	20.1	84,937.5	23.4
Asset management plans	85,869.9	29.2	81,347.8	22.2
Allowance for impairment losses	(1,636.6)	(0.6)	(1,617.1)	(0.4)
Subtotal	143,542.7	48.7	164,668.2	45.2
Equity investments				
Available-for-sale equity investments	N/A	N/A	58.6	0.0
Equity investment measured at fair value through current profit or loss	58.6	0.0	N/A	N/A
Subtotal	58.6	0.0	58.6	0.0
Total investment securities and other financial assets, net				
	294,971.2	100.0	363,452.6	100.0

Management Discussion and Analysis

Debt securities

The following table sets forth, as of December 31, 2017 and December 31, 2018, the components of our debt securities.

	As of December 31, 2018		As of December 31, 2017	
	Amount	% of the total	Amount	% of the total
<i>(Amounts in millions of RMB, except percentages)</i>				
PRC government bonds	46,281.7	32.0	39,417.5	30.9
Debt securities issued by PRC policy banks	41,891.6	29.0	39,149.4	30.6
Debt securities issued by PRC corporate issuers	29,257.5	20.2	22,065.5	17.3
Debt securities issued by PRC banks and other financial institutions	1,548.5	1.1	7,329.5	5.7
Asset-backed securities	25,604.1	17.7	19,850.7	15.5
Total	144,583.4	100.0	127,812.6	100.0

Our holding of debt securities issued by PRC governments increased by 17.4% from RMB39,417.5 million as of December 31, 2017 to RMB46,281.7 million as of December 31, 2018, primarily due to the fact that the Bank increased the allocation of assets with higher liquidity and lower risks.

Our holding of debt securities issued by PRC policy banks increased by 7.0% from RMB39,149.4 million as of December 31, 2017 to RMB41,891.6 million as of December 31, 2018, primarily due to the fact that the Bank increased the allocation of assets with higher liquidity and lower risks.

Our holding of debt securities issued by PRC corporate issuers increased by 32.6% from RMB22,065.5 million as of December 31, 2017 to RMB29,257.5 million as of December 31, 2018, primarily due to the fact that the Bank actively adjusted the liability structure, increased allocation to assets such as corporate securities.

Our holding of debt securities issued by PRC banks and other financial institutions decreased by 78.9% from RMB7,329.5 million as of December 31, 2017 to RMB1,548.5 million as of December 31, 2018, which reflected the fact that the Bank preferred assets with higher liquidity.

Our holding of asset-backed securities increased by 29.0% from RMB19,850.7 million as of December 31, 2017 to RMB25,604.1 million as of December 31, 2018, primarily due to the fact that the Bank actively adjusted the asset structure increased allocation to assets such as asset-backed securities.

Management Discussion and Analysis

Distribution of investment securities and other financial assets by investment intention

The following table sets forth, as of December 31, 2017 and December 31, 2018, the distribution of our investment securities and other financial assets by our investment intention.

	As of December 31, 2018		As of December 31, 2017	
	Amount	% of the total	Amount	% of the total
	<i>(Amounts in millions of RMB, except percentages)</i>			
Investment classified as receivables	N/A	N/A	272,338.3	74.9
Held-to-maturity investments	N/A	N/A	49,123.3	13.5
Available-for-sale financial assets	N/A	N/A	36,270.9	10.0
Financial assets held for trading	N/A	N/A	5,720.1	1.6
Debt securities measured at amortized cost	184,769.0	62.6	N/A	N/A
Debt securities measured at fair value through other comprehensive income	49,457.6	16.8	N/A	N/A
Financial assets measured at fair value through current profit or loss	60,744.6	20.6	N/A	N/A
Total	294,971.2	100.0	363,452.6	100.0

Management Discussion and Analysis

Financial assets held under resale agreements

The table below sets forth, as of December 31, 2017 and December 31, 2018, the distribution of our financial assets held under resale agreements by collateral type.

	As of December 31, 2018		As of December 31, 2017	
	Amount	% of the total	Amount	% of the total
<i>(Amounts in millions of RMB, except percentages)</i>				
Analyzed by collateral type:				
Bonds	1,877.1	65.4	8,600.2	89.6
Bills	993.5	34.6	993.5	10.4
Gross amount	2,870.6	100.0	9,593.7	100.0
Allowance for impairment losses	(314.6)		(236.9)	
Net amount	2,556.0		9,356.8	

Note:

(1) The underlying investments were debt instruments with fixed or determinable return and fixed term of maturity.

Our financial assets held under resale agreements amounted to RMB2,556.0 million as of December 31, 2018, representing a decrease of 72.7% compared to RMB9,356.8 million as of December 31, 2017, primarily due to the fact that the Bank actively adjusted the asset structure and reduced the scale of bank assets such as financial assets held under resale agreements.

Other components of our assets

Other components of our assets primarily consist of (i) cash and deposits with central bank, (ii) deposits with banks and other financial institutions, (iii) placements with banks and other financial institutions, and (iv) others.

Our cash and deposits with central bank amounted to RMB62,313.4 million as of December 31, 2018, representing an increase of 8.6% compared to RMB57,372.5 million as of December 31, 2017.

Deposits with banks and other financial institutions amounted to RMB4,063.5 million as of December 31, 2018, representing a decrease of 49.2% compared to RMB8,003.9 million as of December 31, 2017. This decrease was primarily due to the fact that the Bank actively adjusted the asset structure and reduced deposits with banks and other financial institutions.

Management Discussion and Analysis

Our placements with banks and other financial institutions amounted to RMB11,187.0 million as of December 31, 2018, representing a decrease of 9.0% compared to RMB12,295.0 million as of December 31, 2017. The decrease was primarily due to the fact that the Bank actively adjusted the asset structure and reduced the scale of placements with banks.

Our other assets consist primarily of interest receivables, property and equipment, deferred tax assets, repossessed assets, interests in associates, intangible assets and other receivables. Our other assets decreased by 26.1% from RMB9,795.6 million as of December 31, 2017 to RMB7,235.2 million as of December 31, 2018, primarily due to the decrease of interest receivable.

2 Liabilities

The following table sets forth, as of the dates indicated, the components of our total liabilities.

	As of December 31, 2018		As of December 31, 2017	
	Amount	% of the total	Amount	% of the total
<i>(Amounts in millions of RMB, except percentages)</i>				
Due to customers	342,877.2	56.1	357,857.6	54.5
Debt securities issued	159,823.7	26.1	118,688.3	18.1
Deposits from banks and other financial institutions	33,728.2	5.5	77,036.4	11.7
Financial assets sold under repurchase agreements	28,362.5	4.6	50,696.4	7.7
Placements from banks	21,555.7	3.5	22,719.4	3.4
Borrowings from central bank	17,001.4	2.8	7,505.0	1.1
Income tax payable	970.3	0.2	635.1	0.1
Derivative financial liabilities	27.8	0.0	–	–
Other liabilities ⁽¹⁾	7,272.4	1.2	22,019.5	3.4
TOTAL LIABILITIES	611,619.2	100.0	657,157.7	100.0

Note:

- (1) Consists primarily of interest payables, other payables, settlement payable, salaries and benefits payables, dividend payable, provision, and certain other liabilities.

As of December 31, 2018, our total liabilities were RMB611,619.2 million, representing a decrease of 6.9% compared to RMB657,157.7 million as of December 31, 2017.

Management Discussion and Analysis

Due to customers

As of December 31, 2018, our due to customers amounted to RMB342,877.2 million, representing a decrease of 4.2% compared to RMB357,857.6 million as of December 31, 2017. The decrease in our due to customers was primarily due to the fact that the Bank actively adjusted the liability structure and reduced deposits with high costs.

The following table sets forth, as of December 31, 2017 and December 31, 2018, our due to customers by product type and maturity profile of deposits.

	As of December 31, 2018		As of December 31, 2017	
	Amount	% of the total	Amount	% of the total
<i>(Amounts in millions of RMB, except percentages)</i>				
Corporate deposits				
Demand	177,579.0	51.8	182,502.6	51.0
Time ⁽¹⁾	79,203.6	23.1	92,825.5	25.9
Subtotal	256,782.6	74.9	275,328.1	76.9
Personal deposits				
Demand	17,718.1	5.2	17,163.4	4.8
Time ⁽¹⁾	51,514.2	15.0	45,717.8	12.8
Subtotal	69,232.3	20.2	62,881.2	17.6
Others ⁽²⁾	16,862.3	4.9	19,648.3	5.5
Total due to customers	342,877.2	100.0	357,857.6	100.0

Notes:

- (1) Includes principal-guaranteed wealth management products, which we classify as due to customers pursuant to PBoC rules.
- (2) Consists primarily of pledged deposits, funds deposited with us for remittance and temporary deposits.

Management Discussion and Analysis

Our corporate deposits decreased by 6.7% from RMB275,328.1 million as of December 31, 2017 to RMB256,782.6 million as of December 31, 2018. The decrease in our corporate deposits was primarily due to the fact that the Bank actively adjusted the liability structure and reduced deposits with high costs.

Our personal deposits increased by 10.1% from RMB62,881.2 million as of December 31, 2017 to RMB69,232.3 million as of December 31, 2018. The increase in our personal deposits was primarily due to our upholding of the business strategy of attracting new capital inflows from the sale of wealth products and continuous growth of personal integrated financial assets. At the same time, through reasonable adjustment of the dynamic balances between the issuance and payment of wealth management products and between our existing wealth products and personal deposits, our Bank's debt business was stabilized.

Deposits from banks and other financial institutions

As of December 31, 2018, our deposits from banks and other financial institutions amounted to RMB33,728.2 million, representing a decrease of 56.2% from RMB77,036.4 million as of December 31, 2017. The decrease in our deposits from banks and other financial institutions primarily reflected the fact that the Bank actively adjusted the liability structure and reduced the scale of deposits from banks.

Financial assets sold under repurchase agreements

As of December 31, 2018, our financial assets sold under repurchase agreements amounted to RMB28,362.5 million, representing a decrease of 44.1% from RMB50,696.4 million as of December 31, 2017. The decrease in our financial assets sold under repurchase agreements was primarily due to the fact that the Bank actively adjusted the liability structure and reduced acquisition of liabilities by financial assets sold under repurchase agreements.

Management Discussion and Analysis

3 Equity

The table below sets forth the components of the equity of the Bank as of the dates indicated.

	As of December 31, 2018		As of December 31, 2017	
	Amount	% of the total	Amount	% of the total
<i>(Amounts in millions of RMB, except percentages)</i>				
EQUITY				
Share capital	6,070.6	12.7	6,070.6	13.5
Capital reserve	10,731.1	22.5	10,731.1	24.0
Investment revaluation reserve	148.5	0.3	(575.7)	(1.3)
Surplus reserve	3,352.5	7.0	3,352.3	7.5
General reserve	9,133.1	19.2	8,363.5	18.7
Retained earnings	17,563.7	36.8	16,141.7	36.1
Equity attributable to equity holders of the Bank	46,999.5	98.5	44,083.5	98.5
Non-controlling interests	721.2	1.5	672.4	1.5
TOTAL EQUITY	47,720.7	100.0	44,755.9	100.0

As of December 31, 2018, our shareholders' equity amounted to RMB47,720.7 million, representing an increase of 6.6% compared to RMB44,755.9 million as of December 31, 2017. Equity attributable to equity holders of the Bank was RMB46,999.5 million as of December 31, 2018, representing an increase of 6.6% compared to RMB44,083.5 million as of December 31, 2017. The increase in the shareholders' equity in the year ended December 31, 2018 was caused mainly by an increase of our net profit in 2018.

Management Discussion and Analysis

V ANALYSIS OF OFF-BALANCE SHEET ITEMS

The following table sets forth, as of December 31, 2017 and December 31, 2018, the contractual amounts of our off-balance sheet commitments.

	As of December 31, 2018	As of December 31, 2017
	<i>(Amounts in millions of RMB)</i>	
Acceptances	27,623.5	29,021.4
Letters of credit	11,415.7	8,557.0
Letters of guarantee	2,607.7	6,272.4
Undrawn corporate loans limit	36,682.9	19,779.4
Undrawn credit card limit	2,172.2	1,800.0
Corporate loans credit commitments	–	80.0
Subtotal	80,502.0	65,510.2
Operating lease commitments	1,249.0	1,372.6
Capital commitments	287.6	156.3
Total	82,038.6	67,039.1

Management Discussion and Analysis

VI ANALYSIS

Distribution of loans by five-category loan classification

The following table sets forth, as of December 31, 2017 and December 31, 2018, the distribution of our loan portfolio by the five-category loan classification.

	As of December 31, 2018		As of December 31, 2017	
	Amount	% of the total ⁽¹⁾	Amount	% of the total
<i>(Amounts in millions of RMB, except percentages)</i>				
Normal	270,754.5	93.75	234,495.9	94.22
Special mention	13,303.5	4.61	10,647.4	4.28
Subtotal	284,058.0	98.36	245,143.3	98.50
Substandard	2,507.9	0.87	2,726.7	1.10
Doubtful	1,437.5	0.50	632.6	0.25
Loss	785.6	0.27	378.1	0.15
Subtotal	4,731.0	1.64	3,737.4	1.50
Total loans and advances to customers	288,789.0	100.00	248,880.7	100.00

As of December 31, 2018, according to the five-category classification, the normal loans amounted to RMB270,754.5 million, representing an increase of RMB36,258.6 million as compared to that as of December 31, 2017. The normal loans accounted for 93.75% of all the loans of the Bank as of December 31, 2018. Loans classified as special mention were RMB13,303.5 million, representing an increase of RMB2,656.1 million as compared to that as of December 31, 2017. The loans classified as special mention accounted for 4.61% of all loans. The non-performing loans were RMB4,731.0 million, representing an increase of RMB993.6 million as compared to that as of December 31, 2017 with a non-performing loan ratio⁽¹⁾ of 1.64%, representing an increase of 0.14 percentage point as compared to that as of December 31, 2017, primarily due to the fact that the Bank included loans past due over 90 days in non-performing assets.

Note:

(1) Calculated by the amount of five categories loans (interests included).

Management Discussion and Analysis

Distribution of corporate loans by industry

The following table sets forth the distribution of our corporate loans by industry as of the dates indicated.

	As of December 31, 2018		As of December 31, 2017	
	Amount	% of the total	Amount	% of the total
<i>(Amounts in millions of RMB, except percentages)</i>				
Real estate	35,834.1	19.9	24,471.9	11.6
Manufacturing	35,687.3	19.8	51,970.7	24.5
Wholesale and retail	30,253.6	16.8	39,572.8	18.7
Leasing and business services	24,462.8	13.6	20,649.3	9.8
Construction	19,975.5	11.1	24,366.2	11.5
Water, environment and public facilities management	15,657.8	8.7	23,424.3	11.1
Transportation, storage and postal services	4,591.5	2.5	6,607.5	3.1
Finance	3,696.4	2.0	3,069.5	1.5
Electricity, heat, gas and water production and supply	3,249.8	1.8	3,941.1	1.9
Resident services, repair and other services	2,167.9	1.2	3,775.2	1.8
Accommodation and catering	974.3	0.5	1,231.6	0.6
Cultural, sports and entertainment	914.3	0.5	530.9	0.3
Information transmission, software and information technology services	763.1	0.4	2,542.8	1.2
Agriculture, forestry, animal husbandry and fishery	728.1	0.4	790.8	0.4
Mining	611.8	0.3	1,491.6	0.7
Scientific research and technical services	437.5	0.2	1,413.0	0.7
Health and social services	238.4	0.1	257.8	0.1
Public administration, social security and social organization	214.0	0.1	1,064.0	0.5
Education	55.3	0.0	88.0	0.0
Total corporate loans⁽¹⁾	180,513.5	100.0	211,259.0	100.0

Note:

(1) Consist of finance lease receivables.

Management Discussion and Analysis

In 2018, the Bank actively supported the development of the real economy with its lending structure further optimized. As of December 31, 2018, loans provided to customers in the industries of (i) real estate, (ii) manufacturing, (iii) wholesale and retail, (iv) leasing and business services, and (v) construction represented the top five largest components of the Bank's corporate loans. As of December 31, 2018 and December 31, 2017, the balance of loans provided to the corporate customers in these five industries were RMB146,213.3 million and RMB161,030.9 million, respectively, accounting for 81.0% and 76.1% of the total corporate loans and advances issued by the Bank, respectively.

Distribution of Non-Performing Corporate Loans by Industry

The following table sets forth, as of the dates indicated, the distribution of our non-performing loans to corporate customers by industry.

	As of December 31, 2018			As of December 31, 2017		
	Amount	% of total	NPL ratio ⁽¹⁾ (%)	Amount	% of total	NPL ratio ⁽¹⁾ (%)
<i>(Amounts in millions of RMB, except percentages)</i>						
Manufacturing	1,929.6	47.6	5.41	1,332.7	42.8	2.56
Wholesale and retail	1,435.3	35.5	4.74	1,430.2	45.9	3.61
Mining	305.4	7.5	49.92	100.5	3.2	6.74
Construction	130.8	3.2	0.65	85.6	2.7	0.35
Accommodation and catering	62.5	1.5	6.41	–	–	–
Real estate	61.2	1.5	0.17	46.8	1.5	0.19
Transportation, storage and postal services	58.1	1.4	1.27	61.9	2.0	0.94
Information transmission, software and information technology services	34.0	0.8	4.46	34.0	1.1	1.34
Agriculture, forestry, animal husbandry and fishery	25.7	0.6	3.53	7.9	0.3	1.00
Scientific research and technical services	14.7	0.4	3.36	14.8	0.5	1.05
Total non-performing corporate loans	4,057.3	100.0	2.25	3,114.4	100.0	1.47

Note:

(1) Calculated by dividing non-performing loans of each industry by the gross loans (interests included) of that industry.

Management Discussion and Analysis

Our non-performing corporate loans consist primarily of non-performing loans to corporate borrowers in the manufacturing industry and wholesale and retail industry. The non-performing loan ratio for our corporate loans in the manufacturing industry were 2.56% and 5.41% as of December 31, 2017 and December 31, 2018, respectively. As of December 31, 2017 and December 31, 2018, non-performing corporate loans to borrowers in this industry accounted for 42.8% and 47.6% of our total nonperforming corporate loans, respectively. The increase in the non-performing loan ratio for our corporate loans to borrowers in the manufacturing industry was primarily due to the decrease in the balance of corporate loans in the wholesale and retail industry.

The non-performing loan ratio for our corporate loans in the wholesale and retail industry were 3.61% and 4.74% as of December 31, 2017 and December 31, 2018, respectively. As of December 31, 2017 and December 31, 2018, non-performing corporate loans to borrowers in this industry accounted for 45.9% and 35.5% of our total non-performing corporate loans, respectively. The increase in the non-performing ratio for our corporate loans to borrowers in the wholesale and retail industry was primarily due to the decrease in the balance of corporate loans in the wholesale and retail industry.

The non-performing loan ratio for our corporate loans in the mining industry was 6.74% and 49.92% as of December 31, 2017 and December 31, 2018, respectively. As of December 31, 2017 and December 31, 2018, non-performing corporate loans to borrowers in this industry accounted for 3.2% and 7.5% of our total non-performing corporate loans, respectively. The increase of our non-performing loan ratio for our corporate loans to borrowers in the mining industry was primarily reflected the weakened repayment ability of certain corporate customers in the industry.

The non-performing loan ratio for our corporate loans in the construction industry was 0.35% and 0.65% as of December 31, 2017 and December 31, 2018, respectively. As of December 31, 2017 and December 31, 2018, non-performing corporate loans to borrowers in this industry accounted for 2.7% and 3.2% of our total non-performing corporate loans, respectively. The increase of our non-performing loan ratio for our corporate loans to borrowers in the construction industry was primarily due to the weakened repayment ability of certain corporate customers in the industry.

The non-performing loan ratio for our corporate loans in the accommodation and catering industry was 0 and 6.41% as of December 31, 2017 and December 31, 2018, respectively. As of December 31, 2017 and December 31, 2018, non-performing corporate loans to borrowers in this industry accounted for 0 and 1.5% of our total non-performing corporate loans, respectively. The increase of our non-performing loan ratio for our corporate loans to borrowers in the accommodation and catering industry was primarily reflected the weakened repayment ability of certain corporate customers in the industry.

Management Discussion and Analysis

Distribution of Non-Performing Loans by Product Type

The following table sets forth, as of the dates indicated, the distribution of our non-performing loans by product type.

	As of December 31, 2018			As of December 31, 2017		
	Amount	% of total	NPL ratio (%) ⁽¹⁾	Amount	% of total	NPL ratio (%) ⁽¹⁾
<i>(Amounts in millions of RMB, except percentages)</i>						
Corporate loans⁽²⁾						
Working capital loans	3,545.5	74.9	3.45	2,622.2	70.2	1.86
Fixed asset loans	62.5	1.3	0.11	–	–	–
Trade finance	23.6	0.5	0.48	23.6	0.6	0.45
Others ⁽³⁾	425.7	9.0	6.42	468.6	12.5	7.81
Subtotal	4,057.3	85.7	2.25	3,114.4	83.3	1.47
Discounted bills	59.9	1.3	2.64	60.0	1.6	1.85
Subtotal	59.9	1.3	2.64	60.0	1.6	1.85
Personal loans						
Personal business loans	393.2	8.3	8.74	419.1	11.3	10.98
Personal consumption loans	134.2	2.8	0.17	76.2	2.0	0.87
Residential mortgage loans	46.1	1.0	0.20	36.0	1.0	0.17
Credit card overdrafts	40.3	0.9	5.86	31.7	0.8	6.54
Subtotal	613.8	13.0	0.58	563.0	15.1	1.64
Total non-performing loans	4,731.0	100.0	1.64	3,737.4	100.0	1.50

Notes:

- (1) Calculated by dividing non-performing loans in each product type by gross loans (interests included) in that product type.
- (2) Total corporate loans here consist of our corporate loans and finance lease receivables.
- (3) Consists primarily of advances under bank acceptances and letters of credit issued by us and corporate overdraft.

Management Discussion and Analysis

The non-performing loan ratio for our corporate loans increased from 1.47% as of December 31, 2017 to 2.25% as of December 31, 2018, with a 30.28% increase in our non-performing corporate loans from RMB3,114.4 million to RMB4,057.3 million. The increase in our non-performing corporate loans was primarily due to the weakened repayment ability of certain corporate customers.

The non-performing loan ratio for our personal loans decreased from 1.64% as of December 31, 2017 to 0.58% as of December 31, 2018, with a 9.02% increase in our non-performing personal loans from RMB563.0 million as of December 31, 2017 to RMB613.8 million as of December 31, 2018. The decrease in the non-performing loan ratio for our personal loans were primarily due to the relatively rapid growth of our personal loan business. Our non-performing personal loan balances increased from December 31, 2017, which was primarily due to the weakened repayment ability of certain individual customers.

The non-performing loan ratio for our discounted bills increased from 1.85% as of December 31, 2017 to 2.64% as of December 31, 2018, and the non-performing loan for our discounted bills decreased from RMB60.0 million as of December 31, 2017 to RMB59.9 million as of December 31, 2018. The increase in the non-performing loan ratio for our discounted bills was primarily due to decreases in bill balances of the business.

Distribution of non-performing loans by geographical region

The following table sets forth, as of December 31, 2017 and December 31, 2018, the distribution of our non-performing loans by geographical region.

	As of December 31, 2018			As of December 31, 2017		
	Amount	% of the total	NPL ratio ⁽¹⁾ (%)	Amount	% of the total	NPL ratio (%)
	<i>(Amounts in millions of RMB, except percentages)</i>					
Tianjin	1,247.7	26.3	1.13	1,014.1	27.1	0.81
Beijing	194.4	4.1	0.94	207.8	5.6	1.11
Shandong Province	940.5	19.9	2.80	484.4	13.0	1.39
Shanghai	546.9	11.6	0.76	543.9	14.5	2.17
Hebei Province	1,768.2	37.4	6.29	1,430.5	38.3	4.92
Sichuan Province	33.3	0.7	0.14	56.7	1.5	0.38
Total non-performing loans	4,731.0	100.0	1.64	3,737.4	100.0	1.50

Note:

(1) Calculated by dividing non-performing loans of each region by the gross loans (interests included) of that region.

Management Discussion and Analysis

Distribution of loans by collateral

The following table sets forth, as of December 31, 2017 and December 31, 2018, the distribution of our loans and advances to customers by type of collateral.

	As of December 31, 2018		As of December 31, 2017	
	Amount	% of the total	Amount	% of the total
<i>(Amounts in millions of RMB, except percentages)</i>				
Unsecured loan	88,108.6	30.5	33,185.2	13.3
Guaranteed loan	108,737.2	37.7	114,429.9	46.0
Collateralized loans ⁽¹⁾	71,681.3	24.8	61,601.8	24.8
Pledged loans ⁽¹⁾	20,261.9	7.0	39,663.8	15.9
Total loans and advances to customers	288,789.0	100.0	248,880.7	100.0

Note:

- (1) Represents the total amount of loans fully or partially secured by collateral in each category. If a loan is secured by more than one form of security interest, the allocation is based on the primary form of security interest.

Borrowers concentration

For the year ended December 31, 2018, the Bank's total loans to its largest single borrower accounted for 5.02% of its regulatory capital while total loans to its top ten customers accounted for 29.47% of its regulatory capital, which were in compliance with regulatory requirements.

a. Indicators of concentration

Major regulatory indicators	Regulatory standard	As of December 31, 2018	As of December 31, 2017
Loan concentration ratio for the largest single customer (%)	<=10	5.02	6.36
Loan concentration ratio for the top ten customers (%)	<=50	29.47	41.55

Note: The data above are calculated in accordance with the formula promulgated by the China Banking and Insurance Regulatory Commission.

Management Discussion and Analysis

b. Loans to top ten single borrowers

The following table sets forth, as of the date indicated, our loan exposure to our ten largest single borrowers, all of which were classified as normal at that date.

		As of December 31, 2018			
Industry		Amount	% of total loans	% of regulatory capital⁽¹⁾	Classification
<i>(Amounts in millions of RMB, except percentages)</i>					
Borrower A	Manufacturing	3,482.4	1.21	5.02	Normal
Borrower B	Manufacturing	2,604.4	0.90	3.76	Normal
Borrower C	Wholesale and retail	2,600.0	0.90	3.75	Normal
Borrower D	Real estate	2,053.0	0.71	2.96	Normal
Borrower E	Real estate	2,000.0	0.69	2.88	Normal
Borrower F	Leasing and business services	1,982.7	0.69	2.86	Normal
Borrower G	Leasing and business services	1,970.0	0.68	2.84	Normal
Borrower H	Manufacturing	1,372.6	0.48	1.98	Normal
Borrower I	Real estate	1,200.0	0.42	1.73	Normal
Borrower J	Real estate	1,168.0	0.40	1.68	Normal
Total		20,433.1	7.08	29.46	

Note:

- (1) Represents loan balances as a percentage of our regulatory capital, calculated in accordance with the requirements of the Capital Administrative Measures and based on our financial statements prepared in accordance with PRC GAAP.

As of December 31, 2018, the loan balance of the largest single borrower of the Bank was RMB3,482.4 million, accounting for 1.21% of the total amount of loans of the Bank, and the total amount of loans of the top ten single borrowers was RMB20,433.1 million, representing 7.08% of the total amount of loans of the Bank.

Management Discussion and Analysis

Aging Schedule of Loans Past Due

The following table sets forth, as of the dates indicated, aging schedule of our loans past due.

Past Due	As of December 31, 2018		As of December 31, 2017	
	Amount	% of the total loans and advances to customers	Amount	% of the total loans and advances to customers
<i>(Amounts in thousands of RMB, except percentages)</i>				
Past due 1 to 90 days	3,467,476	1.21	2,192,423	0.88
Past due 90 days to 1 year	819,992	0.28	2,207,426	0.89
Past due 1 to 3 years	2,742,350	0.95	2,172,464	0.87
Past due more than 3 years	869,986	0.30	228,297	0.09
Total	7,899,804	2.74	6,800,610	2.73

Management Discussion and Analysis

Changes to allowance for impairment losses

The allowance for impairment losses of loans increased by 63.5% to RMB11,845.7 million as of December 31, 2018 from RMB7,243.5 million as of December 31, 2017. This increase was mainly due to our increment in allowance for loan impairment losses to cover potential losses to the Bank resulted from reallocation of assets of customers. In accordance with the repayment proposal of Reorganization Scheme of Bohai Steel Group Company Limited ruled by Tianjin High People's Court and Tianjin Second Intermediate People's Court on January 31, 2019, although the Bank could not be fully repaid, allowance had been increased to cover the abovementioned losses.

	As of December 31, 2018		As of December 31, 2017	
	Amount	NPL ratio ⁽²⁾ (%)	Amount	NPL ratio (%)
	<i>(Amounts in millions of RMB, except percentages)</i>			
Beginning of year	7,966.5	1.50	6,146.2	1.48
Net provisions for the year ⁽¹⁾	3,857.7		1,338.6	
Unwinding of discount	(105.5)		(78.7)	
Write-off and transfers	(14.2)		(298.7)	
Recovery	141.2		136.1	
End of year	11,845.7	1.64	7,243.5	1.50

Note:

- (1) Represents the net amount of allowance for impairment losses recognized in the profit or loss statement.
- (2) Calculated by dividing the total amount of non-performing loans by total amount of loans (interests included).

Management Discussion and Analysis

VII SEGMENT REPORT

Geographical Segment Report

In presenting information on the basis of geographical regions, operating income is gathered according to the locations of the branches or subsidiaries that generated the income. For the purpose of presentation, we categorize such information by geographical regions. The following table sets forth the total operating income of each of the geographical regions for the periods indicated.

	For the year ended December 31,			
	2018		2017	
	Amount	% of the total	Amount	% of the total
	<i>(Amounts in millions of RMB, except percentages)</i>			
Tianjin	6,637.4	54.7	5,320.8	52.4
Beijing	1,494.9	12.3	771.4	7.6
Shandong Province	1,164.4	9.6	1,213.1	12.0
Shanghai	1,125.6	9.3	728.4	7.2
Sichuan Province	925.5	7.6	1,049.5	10.3
Hebei Province	695.4	5.7	980.5	9.7
Ningxia	95.0	0.8	79.6	0.8
Total	12,138.2	100.0	10,143.3	100.0

Management Discussion and Analysis

Business Segment Report

The following table sets forth, for the years indicated, the operating income of each of our principal segment.

	For the year ended December 31,			
	2018		2017	
	Amount	% of the total	Amount	% of the total
<i>(Amounts in millions of RMB, except percentages)</i>				
Corporate banking	7,118.1	58.6	7,343.6	72.4
Personal banking	2,274.7	18.7	1,756.6	17.3
Treasury operations	2,629.6	21.7	1,036.2	10.2
Other ⁽¹⁾	115.8	1.0	6.9	0.1
Total	12,138.2	100.0	10,143.3	100.0

Note:

(1) Consists primarily of income that are not directly attributable to any specific segment.

VIII ANALYSIS ON CAPITAL ADEQUACY RATIO

Our Bank calculated and disclosed the capital adequacy ratios according to the Administrative Measures for the Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) (effective since January 1, 2013) promulgated by the China Banking and Insurance Regulatory Commission. As of December 31, 2017, our Bank's capital adequacy ratios met the regulatory requirements under such regulations. As of December 31, 2018, the capital adequacy ratio was 14.53%, 3.79 percentage points higher than that as of December 31, 2017 and tier-one capital adequacy ratio and core tier-one capital adequacy ratio were 9.84% and 9.83% as of December 31, 2018, 1.19 percentage points higher than those as of December 31, 2017, respectively. The increase in our capital adequacy ratio is primarily due to our issuance of RMB10 billion tier-two capital bonds. The increase in our tier-one capital adequacy ratio and core tier-one capital adequacy ratio is primarily due to the increment in our profit, as well as the fact that the Bank actively "shrink the balance sheet" and reduced the asset scale.

Management Discussion and Analysis

The following table sets forth the relevant information of our Bank's capital adequacy ratio as of the dates indicated:

	As of December 31, 2018	As of December 31, 2017
<i>(Amounts in millions of RMB, except percentages)</i>		
Core capital		
– Share capital	6,070.6	6,070.6
– Capital reserve and investment revaluation reserve	10,879.6	10,155.4
– Surplus reserve	3,352.5	3,352.3
– General reserve	9,133.1	8,363.5
– Retained earnings	17,563.6	16,141.7
– Non-controlling interests that may be included	271.4	260.9
Total Core Capital	47,270.8	44,344.4
Core tier-one capital	47,270.8	44,344.4
Core tier-one capital deductible items	(346.2)	(308.5)
Net core tier-one capital	46,924.6	44,035.9
Net tier-one capital	46,960.8	44,070.7
Tier-two capital		
– Net tier-two capital instruments and related premiums	16,680.0	7,100.0
– Surplus allowance for impairment losses on loans	5,616.1	3,506.1
– Non-controlling interests that may be included	72.4	69.6
Total tier-two capital	22,368.5	10,675.7
Net capital	69,329.3	54,746.4
Total risk-weighted assets	477,241.1	509,646.4
Core tier-one capital adequacy ratio <i>(expressed in percentage)</i>	9.83	8.64
Tier-one capital adequacy ratio <i>(expressed in percentage)</i>	9.84	8.65
Capital adequacy ratio <i>(expressed in percentage)</i>	14.53	10.74

As of December 31, 2018, the Bank's leverage ratio was 6.79%.

Management Discussion and Analysis

	As of December 31, 2018	As of December 31, 2017
Leverage ratio	6.79%	5.97%

Pursuant to the Leverage Ratio Management of Commercial Bank (Amended) issued by China Banking and Insurance Regulatory Commission (“CBIRC”), effective from April 2015, a minimum leverage ratio of 4% is required. The above leverage ratios are calculated according to the formula promulgated by CBIRC.

IX RISK MANAGEMENT

Our Bank is exposed to the following primary risks: credit risk, operational risk, market risk, liquidity risk and information technology risk. In 2018, we continuously enhanced our comprehensive risk management system and improved our risk control, continued to facilitate the establishment of an integrated and comprehensive risk management system through which we have managed to successfully meet relevant regulatory requirements, mitigate risks associated with general unstable economic conditions, and secure the sustainable development of our business. In particular, our Bank strives to maintain a risk management system to strike the balance between risk and return, so as to strictly control our risk exposure while maintaining the flexibility to allow business innovations and asset quality.

Credit Risk

Credit risk refers to the risk of causing financial loss to creditors or holders of financial products, resulting from the failure by an obligor or counterparty to fulfill its obligations under the contract or changes in its credit quality affecting the value of financial products. The Bank is exposed to credit risks primarily related to our corporate loan business, personal loan business and treasury business.

Our Bank has established a relatively sound authorization and credit review and extension management system. The Bank has established a credit risk management system based on the principle of vertical management for credit risk, ensured the independence of credit review and extension based on the principle of separation for loan approval and extension and approval at various levels, and established a scientific and rigorous authorization and credit review and extension management system. The Bank implements a centralized credit extension system, under which exposures to credit risk of all our banking books and that of our trading books, including credit business and non-credit business, all ways and types of credit extension are under centralized credit extension management and reviewed by review authorities or reviewer with corresponding authorization for credit review and extension.

The Bank has established credit risk management mechanism, system and procedures in line with its business nature, scale and complexity, to manage, execute and implement unified risk preferences, effectively identify, measure, control, monitor and report credit risk, so as to control credit risk within the range we can tolerate.

Management Discussion and Analysis

The Bank strives to improve our overall credit risk management capabilities through a variety of measures, such as establishing a digital credit extension management system, establishing a twelve-level loan categorization system and adopting specific procedures to manage relevant risks, improving our capacity to process credit risk management by utilizing information technology, conducting post-credit extension risk management, and further enhancing credit review and monitoring. The Bank intends to develop an internal rating system on credit risk for retail and non-retail business to effectively manage the review, monitoring and risk alerts in the course of our credit extension, so as to further enhance our credit risk control capability.

Operational risk

Operational risk refers to risk caused by inadequate or problematic internal procedures, personnel and information technology systems, as well as external events. Our Bank's operational risks primarily arise from internal and external frauds, worksite safety failures, business interruptions and failures in the information technology system.

Our Bank continued to perfect our operational risk management system, formulate implementation rules for three main operational risk management tools (provisional), including propagation self-assessment on operational risk identification and control, key risk index and operational risk incidents collection. The Bank carried out self-assessment on risk identification and control, key risk index monitoring and implemented the collection of operational risk loss data. The Bank printed the Administrative Measures for Operational Risk Report of the Bank of Tianjin (《天津銀行操作風險報告管理辦法》) to regulate the reporting system of operational risk. Our Bank made the effort to carry out various inspection procedures which are all rolling, stereoscopic and multi-dimensional. We have placed emphasis on its accountability system. In addition, we have established a risk warning system and organized special training on operational risk management. Multi-dimensional educative activities have been carried out thorough out the Bank in order to enhance risk prevention and management as well as risk warning.

Market risk

Market risk is the risk of loss in on- and off-balance sheet positions arising from movements in market prices caused by interest rates, exchange rates and other market factors, which primarily includes interest rate risk and exchange rate risk. Our Board of Directors undertakes the ultimate responsibility for the monitoring on market risk management to ensure that the Bank effectively identifies, measures, monitors and controls the various market risks assumed by various businesses. Our senior management is responsible for formulating, regularly reviewing and supervising the implementation of policies, procedures and specific operation procedures for market risk management, keeping abreast of the level of market risk and its management and ensuring the Bank has sufficient human resources, materials, and appropriate organization structure, management information system and technical level to effectively identify, measure, monitor and control the various market risks assumed by various businesses. The Bank, through the improvement of market risk governance structure, management tool, system construction, effective measurement of market risk, controls negative effects of adverse movements in market price on the financial instrument position and relevant businesses within the reasonable range the Bank can tolerate, so as to ensure that various market risk indicators meet the regulatory requirements and operation needs.

Management Discussion and Analysis

Liquidity risk management

Liquidity risk refers to the risk of failure for commercial banks to acquire sufficient funds in a timely manner and at a reasonable cost to pay off debts due or meet the liquidity demand in line with expansion of our business operations. We are exposed to liquidity risk primarily in the funding of our lending, trading and investment activities, as well as in the management of our liquidity positions.

Our bank adopts the centralized management model for our liquidity risk management. Guided by the Board's liquidity risk management policies and led by the senior management, the headquarters and branches work in conjunction with all relevant departments to implement the centralized management model that accords with our business model and overall development plans, under which the headquarters will uniformly manage our general liquidity risks.

Information technology risk management

We are subject to information technology risk which may cause our operational, legal risks and reputational risks. We continuously improved IT risk management, formulated and revised IT risk management-related policies and set up IT management system to improve IT application capability and ensure system, internet and data security. We also effectively reduced potential risks by enhancing management and increasing IT investment.

The Bank issued IT Risk Management Policies of Bank of Tianjin Co., Ltd. (《天津銀行股份有限公司資訊科技風險管理政策》), Administrative Measures for IT Risk Management of Bank of Tianjin (《天津銀行資訊科技風險管理辦法》), IT Risk Management Strategies of Bank of Tianjin (《天津銀行資訊科技風險管理策略》) and Administrative Measures for Risk Management of Sub-contracting IT Work of Bank of Tianjin (《天津銀行資訊科技外包風險管理辦法》); and amended Business Continuity Management Policies of Bank of Tianjin (《天津銀行業務連續性管理政策》), Business Continuity Management Measures of Bank of Tianjin (《天津銀行業務連續性管理辦法》) and General Business Continuity Management Contingency Plan of Bank of Tianjin (《天津銀行業務連續性總體應急預案》). Meanwhile, the Bank has performed various work including continuity disaster drills, comprehensive business impact analysis and impact analysis of important information system on our major business system.

In 2018, the Board of the Bank reviewed and approved the "Bank of Tianjin Co., Ltd. 2018-2020 IT Architecture Plan", approving the purchase of property of approximately 30,000 square meters for construction of the Financial Technology Center of Bank of Tianjin to reinforce our strength in information technology so as to safeguard us against information technology risks.

Management Discussion and Analysis

X BUSINESS REVIEW

Corporate Banking Business

For the year ended December 31, 2018, our operating income from corporate banking business amounted to RMB7,118.1 million, accounting for 58.6% of the total operating income over the same period, representing a decrease of 3.1% as compared to the same period last year.

As of December 31, 2018, the balance of our corporate loans (excluding discounted bills and finance leases receivable) amounted to RMB171,739.2 million, representing a decrease of 15.2% as compared to that of December 31, 2017. As of the same date, RMB93,903.9 million of these loans were loans to small and micro enterprises, accounting for 54.7% of our total corporate loans and representing an increase of 1.0% as compared to that of December 31, 2017. As of December 31, 2018, our total corporate deposits amounted to RMB256,782.6 million, representing a decrease of 6.7% as compared to that of December 31, 2017.

In 2018, our Bank strengthened our corporate banking management by implementing "Four Tailor-made Approaches". They are introduction of new clients from emerging industries in the country and SME clients, rendering further services to retain our existing stable customers, offering the no loan withdrawal and no loan reduction service to maintain relationship with traditional customers that face temporary difficulties, and reduction of high consumption and high pollution enterprises as well as clients of high risk profile. By adopting "Four Tailor-made Approaches" to support enterprises to replace old energy with new ones, our corporate loans income had shown corresponding increment.

In line with the development trend and in response to national policy requirement of green development, the Bank integrated the philosophy of low carbon and environmental protection into the Company's operation and daily management, actively built green financial system. By providing excellent green financial products and services, we underpinned the sustainable development of the society, economy and environment. As of the end of the Reporting Period, our balance on energy saving and green project and service loans reached RMB11.561 billion.

As of December 31, 2018, our agriculture-related loan balance amounted to RMB27,115.9 million, among which, the agriculture-related loan balance in Tianjin reached RMB7,542.4 million, representing an increase of 0.6% as compared to that of December 31, 2017.

The balance of our loans to technology enterprises was RMB15,788.4 million as of December 31, 2018. Our new loans increased by 4.9% as compared to the corresponding period of last year. As of December 31, 2018, capital balance of our loans to small and micro enterprises increased by 1.6% to RMB98,395.1 million (including personal operating loans) and number of clients for loans to small and micro enterprises grew by 1,149.4% to 79,810 (including personal operating customers).

In 2018, our Bank actively developed transaction banking business, and the intermediary business income of our transaction banking business amounted to RMB191.5 million, representing a growth of 40%.

Management Discussion and Analysis

In 2018, our investment banking business obtained the qualification as a Type A lead underwriter and our lead underwriting business extended its reach from Tianjin to Beijing, Shanghai, Hebei, Shandong, Sichuan, etc. In 2018, our investment banking segment had underwritten corporate bonds of RMB12,921.0 million.

Furthermore, the Bank developed the financial leasing business through establishing Bank of Tianjin Financial Leasing Co., Ltd., which commenced its business operation in October 2016. As of December 31, 2018, total assets and net profit of Bank of Tianjin Financial Leasing Co., Ltd. amounted to RMB9,012.8 million and RMB70.7 million, respectively.

Personal Banking Business

In the year ended December 31, 2018, our Bank strengthened marketing efforts to personal banking customers and continued to improve our personal banking business by diversifying the product offering of our personal banking business and enhancing the channels of recruiting our personal banking customers. For the year ended December 31, 2018, the operating income from our retail banking business amounted to RMB2,274.7 million, accounting for 18.7% of our total operating income over the same period and representing an increase of 29.5% as compared to the same period of last year.

As of December 31, 2018, the balance of our personal loans reached RMB106,010.4 million, accounting for 36.7% of our total loans to customers. As of December 31, 2018, our residential mortgage loans, personal consumption loans, personal business loans and credit card overdrafts amounted to RMB22,928.9 million, RMB77,896.2 million, RMB4,496.6 million and RMB688.7 million, respectively, and accounted for 21.6%, 73.6%, 4.2% and 0.6%, respectively, of our total personal loans.

As of the same date, our total personal deposits amounted to RMB69,232.3 million, representing an increase of 10.1% as compared to that of December 31, 2017.

In 2018, the Bank actively adapted ourselves to the economic changes, utilized financial technologies, enhanced capability of recruiting our personal loan customers and capability of risk control, enhanced customer experience and satisfaction, resulting in significant increase in both our business scale and profitability.

Our Bank continued to enhance our product offering and the product features of credit cards. As of December 31, 2018, our Bank had issued 199,134 credit cards.

Management Discussion and Analysis

Rural Financial Services

Our Bank earnestly implemented the state's policies and requirements for supporting "agriculture, rural areas and farmers", actively performed our responsibilities for inclusive finance and continuously improved rural financial services and layout of branches in rural areas. As of December 31, 2018, our Bank established a total of 8 county banks in regions with small economic aggregate and weak basis for financial services in Xinjiang and Ningxia and Jizhou District, Tianjin. Among which, Ningxia Yuanzhou Village Bank (寧夏原州村鎮銀行), our consolidated subsidiary, recorded operating income of RMB56.8 million and net profit of RMB29.1 million in 2018, representing an increase of 15.7% and an increase of 48.5% year-on-year, respectively. Ningxia Tongxin Village Bank (寧夏同心村鎮銀行), our another consolidated subsidiary, recorded operating income of RMB38.2 million and net profit of RMB21.4 million in 2018, representing an increase of 25.7% and an increase of 234.4% year-on-year, respectively.

Treasury Operations Business

In 2018, the Bank kept the faith to uphold our traditional values and actively adjusted its business structure, effectively enhanced quality and efficiency, and actively invested into high-yield, low capital-intensive and highly-liquid assets while reducing inefficient assets such as interbank wealth management products, realizing business transformation by shifting focus from interbank transactions to standardized and professional capital market business such as trading in bonds, foreign exchange and derivatives. Thus, we have initially set up a complete set FICC (Fixed income, Currency & Commodity) business framework which involves interest rates, credit, foreign exchange, precious metals, derivatives, and got ready for high quality development of our financial market business. As of December 31, 2018, our operating income in treasury operations business was RMB2,629.6 million, 153.8% higher than the previous year, accounting for 21.7% of our Bank's total operating revenue.

As of December 31, 2018, our Bank had acquired business qualifications including first-tier trader in RMB open markets, being admitted as a member of Ministry of Finance book-entry treasury bond underwriting syndicates and a member of financial debt underwriting syndicates of the three major policy banks, namely China Development Bank, The Export-Import Bank of China and Agricultural Development Bank of China, and the license for hedging derivatives trading. In 2018, our Bank also obtained qualifications of core dealer of CRMW instruments, issuing institution of CRMW and issuing institution of credit-linked notes, and business qualifications for interest rate swap business, interbank gold price asking transactions through the Shanghai Gold Exchange, etc., laying a solid foundation for exploration into and development of new business. In 2018, the Bank actively participated in various types of transactions in capital market with a transaction volume in domestic currency of RMB4.85 trillion and transaction volume in forex currencies of nearly US\$60.0 billion, was awarded honorary titles including "Active Trader in Inter-bank Domestic Currency Market of 2018", "Top 300 in Inter-bank Domestic Currency Market Transaction of 2018", "Award for 2018 Outstanding Issuer of Financial debts", "Top 100 Settlers-Outstanding Proprietary Trader" from China Central Depository & Clearing, "The Member Who Made the Overall Greatest Progress in Interbank Forex Market in 2018" from China Foreign Exchange Trade System, signifying the continuous elevation of our market influence and brand image, and "Outstanding Contribution Award for Advanced Institutions in Credit Assets Registration & Circulation Business of the Banking Industry in 2018" from Center for Bank Credit Assets Registration and Transfer.

Management Discussion and Analysis

Money Market Transactions

In 2018, the Bank applied various trading instruments in the money market to meet the requirement of liquidity management and trading. At the same time, the Bank continued to optimize the debt structure and reduce financial costs through active issuance of interbank deposit receipts, participation in the central bank's open market reverse repurchases, medium-term lending facilities, etc. For the reporting period, the Bank entered into various currency market transactions amounting to a total of RMB3.76 trillion.

Fixed Income Business

Based on the solid foundation in traditional bond business, our Bank proactively responded to market changes by seeking opportunities of transformation and innovation for our fixed income business. The asset structure was optimized. We made breakthroughs in certain types of innovative products, and our profitability and market influence were enhanced continuously. First, to strengthen market analysis and enhance profitability. With further strengthening market analysis and strategy research, our Bank further enhanced its active management capabilities. When bond yields were high at the beginning of the year, we extend the overall maturity of our bond portfolio to increase the income level of our bond investment. At the same time, we continued to acquire trading gains by taking advantages in market fluctuations. In 2018, our bond trading volume exceeded RMB1 trillion, signifying the Bank's active participation and enhanced influence in the bond market. Second, to exert more effort in underwriting and distribution of interest rate bonds. Continuous leveraging on competition edges and customer base as members of treasury bond underwriting syndicates, the three major policy banks' financial debt underwriting syndicates and local bond underwriting syndicates in Tianjin, Beijing, Shanghai, Hebei, Shandong, etc., we actively broaden our sales channels. During 2018, the Bank underwritten a total of RMB57.7 billion in treasury bonds, policy bank bonds and local government bonds. Third, to continuously optimize investment structure and improve allocation of credit bonds. In 2018, our Bank actively adjusted our investment strategy. We expanded our investment in high-yield, low capital-intensive items such as high-grade credit bonds and asset-backed securities while actively reduced inefficient assets including interbank wealth management products and interbank deposits and placements. As such, our asset structure continued to optimize and our profitability enhanced significantly. Fourth, to play active role in CRMW instrument transactions to support and serve real economy. Our Bank made use of new business qualification as a core dealer of CRMW instruments in facilitating our first CRMW transaction which effectively hedged credit risks and simultaneously supported corporate bond financing of private enterprises.

Forex and Precious Metal Transactions

In 2018, fluctuation ranges in the RMB exchange rate and gold price increased significantly under expectation of continuous rate hikes in the US and liquidity easing in our country, and market demand for risk aversion turned higher. In order to meet our customers' foreign exchange settlement demand and our Bank's hedging needs, our Bank continued to identify more foreign exchange counterparties, actively commenced our forex spot and future trading business and hedging derivatives trading such as foreign exchange swaps to broaden our product portfolio and successfully tapped into the business of forex derivatives trading business, accumulated foreign exchange swaps amounted to USD3.066 billion for the year. In 2018, our Bank obtained the business qualification for interbank gold price asking transactions through the Shanghai Gold Exchange and opened international precious metals accounts for London Gold, London Silver, etc., laying a solid foundation for exploration into and development of new business.

Management Discussion and Analysis

Treasury Business Conducted on Behalf of Customers

For the year ended December 31, 2018, the wealth management business of our Bank grew steadily because our Bank accelerated the product transformation to be net worth type, innovated new products, optimized its asset allocation, adjusted its customer base, and consequently maintained its leading position in terms of profitability in the industry.

1. To accelerate the product transformation to be net worth type. In 2018, our Bank strictly followed the new regulatory requirements on asset management business and contributed to the net worth type transformation of wealth management business in the industry. By the end of the year, our net worth product portfolio was quite complete and comprehensive, and a variety of products had been introduced. Among them, "HongDing Fortune – Open-ended Net Worth Product (鴻鼎財富 – 天天開放淨值產品)", the first quasi money market fund launched by a commercial bank in the country, received intensive subscription from the market. By the end of 2018, the product recorded sales of over RMB4,000 million.
2. To optimize asset allocation and enhance value gains. In accordance with the overall policy of our Bank, "Four Tailor-made Approaches" and "Improvement in both Quality and Efficiency", our Bank's wealth management business strengthened the management of existing assets, reduced poor-quality and low-yield assets, replaced below-standard existing assets by investment in bonds, debt financing plan of Beijing Financial Assets Exchange, etc., and realized quality and efficiency improvements with rate of return increased from 5.9% at the beginning of the year to 6.4%. The increase in rate of return directly boosted the profitability of our Bank's wealth management business.
3. To seek for optimization of customer profile. Based on the guideline for asset management business, i.e. "restoring to real economy", and our Bank's ultra-conventional development approach for retail business, we strive to be a leading city commercial bank by seeking for optimization of customer profile in wealth management business. Through concerted efforts, our Bank's customer profile in wealth management was significantly optimized. As of December 31, 2018, the proportion of our basic core wealth management customers increased to 70% from 51% at the beginning of the year. The size of our existing wealth management business for individuals exceeded RMB80,000 million and its weighting for the overall figure also increased from 38% to 68% during the same period. The ratio now turned out to be in the neighborhood of other city commercial banks'.
4. To comply with the regulatory requirements and adjust the composition of wealth management products sponsored and issued. In 2018, our principal guaranteed wealth management products accounted for 30% of the aggregate amount of wealth management products sponsored and issued by us, 12 percentage points lower than 2017, while the non-principal guaranteed wealth management products made up 70% of the total amount, 12 percentage points higher than 2017.

Management Discussion and Analysis

In addition, our Bank's wealth management business always abides by inclusive financial policy. The minimum subscription amount of our wealth management products was lowered to RMB10,000 in accordance with the latest regulatory requirement. For the year, total payments or redemptions made to individual investors were amounted to RMB2,665.8 million, and all wealth management products issued were honored when due.

As of December 31, 2018, the total outstanding amount of wealth management products issued by us was RMB122,944.8 million, an increase of 2.43% year-on-year. For the year ended December 31, 2018, the net fee and commission income from the wealth management products issued by us amounted to RMB1,010.5 million.

International Business

For the year ended December 31, 2018, our Bank's international settlement volume amounted to US\$6,025.3 million.

Changes in Share Capital and Information on Shareholders

I. CHANGES IN SHARES OF THE BANK

Share Capital

As of December 31, 2018, the share capital of the Bank was 6,070,551,822 Shares, and the total registered capital amounted to RMB6,070,551,822, which had no change during the Reporting Period.

Statement of Changes in Shares

	January 1, 2018		Changes during the Reporting Period	December 31, 2018	
	Number of Shares	Percentage of total share capital		Number of Shares	Percentage of total share capital
Domestic legal persons	3,979,001,638	65.54%	–	3,979,001,638	65.54%
Domestic natural persons	326,951,121	5.39%	–	326,951,121	5.39%
H shares	1,764,599,063	29.07%	–	1,764,599,063	29.07%
Other foreign shares	–	–	–	–	–
Total	6,070,551,822	100.00%	–	6,070,551,822	100.00%

Changes in Share Capital and Information on Shareholders

Particulars of Shareholdings of the Top Ten Shareholders of Domestic Shares of our Bank

No.	Name of Shareholder	Total number of shares held at beginning of the Reporting Period	Total number of shares held at end of the Reporting Period	Shareholding percentage held at end of the Reporting Period (%)
1	Tianjin Port Free Trade Zone Investment Co., Ltd.(天津保稅區投資有限公司)	966,425,534	966,425,534	15.92
2	Tianjin Pharmaceutical Holdings Ltd.(天津市醫藥集團有限公司)	487,078,366	487,078,366	8.02
3	Tianjin Bohai Chemical Industry Group Co., Ltd.(天津渤海化工集團有限責任公司)	487,078,366	487,078,366	8.02
4	Tianjin Hi-tech Holding Group Co., Ltd. (天津海泰控股集團有限公司)	149,056,239	149,056,239	2.46
5	Tianjin Hengchangyuan Industrial Co., Ltd.(天津恒昌圓實業有限公司) ⁽¹⁾	121,832,962	121,832,962	2.01
6	Tianjin Jinrong Investment Service Group Co., Ltd.(天津津融投資服務集團有限公司) ⁽²⁾	105,011,966	117,378,125	1.93
7	Tianjin Ningfa Group Co., Ltd.(天津市寧發集團有限公司)	115,561,504	115,561,504	1.90
8	Tianjin Wenhuatianhai Industrial Co., Ltd.(天津文華天海實業有限公司) ⁽³⁾	101,386,808	101,386,808	1.67
9	Bohai Industrial Investment Fund Management Co., Ltd.(渤海產業投資基金管理有限公司)	100,000,000	100,000,000	1.65
10	Tianjin Economic and Technology Development Zone Finance Bureau (天津經濟技術開發區財政局)	99,370,826	99,370,826	1.64
	Total	2,732,802,571	2,745,168,730	45.22

Notes:

- (1) Tianjin Hengchangyuan Industrial Co., Ltd. (天津恒昌圓實業有限公司) pledged its 121,654,827 Shares to New Times Trust Co., Ltd. (新時代信託股份有限公司).
- (2) Tianjin Jinrong Investment Service Group Co., Ltd. (天津津融投資服務集團有限公司) pledged its 63,636,198 Shares to Tianjin Branch of China Everbright Bank Co., Ltd. (中國光大銀行股份有限公司天津分行).
- (3) Tianjin Wenhuatianhai Industrial Co., Ltd. (天津文華天海實業有限公司) pledged its 97,530,291 Shares to New Times Trust Co., Ltd. (新時代信託股份有限公司).

Changes in Share Capital and Information on Shareholders

II. INFORMATION ON SHAREHOLDERS

As at December 31, 2018, the Bank had a total of 7,309 shareholders.

Interests and Short Positions in Hong Kong in accordance with the SFO

As at December 31, 2018, pursuant to the register entered by the Bank under Section 336 of SFO, and to the best knowledge of the Bank, the following persons (other than the Bank's Directors, Supervisors and chief executive) had or be deemed or taken to have interests and/or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, were interested in 5% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at the general meetings of any other member of our Bank:

Name of Shareholder	Nature of interests	Class of Shares	Number of Shares directly or indirectly held (long position)	Approximate % of interest in the Bank	Approximate % of the relevant class of Shares of the Bank
Tianjin Port Free Trade Zone Investment Co., Ltd.(天津保稅區投資有限公司) ⁽¹⁾	Beneficial owner	Domestic Shares	966,425,534	15.92	22.44
Tianjin Port Free Trade Zone Investment Holdings Co., Ltd.(天津保稅區投資控股集團有限公司) ⁽¹⁾	Interest of a controlled corporation	Domestic Shares	966,425,534	15.92	22.44
Australia and New Zealand Banking Group Limited(澳大利亞和新西蘭銀行集團有限公司) ⁽²⁾	Beneficial owner	H Shares	725,644,563	11.95	41.12
Tianjin Bohai Chemical Industry Group Co., Ltd.(天津渤海化工集團有限責任公司) ⁽³⁾	Beneficial owner	Domestic Shares	489,857,052	8.07	11.38
Tianjin Pharmaceutical Holdings Ltd. (天津市醫藥集團有限公司) ⁽⁴⁾	Interest of a controlled corporation	Domestic Shares	489,107,183	8.06	11.36
Tianjin Bohai State-owned Assets Management Co., Ltd.(天津渤海國有資產經營管理有限公司) ⁽⁴⁾	Interest of a controlled corporation	Domestic Shares	489,107,183	8.06	11.36
Tianjin Jinlian Investment Holdings Limited (天津津聯投資控股有限公司) ⁽⁴⁾	Interest of a controlled corporation	Domestic Shares	489,107,183	8.06	11.36
CSSC International Holding Company Limited ⁽⁵⁾	Beneficial owner	H Shares	303,193,000	4.99	17.18
China State Shipbuilding Corporation Limited (中國船舶工業集團有限公司) ⁽⁵⁾	Interest of a controlled corporation	H Shares	303,193,000	4.99	17.18
BL Capital Holdings Ltd ⁽⁶⁾	Beneficial owner	H Shares	106,993,500	1.76	6.06
HNA Capital (Hong Kong) Holdings Co., Ltd ⁽⁶⁾	Interest of a controlled corporation	H Shares	106,993,500	1.76	6.06
HNA Capital Group Co., Ltd. (海航資本集團有限公司) ⁽⁶⁾	Interest of a controlled corporation	H Shares	106,993,500	1.76	6.06

Changes in Share Capital and Information on Shareholders

Notes:

- (1) Tianjin Port Free Trade Zone Investment Co., Ltd. (天津保稅區投資有限公司) is wholly-owned by Tianjin Port Free Trade Zone Investment Holdings Co., Ltd. (天津保稅區投資控股集團有限公司), which is in turn wholly-owned by Tianjin Port Free Trade Zone State-owned Assets Administration Bureau (天津港保稅區國有資產管理局). By virtue of the SFO, Tianjin Port Free Trade Zone Investment Holdings Co., Ltd. is deemed to be interested in the Shares held by Tianjin Port Free Trade Zone Investment Co., Ltd.
- (2) Australia and New Zealand Banking Group Limited (澳大利亞和新西蘭銀行集團有限公司), a Shareholder of our Bank, incorporated in the State of Victoria, Australia on July 14, 1977, and is listed on the Australian Securities Exchange (Stock Code: ANZ) and New Zealand Exchange (Stock Code: ANZ: AU).
- (3) Tianjin Bohai Chemical Industry Group Co., Ltd. (天津渤海化工集團有限責任公司) (i) directly holds 487,078,366 Shares; and (ii) through a number of controlled corporations, holds an aggregate of 2,778,686 Shares. As such, Tianjin Bohai Chemical Industry Group Co., Ltd. is interested in a total of 489,857,052 Shares by virtue of the SFO. Tianjin Bohai Chemical Industry Group Co., Ltd. is wholly-owned by State-owned Assets Supervision and Administration Commission of Tianjin Municipal People's Government (天津市人民政府國有資產監督管理委員會).
- (4) Tianjin Pharmaceutical Holdings Ltd. (天津市醫藥集團有限公司) (i) directly holds 487,078,366 Shares; and (ii) through a number of controlled corporations, holds an aggregate of 2,028,817 Shares. As such, Tianjin Pharmaceutical Holdings Ltd. is interested in a total of 489,107,183 Shares by virtue of the SFO. Tianjin Pharmaceutical Holdings Ltd. is wholly-owned by Tianjin Bohai State-owned Assets Management Co., Ltd. (天津渤海國有資產經營管理有限公司), which is wholly-owned by Tianjin Jinlian Investment Holdings Limited (天津津聯投資控股有限公司), an entity wholly-owned by State-owned Assets Supervision and Administration Commission of Tianjin Municipal People's Government (天津市人民政府國有資產監督管理委員會). By virtue of the SFO, Tianjin Jinlian Investment Holdings Limited and Tianjin Bohai State-owned Assets Management Co., Ltd. are deemed to be interested in the Shares held by Tianjin Pharmaceutical Holdings Ltd.
- (5) China State Shipbuilding Corporation Limited (中國船舶工業集團有限公司) is wholly-owned by State-owned Assets Supervision and Administration Commission of the State Council. CSSC International Holding Company Limited is wholly-owned by China State Shipbuilding Corporation Limited. As such, China State Shipbuilding Corporation Limited is deemed to be interested in the 303,193,000 Shares held by CSSC International Holding Company Limited.
- (6) HNA Capital (Hong Kong) Holdings Co., Ltd is wholly-owned by HNA Capital Group Co., Ltd. BL Capital Holdings Ltd is wholly-owned by HNA Capital (Hong Kong) Holdings Co., Ltd. As such, HNA Capital Group Co., Ltd. and HNA Capital (Hong Kong) Holdings Co., Ltd are deemed to be interested in the 106,993,500 Shares held by BL Capital Holdings Ltd.

III. SHAREHOLDERS WITH SHAREHOLDING OF 5% OR MORE OF THE BANK

Please see II. Information on Shareholders above for the particulars of shareholders with shareholding of 5% or more of the Bank.

Directors, Supervisors, Senior Management and Employees

I. INCUMBENT DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. Directors

Name	Age	Position	Date of Appointment
Mr. LI Zongtang (李宗唐)	59	Executive Director, Chairman*	May 11, 2018
Mr. SUN Liguó (孫利國)	55	Executive Director, President*	May 11, 2018
Ms. ZHANG Furong (張富榮)	57	Executive Director, Vice President*, Secretary of the Board of Directors*, Trade Union President ^Δ	May 11, 2018
Mr. LIANG Jianfa (梁建法)	53	Executive Director, Vice President*, Chief Financial Officer*	June 8, 2018
Ms. SUN Jingyu (孫靜宇)	50	Non-executive Director	June 8, 2018
Mr. WU Tao (武韜)	56	Non-executive Director	June 8, 2018
Mr. Alistair Marshall BULLOCH (布樂達)	61	Non-executive Director	May 11, 2018
Mr. ZHAO Wei (趙煒)	49	Non-executive Director	May 11, 2018
Mr. XIAO Jingxi (肖京喜)	56	Non-executive Director	June 8, 2018
Ms. LI Jun (李峻)	46	Non-executive Director	June 8, 2018
Mr. FENG Heping (封和平)	58	Independent Non-executive Director	May 11, 2018
Mr. LAW Yee Kwan, Quinn (羅義坤)	66	Independent Non-executive Director	May 11, 2018
Mr. JIN Qingjun (靳慶軍)	61	Independent Non-executive Director	May 11, 2018
Mr. HUA Yaogang (華耀綱)	61	Independent Non-executive Director	June 8, 2018
Mr. HE Jia (何佳)	64	Independent Non-executive Director	June 8, 2018

Note:

The term of office of the above Directors is from their respective appointment dates to the expiry date of the term of office of the sixth session of the Board.

According to the Articles of Association, a Director may be re-elected and re-appointed upon expiry of his/her term of office. Where re-election is not carried out promptly after a Director's term of office expires, the Director shall continue to perform the duties owed by a Director before a new Director is elected to take up the office, according to the laws, administrative regulations, departmental rules and the Articles of Association.

* The above term of office commenced on June 15, 2018.

Δ The above term of office commenced since November 2009.

Directors, Supervisors, Senior Management and Employees

2. Supervisors

Name	Age	Position	Date of Appointment
Ms. FENG Xia (馮俠)	47	Employee Representative	March 15, 2018
		Supervisor, Chairwoman of Board of Supervisors	June 15, 2018
Mr. YAO Tao (姚濤)	56	Employee Representative Supervisor	March 15, 2018
Mr. YU Yang (于陽)	39	Shareholder Representative Supervisor	June 8, 2018
Mr. ZHANG Lianming (張連明)	55	External Supervisor	May 11, 2018
Mr. LIU Baorui (劉寶瑞)	61	External Supervisor	June 8, 2018

Note:

The term of office of the above Supervisors is from their respective appointment dates to the expiry date of the term of office of the sixth session of the Board of Supervisors.

According to the Articles of Association, a Supervisor may be re-elected and re-appointed upon expiry of his/her term of office. Where re-election is not carried out promptly after a Supervisor's term of office expires, the Supervisor shall continue to perform the duties owed by a Supervisor before a new Supervisor is elected to take up the office, according to the laws, administrative regulations, departmental rules and the Articles of Association.

3. Senior Management

Name	Age	Position	Date of First Appointment as Senior Management
Mr. SUN Liguó (孫利國)	55	President	December 2016
Ms. ZHANG Furong (張富榮)	57	Vice President, Secretary of the Board of Directors, Trade Union President	November 2009
Ms. ZHANG Ying (張穎)	43	Secretary of the Disciplinary Committee	September 2014
Mr. LIANG Jianfa (梁建法)	53	Vice President, Chief Financial Officer	December 2014
Mr. XIA Zhenwu (夏振武)	49	Assistant to President	January 2008
Mr. WANG Feng (王峰)	46	Assistant to President	April 2017

Directors, Supervisors, Senior Management and Employees

Shareholders' Nomination of Candidates for Directors and Supervisors of the Bank During the Reporting Period

No.	Name of Shareholder	Name of Nominated Director/Supervisor
1	Tianjin Port Free Trade Zone Investment Co., Ltd.	SUN Jingyu, WU Tao
2	Australia and New Zealand Banking Group Limited	Alistair Marshall BULLOCH
3	Tianjin Pharmaceutical Holdings Ltd.	ZHAO Wei
4	Tianjin Bohai Chemical Industry Group Co., Ltd.	XIAO Jingxi
5	CSSC International Holding Company Limited ⁽¹⁾	LI Jun
6	Tianjin Jinrong Investment Service Group Co., Ltd.	YU Yang

Note:

- (1) Fortune Eris Holding Company Limited, the secondary subsidiary of China State Shipbuilding Corporation Limited (中國船舶工業集團有限公司) ("China State Shipbuilding") transfer its 303,193,000 Shares in Bank of Tianjin to CSSC International Holding Company Limited, a wholly-owned subsidiary of China State Shipbuilding. On September 28, 2018 the share transfer was completed.

II. CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

On January 12, 2018, Mr. Yue Desheng tendered his resignation from the position of executive director of the Bank, member of the related party transactions control committee, risk management committee and consumer rights protection committee under the Board and vice president of the Bank. According to the Company Law of the People's Republic of China, other relevant laws and regulations and the Articles of Association of the Bank, Mr. Yue Desheng's resignation has become effective since January 12, 2018. For details, please refer to the announcement named "RESIGNATION OF EXECUTIVE DIRECTOR AND VICE PRESIDENT" issued by the Bank on January 12, 2018.

On January 19, 2018, Ms. FENG Xia resigned as a shareholder representative supervisor of the Bank and a member of the supervision committee of the Board of Supervisors. Ms. FENG's resignation has become effective since January 19, 2018. The Bank held an employee representative meeting on January 19, 2018, in which Ms. FENG was elected as an employee representative supervisor of the Bank, effective from January 19, 2018. On the same day, the Board of Supervisors held a meeting, in which Ms. FENG was elected as the chairwoman of the Board of Supervisors, a member of the supervision committee and a member of nomination committee of the Board of Supervisors, effective from January 19, 2018. For details, please refer to the announcement entitled "CHANGE OF SUPERVISORS AND APPOINTMENT OF CHAIRMAN OF BOARD OF SUPERVISORS" issued by the Bank on January 19, 2018.

Reference is made to the announcement of the Bank dated May 4, 2017, regarding the resignation of Mr. ZHANG Xiang as an employee representative supervisor of the Bank with effect from January 19, 2018.

Directors, Supervisors, Senior Management and Employees

Mr. LIANG Jianfa, Ms. SUN Jingyu, Mr. WU Tao, Mr. XIAO Jingxi, Ms. LI Jun, Mr. HUA Yaogang and Mr. HE Jia (collectively the “New Directors”) were appointed as directors by the shareholders of the Bank at the 2017 annual general meeting held on May 11, 2018. The qualifications of the New Directors as directors of the Bank have been approved by Tianjin Regulatory Bureau of China Banking and Insurance Regulatory Commission (the “CBIRC Tianjin Office”) and the term of office of the New Directors commenced from June 8, 2018. Announcements regarding the appointment of the New Directors were published on March 23, 2018, March 27, 2018, May 11, 2018 and June 15, 2018.

At the first meeting of the sixth session of the Board held on June 15, 2018, Mr. LI Zongtang was reelected as the chairman of the Board of the Bank, and Mr. SUN Liguu was reappointed as the president of the Bank. The terms of office of Mr. LI as chairman and Mr. SUN as president commenced from June 15, 2018. For details, please refer to the announcement of the Bank dated June 15, 2018.

At the first meeting of the sixth session of the Board, Ms. ZHANG Furong was appointed as vice president and Board secretary of the Bank, Mr. LIANG Jianfa was appointed as vice president and chief financial officer of the Bank, Mr. XIA Zhenwu was appointed as assistant to president of the Bank and Mr. WANG Feng was appointed as assistant to president of the Bank. The terms of office of Ms. ZHANG Furong and Mr. LIANG Jianfa as vice president and Mr. XIA Zhenwu and Mr. WANG Feng as assistant to president of the Bank all commenced from June 15, 2018.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Hong Kong Listing Rules.

III. BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

1. Directors

Mr. LI Zongtang (李宗唐), aged 59. Since August 2016, Mr. LI has served as the secretary of the Party Committee of the Bank. Mr. LI was appointed as our Executive Director and Chairman in February 2017 and is responsible for the overall work of the Party Committee and the Board of the Bank and is in charge of audit work and the General Office of the Board as well as the Audit Department. From July 2010 to August 2016, he worked as the secretary of the Party Committee and chairman of Tianjin Rural Commercial Bank Co., Ltd. (天津農村商業銀行股份有限公司). From November 2009 to July 2010, he served as the secretary of the Party Committee and chairman of Tianjin Rural Cooperative Bank (天津農村合作銀行). From August 2008 to November 2009, Mr. LI served as the secretary of the Party Committee, chairman of the board and president of Tianjin Rural Cooperative Bank. From June 2005 to August 2008, he held the positions of the deputy secretary of the Party Committee and president of Tianjin Rural Cooperative Bank. From May 2003 to April 2006, he served as the deputy secretary of the Party Committee and general manager of Tianjin Trust and Investment Co., Ltd. (天津信託投資有限責任公司). From July 2001 to May 2003, Mr. LI served as the deputy secretary of the Party Committee and general manager of Tianjin Trust and Investment Corporation (天津信託投資公司). From August 1997 to July 2001, he held the positions of the deputy head and a member of the party leadership group of Tianjin Financial Bureau and Tianjin Municipal Taxation Bureau (天津市地方稅務局). From November 1996 to August 1997, he also acted

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as the director of the Capital Management Division of Tianjin Financial Bureau (天津市財政局資金管理處). From March 1988 to August 1997, he served successively as the deputy director and director of the Budget Division of Tianjin Financial Bureau (天津市財政局預算處). From May 1986 to March 1988, Mr. LI served successively as a staff and a principal staff member of the First Business Division of Tianjin Financial Bureau (天津市財政局企業一處). From August 1985 to May 1986, he served successively as a staff and the deputy chief of the Metallurgy Section under the Second Finance and Taxation Management Division of Tianjin Financial Bureau. Mr. LI served as a finance and taxation specialist of the Metallurgy Section under the Second Finance and Taxation Management Division of Tianjin Financial Bureau (天津市財政局財稅管理二處冶金科) from October 1976 to March 1983.

From March 1983 to August 1985, he attended the special training course for cadres, majoring in finance at the Tianjin University of Finance and Economics (天津財經學院). He is a qualified senior accountant, accredited by the Tianjin Municipal Accounting Profession Senior Duties Evaluation Committee (天津市會計專業高級職務評審委員會) in January 2000.

Mr. SUN Ligu (孫利國), aged 55. Mr. SUN was appointed as our Executive Director in February 2017 and acted as our President since February 2017. He is responsible for the overall work of our Bank's operation and management and is in charge of Strategic Development Department. Since August 2016, Mr. SUN has served as the deputy secretary of the Party Committee of the Bank. From August 2016 to December 2016, Mr. SUN also worked as the chairman of the supervision committee of China Bohai Bank Co., Ltd. From July 2016 to August 2016, Mr. SUN also worked as the chairman of the labour union of China Bohai Bank Co., Ltd. From June 2015 to August 2016, he worked as deputy secretary of the Party Committee and chairman of the supervision committee of China Bohai Bank Co., Ltd. From December 2009 to June 2015, he also served as the vice president of China Bohai Bank Co., Ltd. From December 2005 to June 2015, Mr. SUN served as a member of the Party Committee and the secretary to the board of China Bohai Bank Co., Ltd. From August 2005 to December 2005, he acted as the person-in-charge of the proposed board secretariat of China Bohai Bank Co., Ltd. (渤海銀行股份有限公司) (in planning). From December 2003 to August 2005, Mr. SUN served as an assistant to the head of General Office of the Planning and Establishment Lead Group of China Bohai Bank (渤海銀行籌建工作領導小組辦公室) and was responsible for the daily work of such General Office. From January 1998 to December 2003, he worked as the head of general office of China Construction Bank, Tianjin Branch. From December 1990 to January 1998, Mr. SUN served successively as the vice president and president of China Construction Bank (formerly known as People's Construction Bank of China), Tianjin Nankai Sub-branch (中國人民建設銀行天津南開支行). From April 1988 to December 1990, he served as an assistant to the director of the Tianjin Seamless Steel Tube Project Office of People's Construction Bank of China (中國人民建設銀行天津無縫鋼管工程辦事處). From August 1985 to April 1988, Mr. SUN served as a staff of the Project Inspection Division of People's Construction Bank of China, Tianjin Branch (中國人民建設銀行天津市分行項目審查處).

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Mr. SUN graduated from the Faculty of Construction Management at Tianjin University (天津大學) in July 1985 majoring in construction management engineering of infrastructure. He also obtained a master's degree in business administration from Tianjin University and a master's degree in economics from the Faculty of Finance at Nankai University (南開大學), majoring in monetary banking in July 1997. In January 2012, he received a doctorate degree in management science and engineering from Tianjin University. He is a qualified senior engineer, accredited by China Construction Bank (中國建設銀行) in 1999.

Ms. ZHANG Furong (張富榮), aged 57, was appointed as our Executive Director in December 2014 and has been the secretary of the Board of Directors of our Bank since June 2015. Ms. ZHANG was appointed as our Vice President in January 2016. She is primarily responsible for the wholesale, financial market and union work of the Company. She also assists in the operation of the Corporate Business department, Trading Department, Investment Banking Department, Financial Market Department, Asset Management Department and Office of the Board. She also assists the Chairman in charge of General Office of Board. Ms. ZHANG was appointed as chairman of Bank of Tianjin Financial Leasing Co., Ltd (天銀金融租賃股份有限公司) in October 2017. She has been a member of the Party Committee of our Bank since September 2009 and the trade union president of our Bank since November 2009. From December 21, 2016 to February 16, 2017, she performed the duty of chairman of our Bank. From June 2015 to March 2016, she served as Director of Listing office, responsible for listing matters. Ms. ZHANG has 30 years of experience in banking business operations and management. Ms. ZHANG served as Supervisor from March 2011 to November 2014, during which, she was acting Chairman of the Board of Supervisors from January 2014 to November 2014. From November 1996 to March 2011, she served as director of our Bank. Ms. ZHANG served as the president and the secretary of the Party Committee of the Binhai Branch of our Bank from October 2007 to November 2011, while serving as the president and the deputy secretary of the Party Committee of the Binhai branch of our Bank from May 2007 to October 2007. In addition, from May 2006 to May 2007, Ms. ZHANG was the deputy branch president and a member of the Party Committee of the Binhai branch of our Bank. From November 1996 to May 2006, she served as president and party branch secretary of Tanggu Branch of Tianjin Commercial Bank (天津市商業銀行塘沽支行), the predecessor of our Bank. Between January 1988 and November 1996, she held various positions of the Tianjin City Credit Cooperative (Tanggu District), our predecessor, including the chief of credit section, head of General Office, assistant manager and deputy manager.

Ms. ZHANG served as the representative of the 13th, 14th and 15th People's Congress of Tianjin, the representative of the 1st People's Congress of Tianjin Binhai New District, and was a member of the 15th and 16th Federation of Trade Unions Committee of Tianjin. Ms. ZHANG was elected as a committee member of the 13th of the Women's Executive Committee in April 2013, became a national representative of the 16th National Congress of PRC Trade Unions in October 2013, and was elected as a member of the 17th Federation of Trade Unions Committee of Tianjin in July 2017.

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Ms. ZHANG obtained a diploma in finance from the Tianjin Tanggu Professional College (天津市塘沽職工中專) in April 1993, and obtained a postgraduate course certificate of advanced studies in business administration from the Tianjin University of Finance and Economics (天津財經學院) in Tianjin, China in May 1998. In September 2001, she obtained a master's degree in business administration from Wisconsin International University, Ukraine. In June 2005, she obtained a higher certificate in Finance Management for China's Professional Managers. In July 2008, she also obtained a on-job postgraduate certificate in economic law from the Central Party School of the Communist Party of China (中共中央黨校) in Beijing, China. She obtained an executive master of business administration from Nankai University (南開大學) in Tianjin, China in June 2011.

Mr. LIANG Jianfa (梁建法), aged 53, was appointed as our Executive Director in June 2018 and has been the Vice President of our Bank since December 2014. He has been the chief financial officer of the Bank since June 2015, primarily responsible for risk management and financial planning work, and also assists in the operation of the Risk Management Department, Credit Management Department, Asset Preservation Department, Legal Affairs Internal Control and Compliance Department, Asset and Liability Management Department and Financial Accounting Department.

Mr. Liang has nearly 30 years of experience in banking operations and management. Prior to joining our Bank, he held a number of positions at China Bohai Bank from August 2006 to September 2014, including Vice President, the deputy general manager, general manager of the human resources department and audit department. He was also a member of the Party Committee. From April 2003 to August 2006, he served as the deputy general manager of the risk management department of CITIC Holdings Company Limited (中信控股有限責任公司). Prior to that, he held a number of positions at the Hebei Provincial branch and Tianjin branch of People's Bank of China from July 1986 to March 1995 and February 1996 to April 2003, including the auditor and the auditor of department level of auditing department, as well as the deputy director and the director of the first regulatory division and director of bank management division. He also served as a supervisor of Bank of England from March 1995 to February 1996.

Mr. Liang received his bachelor's degree in economics, majoring in finance, from Nankai University (南開大學) in Tianjin, China in July 1986 and obtained a master's degree in economics from the Finance Department, Tianjin University of Finance and Economics (天津財經學院) in Tianjin, China in September 1999. Mr. Liang was qualified as a senior economist, accredited by the People's Bank of China in May 2000.

Ms. SUN Jingyu (孫靜宇), aged 50, was appointed as our Non-executive Director in June 2018. She has served as the director of Tianjin T&B Holding Co., Ltd (天津天保控股有限公司) since January 2017. Prior to that, Ms. Sun's primary work experiences include serving as: (i) executive director and general manager of Tianjin T&B Financial Management Co., Ltd. (天津天保財務管理公司), as well as the deputy director of Financial Planning Department of Tianjin T&B Holding Co., Ltd from September 2015 to June 2016; (ii) general manager and director of Tianjin T&B Financial Management Co., Ltd., as well as the deputy director of Financial Planning Department of Tianjin T&B Holding Co., Ltd from June 2016 to January 2017; (iii) deputy director of Financial Planning Department of Tianjin T&B Holding Co., Ltd as well as deputy Tianjin T&B Financial Management Co., Ltd. From August 2013 to

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September 2015; (iv) the accountant, finance supervisor, senior finance supervisor, director assistant and deputy director of the Financial Planning Department of Tianjin T&B Financial Management Co., Ltd., successively, from March 2004 to August 2013; (v) the financial manager of Tianjin Wanqiao Engineering Department Co., Ltd. (天津萬橋工程發展有限公司) from August 1997 to March 2004; (vi) the cadre of Tianjin Sanfeng Bus Co., Ltd. (天津三峰客車有限公司) from April 1992 to August 1997, during which she studied in the junior college class of the accounting major II in the Tianjin University of Finance and Economics (天津財經學院) from September 1994 to July 1996; and (vii) the cadre of the Tianjin Bus Factory (天津市客車廠) from July 1990 to April 1992.

Ms. Sun received a bachelor's degree in automobile and tractor from the mechanical engineering department I of the branch school of Tianjin University (天津大學分校) in July 1990. She is qualified as a senior accountant.

Mr. WU Tao (武韜), aged 56 was appointed as our Non-executive Director in June 2018. He has served as the party branch secretary and vice general manager of Tianjin Port Free Trade Zone Investment Co., Ltd. (天津保稅區投資有限公司) since March 2018; while from October 2014 to March 2018, Mr. Wu served as the vice general manager of Tianjin Port Free Trade Zone Investment Co., Ltd. (天津保稅區投資有限公司). Prior to that, Mr. Wu served as the vice general manager of Tianjin T&B International Logistics Holding Co., Ltd. (天津天保國際物流集團有限公司) from November 2005 to October 2014; the vice general manager of Tianjin T&B Logistics Co., Ltd. (天津天保物流有限公司) from April 2004 to November 2005; the general manager of Tianjin T&B International Procurement Centre Co., Ltd. (天津天保國際採購中心有限公司) from June 2002 to April 2004; the vice general manager of Tianjin Sinorails-long Jintai Storage and Transportation Co., Ltd. (天津華鐵隆津泰儲運有限公司) from December 1995 to June 2002; a staff and a deputy section chief of the Economic and Trade Division of the Tianjin Port Free Trade Zone Administrative Committee (天津港保稅區管委會經貿處) from September 1991 to December 1995; in the meantime, the vice general manager of Tianjin Tianzheng Property & Merchants Co., Ltd. (天津天正房地產招商有限公司) from October 1993 to December 1995; a staff of the Transportation Section of Tianjin Port Storage & Transportation Company (天津港儲運公司運務科) from October 1987 to September 1991; and a cadre of the Tangjiakou Warehouse of the Storage & Transportation Company of Tianjin Yishang Bureau (天津一商局儲運公司唐家口倉庫) from August 1985 to October 1987.

Mr. Wu graduated from the Faculty of Storage & Transportation Management of Beijing Institute of Business (北京商學院) with a bachelor's degree in Storage & Transportation Management in July 1985. From September 2001 to July 2004, Mr. Wu studied at Tianjin Municipal Party School (天津市委黨校), majoring in the party theory and party building. In December 2012, Mr. Wu was qualified as a senior economist.

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Mr. Alistair Marshall BULLOCH (布樂達), aged 61, was appointed as our Non-executive Director in June, 2009. Mr. BULLOCH has held a number of positions at ANZ and is currently in the position of Managing Director of Partnerships since June 2014. He has been serving as director of ANZ Royal Bank (Cambodia) Ltd. since March 2011 and has held the position of Chairman since June 2012. He has been serving as director of United (Cambodia) Land Company Ltd since March 2011, director of Jikk Pty Ltd. since June 2012 and director of Votrait No. 113 Pty Ltd since July 2013. Mr. BULLOCH served as a director in various entities under ANZ from 2008 to 2016, namely ANZ Bank (Vietnam) Limited, ANZ Bank (Taiwan) Limited, Shanghai Rural Commercial Bank Co. Ltd., ANZ Rural Bank Co. Ltd., ANZ Insurance Broker Co., Ltd., ANZ Bank (Europe) Limited, ANZ, ANZ Pensions (UK) Limited, ANZ V-Trac International Leasing Company, ANZ Bank (Lao) Ltd, and ANZ Capital Private Ltd. He successively held positions in ANZ as Deputy CEO of Asia Pacific, Europe and America from December 2009 to September 2010 and as Managing Director and Senior Advisor of Asia Pacific, Europe and America from September 2010 to June 2014. He joined ANZ in April 2008 and held the positions of CEO of North East Asia and CEO of Hong Kong from April 2008 to December 2009.

Mr. Alistair Marshall BULLOCH obtained a bachelor of arts degree in business studies from Dundee College of Technology in Scotland, the United Kingdom in January 1980.

Mr. ZHAO Wei (趙煒), aged 49, was appointed as our Non-executive Director in December 2014. He served as the deputy general manager of Tianjin Pharmaceutical Holdings Ltd. since December 2013. Prior to that, he served successively as deputy general manager of Tsinlien Group (Tianjin) Assets Management Company Limited (香港津聯集團(天津)資產管理有限公司), general manager of the financial market department of Tsinlien Group Company Limited in Hong Kong, general manager of Tianjin Development Assets Management Company Limited (天津發展資產管理有限公司) and assistant to general manager of Tsinlien Group Company Limited in Hong Kong from September 2005 to December 2013. Between July 1992 and September 2005, Mr. ZHAO held a number of positions at Northern International Trust and Investment Corporation (北方國際信託投資股份有限公司), including being assistant to manager of the international business department, assistant to manager of the trading department, manager of the international business department and vice general manager of the securities investment department.

Mr. ZHAO received his bachelor's degree in international economic cooperation and his master degree in economics from the faculty of finance at Tianjin University of Finance and Economics (天津財經學院) in Tianjin, China in July 1992 and September 1999, respectively.

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Mr. XIAO Jingxi (肖京喜), aged 56, was appointed as our Non-executive Director in June 2018. He has been the chief accountant of Tianjin Bohai Chemical Industry Group Co., Ltd. (天津渤海化工集團有限責任公司) and the chairman of Tianjin Bohai Group Finance Company Limited (天津渤海集團財務有限責任公司) since April 2015. Prior to that, Mr. Xiao's primary work experiences include serving as: (i) the deputy secretary of general party branch, director and general manager of Tianjin Bohai Group Finance Company Limited from August 2014 to April 2015; (ii) the deputy secretary of general party branch and general manager of Tianjin Bohai Group Finance Company Limited from December 2010 to August 2014; (iii) the party branch secretary and general manager of Tianjin Bohai Group Finance Company Limited from September 2004 to December 2010; (iv) the chief accountant of Tianjin Dagu Chemical Co., Ltd. (天津大沽化工有限責任公司) from December 2001 to September 2004, during which he studied business administration in Wisconsin International University (威斯康辛國際大學) from June 2001 to May 2003; (v) the accountant and team leader, the deputy director, the director of the finance division and the deputy chief accountant of Tianjin Dagu Chemical Plant (天津大沽化工廠), successively, from July 1987 to December 2001; and (vi) the teacher from the Baozhuang secondary school in Hexiwu village, Wuqing county, Tianjin (天津市武清縣河西務鄉寶莊中學) from July 1986 to July 1987.

Mr. Xiao received a bachelor's degree in economics from the Department of Industrial Management of Tianjin University of Finance and Economics (天津財經學院) in July 1986. He is qualified as a senior accountant.

Ms. LI Jun (李峻), aged 46, was appointed as our Non-executive Director in June 2018. She has been the chief accountant and general manager of the finance department of CSSC (Hong Kong) Shipping Company Limited (中國船舶(香港)航運租賃有限公司) since February 2017. Prior to that, Ms. Li's primary work experiences include serving as: (i) the chief accountant of CSSC (Hong Kong) Shipping Company Limited in February 2017; (ii) the deputy chief accountant and legal counsel of Guangzhou Wenchong Dockyard Co., Ltd. (廣州中船文沖船塢有限公司) from July 2011 to February 2017; (iii) the finance center deputy director of Guangzhou Shipyard International Company Limited (廣州廣船國際股份有限公司) from November 2009 to July 2011, during which she studied the master degree's course in the industrial engineering department of Huazhong University of Science and Technology (華中科技大學) from September 2007 to October 2010; (iv) a temporary post of finance department director in Guangzhou Shipyard International Company Limited (廣州船舶工業公司) from December 2008 to October 2009; (v) the primary assistance and deputy director of the finance center of Guangzhou Shipyard International Company Limited from March 1995 to November 2008.

Ms. Li received a bachelor's degree in trade and economics from Beijing College of Commerce (北京商學院) in July 1994. She is qualified as a senior accountant.

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Mr. FENG Heping (封和平), aged 58, was appointed as our Independent Non-executive Director in December 2014. Mr. FENG was a supervisor of China Galaxy Securities Company Limited (中國銀河證券股份有限公司) (a company listed on the Hong Kong Stock Exchange, stock code: 06881) from June 2015 to July 2016. He was the managing director of Beijing branch of Morgan Stanley, from March 2011 to August 2014. Mr. FENG joined in PricewaterhouseCoopers in 1992 (he worked at Arthur Andersen from 1992 to 1997, which subsequently merged with PricewaterhouseCoopers), and served as the managing partner of the Beijing office of PricewaterhouseCoopers. Prior to that, Mr. FENG worked at China Financial Management Accounting Firm (中華財務會計諮詢公司) from 1985 to 1992.

Mr. FENG obtained a bachelor's degree in accounting from Shanxi University of Finance and Economics (山西財經大學) (formerly known as Shanxi College of Finance and Economics (山西財經學院)) in September 1982. He obtained the non-practicing Chinese Certified Public Accountant qualification from the Chinese Institute of Certified Public Accountants in June 2016.

Mr. LAW Yee Kwan, Quinn (羅義坤), aged 66, was appointed as our Independent Non-executive Director in October 2015. Mr. LAW worked as a director and Vice President of the Hong Kong Business Accountants Association from October 2014 to July 2017 and has served as its consultant since August 2017. Mr. LAW served as a council member cum audit committee chairman of the Hong Kong University of Science and Technology from August 2012 to July 2018 and has served as a court member of this university since October 2018. He has been a member of the Financial Affairs Expert Working Group of University Grants Committee from December 2013 to July 2018. He also served on a number of committees of the Hong Kong Institute of Certified Accountants from 2008 to 2018. Mr. LAW has been independent non-executive director of HKBN Limited (a company listed on the Hong Kong Stock Exchange, stock code: 01310) since February 2015 and independent non-executive director of ENN Energy Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 02688) since May 2014. From December 2013 to June 2015, Mr. LAW was one of the independent non-executive directors of National Agricultural Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 01236). From March 2008 to March 2013, Mr. LAW was the deputy chairman and managing director of the Urban Renewal Authority, a statutory organization in Hong Kong.

Mr. LAW is a professional accountant. Mr. LAW has been a fellow of the Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants) since June 1985 and has been a fellow of the Association of Chartered Certified Accountants (formerly known as the Association of Certified Accountants) in the United Kingdom since December 1982. He has been an associate member of the Institute of Chartered Secretaries and Administrators in the United Kingdom since November 1980. Mr. LAW is a Justice of Peace in Hong Kong and was awarded the Silver Bauhinia Star in 2014 by the Hong Kong Special Administrative Region.

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Mr. JIN Qingjun (靳慶軍), aged 61, was appointed as our Independent Non-executive Director in February 2017. Since September 2002, he has been a partner of King & Wood Mallesons. In 2012, Mr. JIN was among the Top 10 PRC Lawyers of the Year and also earned the title of the PRC Securities Lawyer of the Year. From October 1993 to August 2002, he was a partner of Shu Jin Law Firm (信達律師事務所). From April 1989 to October 1993, he was an attorney at Chinatrust Law Firm (中信律師事務所). From August 1987 to April 1989, he successively worked as an exchange attorney at a Hong Kong law firm and a UK law firm. From August 1984 to July 1987, he studied at China University of Political Science and Law (中國政法大學) and earned a master degree of law. From January 1982 to August 1984, he worked as a teaching assistant at the School of Library at Anhui University. From March 1975 to March 1977, he was a teacher at Anhui Bengbu No. 21 Secondary School (安徽蚌埠市第二十一中學).

Since February 2018, Mr. JIN has served as an independent director of Shenzhen Asiantime International Construction Co., Ltd. (深圳市亞泰國際建設股份有限公司) (stock code: 002811). From October 2017, he has served as an independent director of Zhong Fa Zhan Holdings Limited (stock code: 00475). From March 2016, he has served as an independent director of Sino-Ocean Group Holding Limited. From December 2016, he has served as an independent director of CSG Holding Co., Ltd. From October 2015, he has served as an independent director of Times Property Holdings Limited. From January 2013, he has served as an independent director of Guotai Junan Securities Co., Ltd. Since June 2003, Mr. JIN has served as an independent director of Invesco Great Wall Fund Management Co., Ltd. (景順長城基金管理有限公司).

Mr. JIN studied at Anhui University (安徽大學) from April 1978 to January 1982, and earned a bachelor degree of arts. He also studied at China University of Political Science from August 1984 to July 1987, and earned a master degree of law.

Mr. HUA Yaogang (華耀綱), aged 61, was appointed as our Independent Non-executive Director in June 2018. He has retired from the position of the general manager of the education department and director of the party committee publicity department of the ICBC headquarters (中國工商銀行總行) (which he started to hold office since January 2014) since October 2017. Prior to that, Mr. Hua's primary work experiences include serving as: (i) the president of Tianjin Branch of the Industrial and Commercial Bank of China (中國工商銀行天津分行) from April 2006 to January 2014; (ii) the president of Chongqing Branch of the Industrial and Commercial Bank of China (中國工商銀行重慶分行) from November 2003 to April 2006; (iii) the deputy president and executive vice president of Tianjin Branch of the Industrial and Commercial Bank of China and concurrently general manager of China Huarong (Tianjin) (中國華融資產管理公司(天津)) from November 1994 to November 2003; (iv) the deputy director of the fund planning office, the general manager of the business department and the assistant to president of Tianjin Branch of the Industrial and Commercial Bank of China, successively, from January 1985 to November 1994; and (v) the grass-root branch cadre of the People's Bank of China (中國人民銀行) from October 1974 to January 1985.

Mr. Hua received a doctoral degree in economics from Nankai University (南開大學). He is qualified as a senior economist.

Directors, Supervisors, Senior Management and Employees

Mr. HE Jia (何佳), aged 64, was appointed as our Independent Non-executive Director in June 2018. He has been the double employed professor of Tsinghua University (清華大學) since September 2005, the chair professor of Chang Jiang Scholars Program since September 2008, and the leading professor of Southern University of Science and Technology (南方科技大學) since May 2014. Prior to that, Mr. He's primary work experiences in education industry include serving as: (i) the director of finance in Shanghai Jiaotong University (上海交通大學) from September 2006 to August 2007; (ii) the EMBA core professor of CEIBS (中歐國際工商管理學院) from September 2003 to August 2006; (iii) the part-time professor of Graduate School of the People's Bank of China (人民銀行研究生部) from September 1998 to August 2008; (iv) the professor of CUHK (香港中文大學) Business School and director of the Chinese Academy of Finance Reform and Development, CUHK from August 1998 to July 2015; (v) the adjunct professor of Faculty of Engineering, CUHK from August 1996 to July 1998; (vi) the adjunct professor (tenure) of University of Houston (休斯頓大學) from April 1996 to August 1999; (vii) the assistant professor of University of Houston from September 1991 to August 1995; (viii) the assistant professor of DePaul University (德保羅大學) from September 1989 to August 1991; (ix) the assistant professor of Baruch College (美國紐約市立大學柏魯克學院) from September 1988 to August 1989; and (x) the research assistant (RA) of Link Project (L.R.Klein as Project leader) from September 1984 to August 1986.

Mr. He's primary work experiences in listed companies including serving as: (i) the independent director of Junshi Biosciences (君實生物) (Hong Kong Stock Exchange: 01877) since December 2018; (ii) the independent director and remuneration committee chairman of Northern International (北方國際) (Shenzhen Stock Exchange: 000065) since May 2016; (iii) the independent director and chairman of related party transaction committee of Citic Securities (中信證券) (Shanghai Stock Exchange: 600030; Hong Kong Stock Exchange: 06030) since March 2016; (iv) the independent director and remuneration committee chairman of China Chengtong Group (中國誠通集團) (Hong Kong Stock Exchange: 00217) since July 2015; (v) the independent director and chairman of the board of directors audit committee of Tsinghua Tongfang (清華同方) (Shanghai Stock Exchange: 600100) since March 2015; (vi) the independent director of NEXGO (新國都) (Shenzhen Stock Exchange: 300130) since November 2012; (vii) the independent director and chairman of the board of directors audit committee of Huayu Mining (西藏華域礦業) (Shanghai Stock Exchange: 601020) since October 2012 and resigned in October 2018; and (viii) the independent director and chairman of G-governance committee of the board of directors of Oriental Patron (香港東英投資) (Hong Kong Stock Exchange: 01140) since September 2003.

Mr. He's primary work experiences in non-listed companies including serving as: (i) the independent director of China Galaxy International (銀河國際) since June 2016; (ii) the chairman of Sincere Capital (信熹資本) since March 2016; (iii) the independent director of Western Leadbank FMC (梅隴西部基金公司) from June 2010 to June 2013; and (iv) the independent director and chairman of G-governance committee of the board of directors of China Investment Securities (中投證券) from February 2005 to March 2017.

Mr. He's primary work experiences in governmental organs including serving as: (i) the financial adviser of Quanzhou Municipal Government (泉州市政府) since January 2015; (ii) the financial adviser of Chengdu Municipal Government (成都市政府) since July 2009; (iii) the financial adviser of Wuhan Municipal Government (武漢市政府) from November 2008 to November 2011; (iv) the head of comprehensive research institute of Shenzhen Stock Exchange (深圳證券交易所) from June 2001 to October 2002; (v) the member of CSRC

Directors, Supervisors, Senior Management and Employees

Planning and Development Committee (中國證監會規劃發展委員會) from June 2001 to August 2002; and (vi) the academic director general of postdoctoral workstation at the Shenzhen Stock Exchange from April 2001 to October 2002.

Mr. He studied as a worker-peasant-soldier student (工農兵學員) in the mathematics department of Heilongjiang University (黑龍江大學) from September 1975 to August 1978. He received a master's degree in computer and decisions-making from Shanghai Jiaotong University (上海交通大學) in November 1983, and a PhD degree in finance from Wharton School, University of Pennsylvania (美國賓夕法尼亞大學沃頓商學院) in August 1988.

2. Supervisors

Ms. FENG Xia (馮俠), aged 47, she was appointed as our Employee Representative Supervisor in March 2018 and has been the Chairman of the Board of Supervisors of our Bank since January 2018. She is responsible for any duties related to the Board of Supervisors and is in charge of the daily work of party construction and tasks of human resources, mass organizations and the Party Committee of our headquarters. She is also in charge of the work of Party Committee Office, Human Resources Department (Party Committee Organization Department, Party Committee United Front Work Department), Department of Party-People Relationship (Propaganda Department of the Party Committee) and Board of Supervisors Office, and assists in the management of Audit Department. Ms. FENG worked as our Shareholder Representative Supervisor from April 2013 to January 2018. She served as the deputy general manager and member of the Party Committee of Tianjin Jinrong Investment Service Group Co., Ltd. (天津津融投資服務集團有限公司) from June 2013 to January 2018. Ms. FENG also served as the deputy general manager and member of the Party Committee of Tianjin Investment Group (天津投資集團公司) from October 2012 to June 2013. She served as the deputy secretary of the Tianjin Municipal Committee of the Communist Youth League from June 2007 to October 2012, deputy secretary and secretary of Tianjin Dongli District Youth League (天津市東麗區團委) from April 1998 to June 2007 and the clerk and the deputy director of office of the Tianjin Dongli District Enterprises Economic Commission (天津市東麗區企經委) from July 1994 to April 1998.

Ms. FENG received her bachelor's degree in youth ideological education from China Youth University of Political Studies (中國青年政治學院) in Beijing, China in July 1994. She obtained a master's degree in economics from Tianjin Municipal Party School of the Communist Party of China (中共天津市委黨校) in Beijing, China in December 2002. She also obtained a master's degree in public administration and management from the National University of Singapore in Singapore in February 2011.

Directors, Supervisors, Senior Management and Employees

Mr. YAO Tao (姚濤), aged 56, was appointed as our Employee Representative Supervisor and general manager of Human Resources Department in November 2014. Mr. YAO joined our Bank in November 2000. He served as the general manager of Institutions Management department from March 2009 to August 2014 and served successively as the general manager of the Human Resources Department from April 2008 to March 2009 and since January 2014, and as the president of Huafeng sub-branch from June 2005 to April 2008, and head in charge of the ideological and political work of Xilian sub-branch and Xietong sub-branch of the Bank from November 2000 to June 2005. Mr. YAO served as secretary of department level and carder of section level of organization department of Tianjin Federation of Trade Unions from May 1991 to October 2000. Mr. YAO also worked at trade union and youth league committee of the Tianjin Bureau of Chemical Industries (天津市化工局) from March 1990 to May 1991 and October 1983 to July 1988, respectively.

Mr. YAO obtained a college diploma in basic course for party and government cadres from Tianjin Normal University (天津師範大學) in Tianjin, China in December 1986. He also obtained his bachelor's degree in economics and management from the Open College of Central Communist Party School (中共中央黨校函授學院) in Beijing, China in December 1999.

Mr. YU Yang (于暘), aged 39, was appointed as our Shareholder Representative Supervisor on June 2018. Mr. YU has over 10 years of experience in the operations and management of banking and securities. Mr. YU has served as assistant to the general manager of Tianjin Jinrong Investment Service Group Co., Ltd. since October 2017. From January 2009 to October 2017, Mr. YU served as assistant to the general manager, deputy general manager and general manager of Tianjin Port Free Trade Zone Investment Co., Ltd. Mr. YU served as the head of the asset management department of Tianjin T&B Holding Co., Ltd. from April 2007 to December 2008. Mr. YU served as senior manager at Bohai Securities Co., Ltd. from September 2003 to March 2007.

Mr. YU graduated from Nankai University (南開大學) in Tianjin, China in June 2001 with a bachelor's degree of economics in real estate operation and management from the Department of Economics.

Mr. ZHANG Lianming (張連明), aged 55, was appointed as our External Supervisor in December 2014. Currently, he serves as the partner of BDO China Shu Lun Pan Certified Public Accounts LLP (立信會計師事務所(特殊普通合夥)), director and deputy general manager of Lixin Certified Tax Agents Co., Ltd. (立信稅務師事務所有限公司) and the general manager of Tianjin office of Lixin Certified Tax Agents Co., Ltd. From March 2000 to May 2001, he was the chief of Section III of the Inspection Bureau under Tianjin State Tax Bureau. He served as a director of the foreign tax department of Tianjin Tax Consultancy Agency (天津稅務諮詢事務所) from November 1994 to February 2000. Mr. ZHANG served as Youth League branch secretary of the personnel department and deputy chief of Section III of the Tianjin Municipal Tax Bureau Heping District Sub-Administration from January 1982 to March 1990.

Directors, Supervisors, Senior Management and Employees

Mr. ZHANG obtained a college diploma in Accounting from Tianjin University of Finance and Economics (天津財經學院) in Tianjin, China and a college diploma in Party Work and Administration from Tianjin Open University (天津廣播電視大學) in Tianjin, China respectively in July 1993 and July 1986. He also obtained a master's degree in business administration from Macau University of Science and Technology in Macau, China in June 2004. In October 1999, he also obtained the qualification as the registered tax agent.

Mr. LIU Baorui (劉寶瑞), aged 61, was appointed as our External Supervisor since June 2018. He has been serving as chairman of the board of Shenzhen First Financial Services Limited (深圳第一金融服務有限公司) since September 2013. Mr. Liu served as the executive director and CEO of China Financial International Investments Limited (中國金融國際投資有限公司) (a company listed on the Hong Kong Stock Exchange, stock code: 00721.HK) from February 2011 to January 2013, assistant to president, the deputy president, executive director, and deputy secretary of the Party Committee of Shenzhen Development Bank Co., Ltd. (深圳發展銀行股份有限公司) (currently known as Ping An Bank Co. Ltd., a company listed on the Shenzhen Stock Exchange, Stock Code: 000001.SZ) from August 1998 to December 2010. From April 1981 to August 1998, Mr. Liu successively served as a staff, deputy director, director and branch president of Agricultural Bank of China Limited. From January 1976 to March 1981, Mr. Liu worked as a clerk at the People's Bank of China.

Mr. Liu obtained a certificate of graduation in fundamental basics for party cadres from Tianjin Normal University in Tianjin, China in December 1986. He also obtained an executive master of business administration from Shanghai Jiao Tong University in Shanghai, China in April 2005. He is a senior economist accredited by the Agricultural Bank of China.

3. Senior Management

Mr. SUN Ligu (孫利國), for biographical details of Mr. SUN, please refer to “– III. Biographies of Directors, Supervisors and Senior Management – 1. Directors” of this section.

Ms. ZHANG Furong (張富榮), for biographical details of Ms. ZHANG Furong, please refer to “– III. Biographies of Directors, Supervisors and Senior Management – 1. Directors” of this section.

Ms. ZHANG Ying (張穎), aged 43, has been serving as our secretary of the disciplinary committee and a member of the Party Committee since September 2014. She is primarily responsible for all the work related to disciplinary committee of our Bank, and in charge of the Discipline Inspection and Supervision Department of our Bank.

Ms. ZHANG has over 20 years of experience in banking operations and management. Ms. ZHANG joined the China Bank of Communications in July 1998 and had held several positions up to September 2014, including general manager, assistant to president and vice president of the corporate business division and human resources department of the Tianjin branch.

Directors, Supervisors, Senior Management and Employees

Ms. ZHANG graduated from Tianjin University of Finance and Economics (天津財經學院) in Tianjin, China, majoring in banking and currencies, and obtained her bachelor's degree in economics in July 1998. Ms. ZHANG obtained a master's degree in economics from the Faculty of Finance at Nankai University (南開大學) in Tianjin, China in June 2010. She was also accredited the qualification of intermediate economist by the Ministry of Personnel of the PRC in November 2002.

Mr. LIANG Jianfa (梁建法), for biographical details of Mr. LIANG Jianfa, please refer to "- III. Biographies of Directors, Supervisors and Senior Management – 1. Directors" of this section.

Mr. XIA Zhenwu (夏振武), aged 49, has been serving as assistant to our president of the Bank since April 2014, in charge of Office, Administrative Affairs Department and Security Protection Department.

Mr. XIA has over 20 years of experience in banking operations and management. He served as party secretary of Tianjin Free Trade Zone branch from June 2015 to October 2016. He served as secretary of the Party Committee of Binhai Branch of the Bank from March 2014 to October 2016 and has served as assistant to the president of the Bank since April 2014. He served as our Chief Financial Officer from January 2008 to April 2014. He served as secretary of the Party Committee and president of First Central Branch (第一中心支行) from January 2012 to March 2014 and from June 2012 to March 2014, respectively. Mr. XIA joined the Bank in November 1996 and has held several positions in the Bank since then, including president of Jinlian sub-Branch from November 1996 to July 2002, president of Tianjin Bonded Area sub-Branch from July 2002 to April 2004, manager of International Business Department from March 2003 to December 2003 and general manager of Financial Planning Department from December 2003 to July 2010. Prior to this, he held several positions of Tianjin Jinlian Urban Credit Cooperatives (天津市津聯城市信用社), the predecessor of the Bank, from January 1991 to November 1996, including assistant to the director, deputy director and director, being primarily responsible for the overall work of this credit cooperatives.

Mr. XIA graduated from Tianjin Administrative Cadre Vocational School (天津市行政幹部職業學校) in Tianjin, China in July 1988. He obtained a certificate in Accountancy from Xinhua Workers College (新華職工大學) in Tianjin, China in July 1993, a certificate in economic management from Correspondence School, Central Party School (中央黨校函授學院) in Beijing, China in December 1996 and a certificate in finance from the Open University of China (中央廣播電視大學) in Beijing, China in January 2007. He was qualified as a senior economist accredited by Tianjin Personnel Bureau (天津市人事局) in March 2009.

Directors, Supervisors, Senior Management and Employees

Mr. WANG Feng (王峰), aged 46, has been serving as assistant to our president of the Bank since April 2017, he is also in charge of the Micro Financial Inclusion Department, Personal Banking Department and Credit Card Centre, Tianjin E-Bank Department, Operation Management Department, International Business Department, IT Department and Operation Center.

Mr. WANG has over 20 years of experience in banking operations and management. He served as senior deputy manager of China Construction Bank, Tianjin Branch (中國建設銀行天津分行) from August 2016 to December 2016. From September 2009 to August 2016, he served as deputy president of Sino-German Bausparkasse (中德住房儲蓄銀行). From May 2008 to September 2009, Mr. WANG served as secretary of the Party Committee and president of China Construction Bank, Tianjin Hebei Sub-branch (中國建設銀行天津河北支行). From November 2004 to April 2008, Mr. WANG served as general manager of Personal Banking Department of China Construction Bank, Tianjin Branch. From April 2001 to November 2004, Mr. WANG served as deputy director of Clearing Centre, deputy general manager of Accounting and Settlement Department for China Construction Bank, Tianjin Branch, respectively. From March 1998 to April 2001, Mr. WANG served as business manager of Financing Savings Office (籌資儲蓄處) for China Construction Bank, Tianjin Branch. From October 1993 to March 1998, Mr. WANG successively served as office worker of Nanchang Road Branch (南昌路分理處), clerk of Pingshan Road Savings Bank (平山道儲蓄所), director of Youyi Road Branch (友誼路分理處), post-transaction supervisor and chief GL accountant (總賬會計主管) of Financing Savings Department (籌資儲蓄科), director of Zijinshan Road Branch (紫金山路分理處) for China Construction Bank, Tianjin Hexi Sub-branch (中國建設銀行天津河西支行), respectively.

Mr. WANG majored in marketing at Tianjin Open University from September 1991 to July 1993 and obtained a college degree, majored in monetary banking at Tianjin University of Finance and Economics from September 1998 to July 2002, and subsequently further studied at and obtained an executive master of business administration from Nankai University in Tianjin from October 2003 to June 2005.

IV. CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Our bank has received from each of its independent non-executive Directors the annual confirmation of his independence and considered that all the independent non-executive Directors are independent pursuant to the guidelines set out in Rule 3.13 of the Listing Rules.

Directors, Supervisors, Senior Management and Employees

V. INFORMATION ON REMUNERATION PAID TO DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Please refer to Note 17 to the financial statements for the total amount of the remuneration of Directors and Supervisors during the Reporting Period. During the year ended December 31, 2018, no emolument was paid by the Bank to any of the Directors, Supervisors or the five highest paid individuals (including Directors, Supervisors and employees) as an inducement to join or upon joining the Bank or as compensation for loss of office.

Remuneration paid to the senior management⁽¹⁾ (excluding the Directors and Supervisors) by bands for the year ended December 31, 2018 is set out below:

	Number of employees	% of the total
Nil to RMB500,000	1	33.3%
RMB500,000 to RMB10,000,000	2	66.7%

Note:

- (1) As of December 31, 2018, three of the Bank's senior management members are concurrently the Directors, namely Mr. SUN Liguu, Ms. ZHANG Furong and Mr. LIANG Jianfa, respectively. For the details of the remuneration of Mr. SUN Liguu, Ms. ZHANG Furong and Mr. LIANG Jianfa, please refer to Note 17 of the financial statements of this annual report.

Directors, Supervisors, Senior Management and Employees

VI. REMUNERATION OF PERSON IN CHARGE OF THE ENTERPRISES OWNED BY TIANJIN MUNICIPAL GOVERNMENTS OF THE BANK IN 2017

Name of the Company: Bank of Tianjin Co., Ltd.

Unit: RMB yuan

Name	Position	Beginning and end date of remuneration for the Year	Remuneration paid by the Company before tax in 2017				Total (4)=(1)+(2)+(3)	Whether remunerated by shareholding companies or related party companies	Total remuneration before tax received from related party companies
			Remuneration payable (1)	Social insurance, contribution to annuity funds, supplemental medical insurance and housing funds deposited by the Company (2)	Other income in the form of money (indicate specific item in parallel) (3)				
LI Zongtang	Secretary of the party committee and chairman	January 2017 to December 2017	516,800	189,210.75	-	706,010.75	No	-	
SUN Liguo	Deputy secretary of the party committee and president	January 2017 to December 2017	516,800	189,210.75	-	706,010.75	No	-	
ZHANG Furong	Member of the party committee, vice president, trade union president and secretary of the Board of Directors	January 2017 to December 2017	465,120	189,210.75	-	654,330.75	No	-	
ZHANG Ying	Member of the party committee and secretary of the disciplinary committee	January 2017 to December 2017	465,120	189,210.75	-	654,330.75	No	-	
LIANG Jianfa	Member of the party committee, vice president and chief financial officer	January 2017 to December 2017	465,120	189,210.75	-	654,330.75	No	-	
ZHANG Xiang	Former deputy secretary of the party committee and chairman of the Board of Supervisors	January 2017 to April 2017	155,040	62,363.07	-	217,403.07	No	-	
YUE Desheng	Former member of the party committee and vice president	January 2017 to December 2017	402,656	189,210.75	-	591,866.75	No	-	

Directors, Supervisors, Senior Management and Employees

Notes:

1. The remuneration disclosed in above table was the totaled remuneration payable before tax to person in charge of the enterprises owned by municipal governments of the Bank in 2017 and social insurances deposited by the Company according to the state regulations, among which, item (1) was approved by SASAC.
2. FENG Xia, our Deputy secretary of the party committee and Board of Supervisors, joined the Bank in 2018, his remuneration for 2017 will be disclosed by his former employer.

VII. EMPLOYEES' REMUNERATION POLICIES AND TRAINING PLANS FOR EMPLOYEES

As of December 31, 2018, we had 6,852 regular employees in total, of which 1,105 employees at our head office and 5,628 employees at our branches and sub-branches, 77 employees at our consolidated county banks and 42 employees at Bank of Tianjin Financial Leasing Co., Ltd. (天銀金融租賃有限公司). As of December 31, 2018, we had 5,899 or 86.09% employees who had bachelor's degrees or above, and our staff's average age was 36.

We are gradually building a scientific incentive and restraint mechanism which implements segmental assessment to align our compensation payment with the overall performance of our Bank and individual performance. The Bank contributes to social insurance and other employee benefits for our employees, such as pension insurance, medical insurance, work injury insurance, unemployment insurance, maternity insurance and housing fund in accordance with the applicable PRC laws, rules and regulations.

In accordance with Regulatory Guidelines for the Stability of Remuneration in Commercial Banks of CBIRC, our Bank has formulated Remuneration Management Policy of Bank of Tianjin Co., Ltd. and Remuneration Management Measures of Bank of Tianjin to regulate our management of remuneration. Our Bank has successfully established a broadband salary management system with diversified composition, standardized management and systematic implementation and adopted a market-oriented and diversified management by region in order to scientifically and effectively motivate our employees and ensure the smooth implementation of our developmental strategies.

Remuneration policies of our Bank are in line with our risk management system and our employee compensation level also match our Bank performance. Based on the principle of combining incentives and restraints, prudent and careful attitude, and being coordinated and sustainable, according to requirements for risk management, we adopt deferred payment to staff whose positions can have significant impact on our risk exposure to mitigate risks. Moreover, to consolidate performance assessment orientation and make remuneration match contribution, employees will be given disciplinary actions or subject to other penalties for violations of rules and dereliction of duty, and their remuneration will be deducted accordingly.

Corporate Governance Report

The bank formulates key points and training plans for staff education and training on a yearly basis and conducts hierarchically key talents cultivation programs including new employees, youth backbones, business professionals and management echelon. The head office organizes exemplary training to key business personnel from branches and sub-branches on front-line business operations, promotion of new products and services, customer marketing management, new products and services, case prevention of internal control and compliance by professions and levels, guiding branches and sub-branches to carry out secondary training in accordance with the actual situation. Since 2014, the bank has launched the system of job-related post certificates for the staff throughout the bank. The bank has also regularly organized various types of professional qualifications and selection competitive examinations, promoted employee vocational qualification management and encouraged employees to attend external professional qualification courses. As of the date of this annual report, more than 12,392 people passed the tests and obtained various kinds of vocational qualification certificates.

CORPORATE GOVERNANCE OVERVIEW

During the Reporting Period, our Bank continued to improve the transparency of its corporate governance to protect the interests of shareholders and enhance the corporate value.

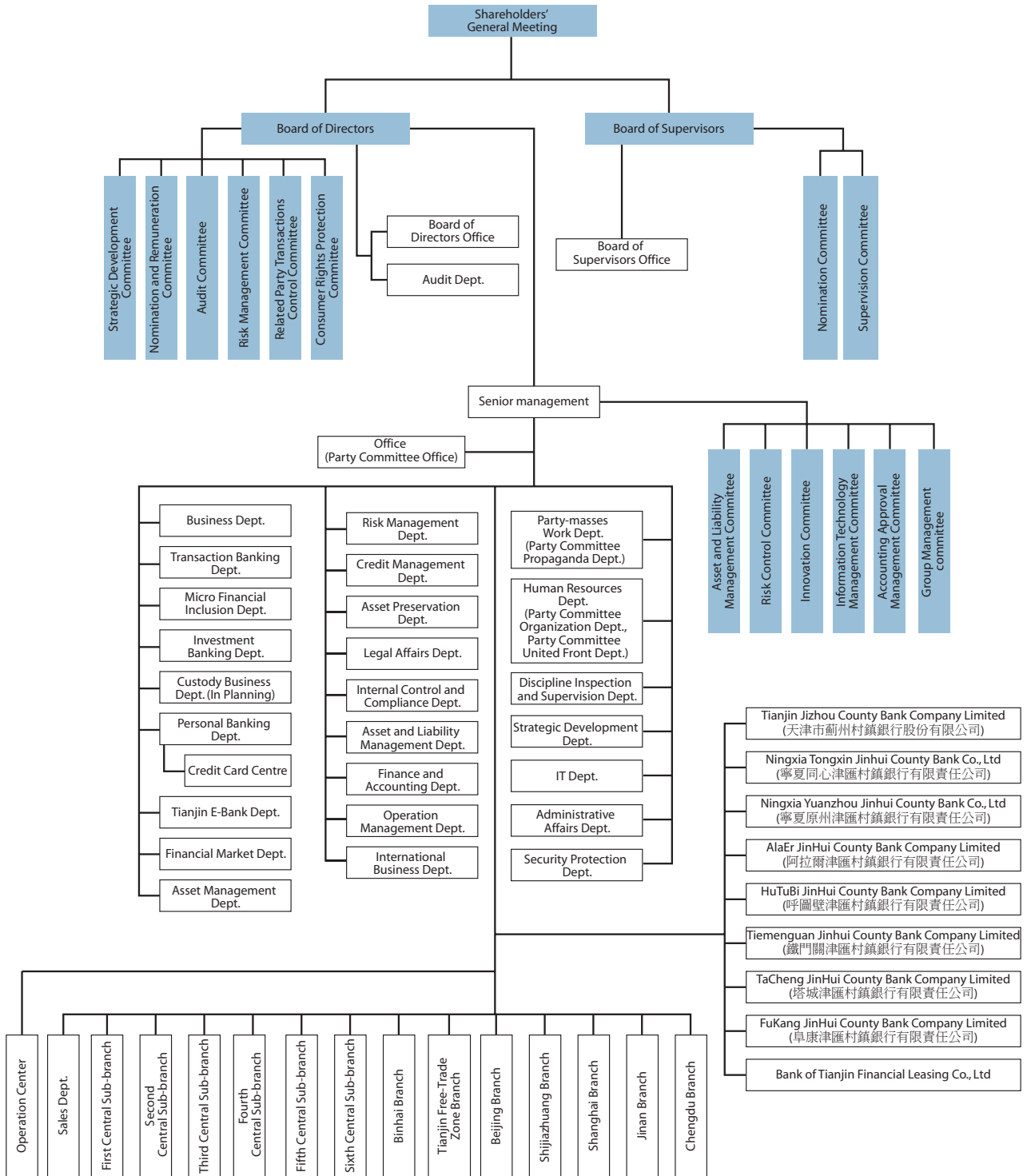
Our Bank has established a relatively comprehensive corporate governance structure in accordance with the requirements of the Hong Kong Listing Rules. The compositions of the Board and the special committees of the Board are in compliance with the requirements of the Hong Kong Listing Rules. Our Bank clearly defines the responsibilities of the Shareholders' general meeting, the Board of Directors, the Board of Supervisors and senior management. The Shareholders' general meeting is the supreme authority of the Bank. The Board of Directors is accountable to the Shareholders' general meeting. The Board of Directors has established six special committees which operate under the leadership of the Board and provide opinions for the Board's decisions. The Board of Supervisors supervises the stable and sound operations of the Bank and the performance of duties of the Board and senior management. Senior management under the leadership of the Board is responsible for implementing resolutions of the Board and taking charge of the daily business and management of the Bank and reporting regularly to the Board of Directors and the Board of Supervisors. The President is appointed by the Board and is responsible for the overall business and management of the Bank.

Our Bank has adopted the Corporate Governance Code (the "Code") in Appendix 14 to the Hong Kong Listing Rules, and has met the requirements of the PRC commercial bank administrative measures and corporate governance and has established a sound corporate governance system. The Board believes that our Bank has always complied with the requirements of the code provisions set out in the Code in Appendix 14 to the Hong Kong Listing Rules during the Reporting Period.

Our Bank is committed to maintaining high standards in corporate governance. Our Bank will continue to enhance its corporate governance to ensure compliance with the Code and meeting expectations from our shareholders and potential investors.

Corporate Governance Report

ORGANIZATION CHART



Corporate Governance Report

SHAREHOLDERS' GENERAL MEETINGS

Information of Shareholders' General Meetings

In 2018, the Bank held one Shareholders' general meeting, details of which are set out below:

At the 2017 annual general meeting of the Bank held on May 11, 2018, 12 proposals were considered and approved, including the Work Report of the Board of Directors for 2017, Work Report of the Board of Supervisors for 2017, the Report for Final Financial Accounts for 2017 and Financial Budget Plan for 2018, the Profit Distribution Plan for 2017 and re-appointment and appointment of sixth session of the Board.

BOARD OF DIRECTORS

The Operation of the Board of Directors

The Board of Directors shall hold at least four regular meetings a year and convene other meetings when necessary. The meetings of the Board of Directors may be convened by physical meetings or by way of telecommunication. The Board shall inform all Directors in advance of the meetings and provide sufficient information to all Directors timely, including background materials for the proposed resolutions and other information and data to assist the Directors to make informed decisions. For a regular Board meeting, a notice of at least 14 days shall be given to all directors before the meetings and for all other Board meetings, a notice of five days shall be given to all Directors before the meetings. A good communication and report mechanism has been established among the Directors, the Board of Directors and senior management. All Directors can seek independent professional advice at the Bank's expense. The President reports regularly to the Board and is supervised by the Board. At the Board meetings, all Directors express their opinions freely, and detailed discussion is required before decisions on important matters are made.

Corporate Governance Report

As the daily administrative body of the Board of Directors, the Board of Directors Office is responsible for the preparation of the Shareholders' general meetings, the Board meetings and meetings of the special committees under the Board and other matters as assigned by the Shareholders' general meetings, the Board meetings and meetings of the special committees under the Board of Directors. The Board of Directors and the senior management exercise their respective powers in accordance with their responsibilities as set out in the Articles of Association. A Director who has material interest in the proposal must abstain from discussion and voting on such proposal and must not be counted as the quorum for such proposal. The Board of Directors has conducted review of the effectiveness of the risk management and internal control system of the Bank, covering financial, operational and compliance controls. The risk management and internal control systems are reviewed four times per year and covering a period from January 1, 2018 to December 31, 2018. The Bank considers such review effective and adequate. The Board of Directors is of the view that, the risk management and internal control system established and implemented by the Bank are sufficient and effective.

For more details on our internal audit, please refer to the section "Risk Management and Internal Control – Internal Audit".

Composition of the Board of Directors

As of the date of this annual report, the Board of Directors of the Bank consisted of fifteen Directors, including four executive Directors, namely, Mr. LI Zongtang, Mr. SUN Liguu, Ms. ZHANG Furong and Mr. LIANG Jianfa; six non-executive Directors, namely, Ms. SUN Jingyu, Mr. WU Tao, Mr. Alistair Marshall BULLOCH, Mr. ZHAO Wei, Mr. XIAO Jingxi and Ms. LI Jun; and five independent non-executive Directors, namely Mr. FENG Heping, Mr. LAW Yee Kwan, Quinn, Mr. JIN Qingjun, Mr. HUA Yaogang and Mr. HE Jia. Mr. LI Zongtang is the Chairman of the Board of Directors. The number and composition of the Board of Directors of the Bank conform to applicable laws and regulations.

For biographical information and the term of office of the Directors, please refer to the section under "Directors, Supervisors, Senior Management and Employees" of this annual report. None of the members of the Board is related to one another.

Change of Directors during the Reporting Period

Please refer to "Directors, Supervisors, Senior Management and Employees – Changes of Directors, Supervisors and Senior Management During the Reporting Period" for details of changes in Directors of the Bank.

Duties of the Board of Directors

The Board is accountable to the Shareholders' general meeting and shall perform the following duties and powers:

- (a) to convene Shareholders' general meetings and to report to Shareholders at such Shareholders' general meetings;

Corporate Governance Report

- (b) to implement the resolutions of the Shareholders' general meeting;
- (c) to decide on our operational plans and investment plans;
- (d) to formulate our annual financial budgets and accounts, venture capital distribution plans;
- (e) to formulate our profit distribution plans and plans for recovery of losses;
- (f) to formulate proposals on increases in or reductions of our registered share capital, issuance of bonds or other securities and other capital replenishment plan and listing plans as well as investment plan for funds raised, to supervise the implementation thereof, and to ensure that our Bank meets capital adequacy ratio requirements;
- (g) to formulate proposals for material acquisitions, the repurchase of our shares, merger, separation, dissolution of our Bank or change of the form of our Bank;
- (h) within the scope authorized by our Shareholders' general meetings, to decide on significant matters that are not daily business, such as external investments, purchases and sales of assets, pledges of assets, external guarantees, entrusted wealth management and connected transaction;
- (i) to decide on the establishment of our internal management departments;
- (j) to appoint or remove our president and secretary to our Board based on the nominations by the chairman; to appoint or remove senior management, such as the vice presidents, head of finance department based on the nominations by the president and to decide on matters relating to their emoluments and on the imposition of disciplinary measures;
- (k) to formulate the policies on the remuneration and allowance standard of our Directors;
- (l) to establish our basic management system, decide on policies in respect of our risk management, internal control and compliance, and to consider and approve green credit strategies;
- (m) to formulate proposals for any amendment to our Articles of Association;
- (n) to approve our Bank's internal audit charter and audit planning and work plan;
- (o) to manage or authorize the related transaction management by Related Party Transactions Control Committee;
- (p) to formulate mid-and long-term operation development strategies and major business development plans of the Bank, and to monitor the effective implementation of relevant plans;

Corporate Governance Report

- (q) to formulate information disclosure system, to manage information disclosure matters, and take ultimate responsibility for the authenticity, completeness, accuracy and timeliness of the accounting and financial reporting system of our Bank;
- (r) to propose to the Shareholders' general meeting the appointment, change or discontinuing to appoint the accounting firms auditing our Bank;
- (s) to supervise and evaluate the performance of duties by Directors and senior management of our Bank, to review working reports of the president and to examine the president's performance;
- (t) to review any material capital expenses, contracts and commitments which beyond the expense limits set by the Board for the senior management;
- (u) to develop the shareholding incentive or repurchase scheme;
- (v) to regularly evaluate and improve our Bank's corporate governance, and to make necessary adjustments for the problems; and
- (w) to exercise any other power prescribed by the applicable laws, administrative regulations, departmental rules, as well as other duties and powers conferred by our Articles of Association and Shareholders' general meetings.

Director's Responsibility for the Preparation of the Financial Statements

The Directors acknowledge that they are responsible for the preparation of the financial statements of our Bank for the year ended December 31, 2018, which give a true and fair view of the state of affairs and results of the Bank. In doing so, the Directors opted for suitable accounting policies and applied them consistently and used accounting estimates as appropriate in the circumstances. With the assistance of the accounting and finance staffs, the Directors ensured that the financial statements of the Bank are prepared in accordance with statutory requirements and appropriate financial reporting standards. The statement of the external auditors, in relation to their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 138 to 144.

Corporate Governance Report

Meetings of the Board of Directors and the Directors' Attendance

During the Reporting Period, our Bank held 6 meetings of the Board of Directors, considering and approving 68 proposals on matters mainly including adoption and/or amendments to various corporate governance measures, profit distribution plans, development plans and business operations. The details of the Board meetings held during the Reporting Period are set out below:

Meeting	Meeting Date	Meeting Form
The 18th meeting of the 5th Board of Directors	January 19, 2018	Resolution in writing
The 19th meeting of the 5th Board of Directors	March 23, 2018	On-site
The 1st meeting of the 6th Board of Directors	June 15, 2018	On-site
The 2nd meeting of the 6th Board of Directors	August 24, 2018	On-site
The 3rd meeting of the 6th Board of Directors	November 23, 2018	On-site
The 4th meeting of the 6th Board of Directors	December 28, 2018	Resolution in writing

The attendance of each Director in the meetings of the Board of Directors during the Reporting Period is set out below:

Members of the Board	Number of meetings of the Board of Directors requiring attendance	Number of meetings of the Board of Directors attended in person	Number of meetings of the Board of Directors attended by proxy	Number of Shareholders' general meeting attended/Number of Shareholders' general meetings requiring attendance
Mr. LI Zongtang	6	6	0	1/1
Mr. Sun Liguo	6	6	0	1/1
Ms. ZHANG Furong	6	6	0	1/1
Mr. LIANG Jianfa	4	3	1	0/0
Ms. SUN Jingyu	4	4	0	0/0
Mr. WU Tao	4	4	0	0/0
Mr. Alistair Marshall BULLOCH	6	6	0	1/1
Mr. ZHAO Wei	6	6	0	0/1
Mr. XIAO Jingxi	4	4	0	0/0
Ms. LI Jun	4	4	0	0/0
Mr. FENG Heping	6	6	0	0/1
Mr. LAW Yee Kwan, Quinn	6	5	1	1/1
Mr. JIN Qingjun	6	6	0	1/1
Mr. HUA Yaogang	4	4	0	0/0
Mr. HE Jia	4	4	0	0/0
Mr. ZHAO Jiawang ⁽¹⁾	2	2	0	0/1
Mr. YU Yang ⁽¹⁾	2	1	1	1/1
Mr. LUAN Fengxiang ⁽¹⁾	2	1	1	0/1
Mr. ZENG Xiangxin ⁽¹⁾	2	1	1	0/1
Mr. LIU Baorui ⁽¹⁾	2	2	0	1/1
Mr. GUO Tianyong ⁽¹⁾	2	2	0	0/1

Note: (1) Retired as members of the Board on June 8, 2018.

Corporate Governance Report

Independent non-executive Directors

The Board of our Bank now has five independent non-executive Directors, which is in compliance with the requirements of the Hong Kong Listing Rules regarding the appointment of at least three independent non-executive Directors representing at least one-third of the Board, with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

During the Reporting Period, the independent non-executive Directors fulfilled their fiduciary duties and duty of diligence as well as the responsibilities as provided by the Articles of Association and protected the interests of our Bank and its Shareholders as a whole. Our Bank's independent non-executive Directors duly attended the meetings of the Board of Directors and the special committees thereof, provided objective and independent advice on various matters discussed by the Board and the special committees and played an active role in the decision-making of the Board and the supervision of the Board.

The Bank has received the annual confirmation letters from each independent non-executive Directors confirming his independence as required by the Hong Kong Listing Rules. Therefore, we confirm that all independent non-executive Directors complied with the requirements of Listing Rules in respect of their independence.

Special Committees of the Board

As of the date of this annual report, the Board has six special committees including the strategic development committee, audit committee, related party transactions control committee, risk management committee, nomination and remuneration committee and consumer rights protection committee.

Strategic Development Committee

As of the date of this annual report, the Strategic Development Committee consists of five directors, namely Mr. LI Zongtang, Mr. SUN Ligu, Mr. SUN Jingyu Mr. Alistair Marshall BULLOCH and Mr. HE Jia. The chairman of the Strategic Development Committee is Mr. LI Zongtang, and Mr. LI Zongtang and Mr. SUN Ligu are executive Directors. Mr. SUN Jingyu and Mr. Alistair Marshall BULLOCH are non-executive Directors whereas Mr. HE Jia is an independent non-executive Director. The primary duties of the Strategic Development Committee include:

- studying and providing advice on our mid-and long-term development strategies;
- supervising and inspecting the implementation of annual operation plans and investment plans;
- studying and formulating our capital supplement plans and channels;
- studying and providing advice on our material investment plans and other material matters which have effect on our development;
- reviewing modification proposals of articles of association; and
- inspecting the implementation of the above items.

Corporate Governance Report

During the Reporting Period, the Strategic Development Committee held 3 meetings, considering and approving 16 proposals on matters mainly including: Evaluation Report on 2017 Internal Resources Sufficiency (2017年度內部資本充足評估報告), 2017 Social Responsibility Report (2017年度社會責任報告), 2016-2020 Strategic Development Plan (2018 Amendments) (2016-2020年發展戰略規劃(2018年修訂版)) and 2018 Organizational Development Plan (2018年機構發展規劃). The attendance of each member in the meetings of the Strategic Development Committee in 2018 is set out below:

Committee members	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
Mr. LI Zongtang	3	3	0
Mr. Sun Liguo	3	3	0
Ms. SUN Jingyu	2	1	1
Mr. Alistair Marshall BULLOCH	3	3	0
Mr. HE Jia	2	2	0
Mr. YU Yang ⁽¹⁾	1	1	0
Mr. LIU Baorui ⁽¹⁾	1	1	0

Note: (1) Retired as members of the Strategic Development Committee on June 15, 2018.

Audit Committee

Our Bank has established an Audit Committee with written terms of reference in compliance with the requirements under the Hong Kong Listing Rules. The terms of reference of the Audit Committee can be found on the website of the Hong Kong Stock Exchange and website of our Bank. As of the date of this annual report, the Audit Committee consists of five Directors, being Mr. FENG Heping, Mr. XIAO Jingxi, Ms. LI Jun, Mr. LAW Yee Kwan, Quinn and Mr. HUA Yaogang. The chairman of the Audit Committee is Mr. FENG Heping. Mr. XIAO Jingxi and Ms. LI Jun are non-executive Directors, whereas Mr. FENG Heping, Mr. LAW Yee Kwan, Quinn and Mr. HUA Yaogang are independent non-executive Directors. Independent non-executive directors represent the majority of the Bank's Audit Committee. An independent non-executive director serves as chairman of the Audit Committee. The primary duties of the Audit Committee include the following:

- reviewing our accounting policies, financial position and financial reporting procedures, and inspecting our risk and compliance;
- considering our financial statements, annual report and accounts, half-year report and (if prepared for publication) quarterly reports as issued by the external auditor on our operating results in the previous year, and to review significant financial reporting views contained in such statements and reports; to make judgements on the truthfulness, accuracy, completeness and timeliness of the information of the audited financial reports, and to submit the deliberations to the Board of Directors;

Corporate Governance Report

- making recommendations to the Board on the appointment or change of the external auditor, and approving the remuneration and terms of engagement of the external auditor;
- monitoring and evaluating the external auditor's independence and objectivity and the effectiveness of the audit process;
- reviewing the management letter (or equivalent document) presented by the external auditors to the management and ensuring that the Board of Directors will provide a timely response to it, and reviewing any material queries raised by the external auditors to the management about meeting records, financial accounts or systems of control, and the management's response;
- being responsible for the communication between internal auditors and external auditors, and ensuring coordination between the internal auditors and external auditors;
- organizing and leading our internal audit work pursuant to the authority of the Board, to approve our audit policies and procedures and our annual audit work plan, and to supervise the implementation;
- considering the internal control reports, supervising and inspecting the effectiveness of the implementation, and submitting comments and suggestions to the Board of Directors while informing the senior management and the Board of Supervisors; and
- listening to the audit report of the internal audit department regularly, and submitting it to the Board of Directors and informing the senior management and the Board of Supervisors.

During the Reporting Period, the Audit Committee held 4 meetings, considering and approving 16 proposals on matters mainly including: Evaluation Report on 2017 Internal Control (2017年內部控制評價報告), The Report on 2017 Internal Audit Work (2017年內部審計工作報告), 2018 Internal Work Plan (2018年內部審計工作計劃).

The Audit Committee also organized the preparation and review of the 2017 annual report and 2018 interim report according to relevant disclosure requirements on the annual financial report. During the Reporting Period, the Audit Committee had several meetings and communications with the external auditors in the absence of executive Directors and senior management. On March 21, 2019, the Audit Committee reviewed the audited consolidated financial statements for the year ended December 31, 2018 prepared in accordance with the accounting principles and policies of the Bank. It also reviewed the internal control system and the effectiveness of the Bank's internal audit function by periodically hearing the internal audit work report of our internal audit department.

Corporate Governance Report

The attendance of each member in the meetings of the Audit Committee during the Reporting Period is set out below:

Committee members	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
Mr. FENG Heping	4	4	0
Mr. XIAO Jingxi	3	3	0
Ms. LI Jun	3	3	0
Mr. LAW Yee Kwan, Quinn	4	4	0
Mr. HUA Yaogang	3	3	0
Mr. YU Yang ⁽¹⁾	1	0	1
Mr. ZENG Xiangxin ⁽¹⁾	1	0	1
Mr. GUO Tianyong ⁽¹⁾	1	1	0

Note: (1) Retired as members of the Audit Committee on June 15, 2018.

Related Party Transactions Control Committee

Our Bank has established a Related Party Transactions Control Committee with written terms of reference. As of the date of this annual report, the Related Party Transactions Control Committee consists of five Directors, being Mr. JIN Qingjun, Ms. ZHANG Furong, Mr. LIANG Jianfa, Mr. FENG Heping and Mr. HUA Yaogang. The chairman of the Related Party Transactions Control Committee is Mr. JIN Qingjun. Ms. ZHANG Furong and Mr. LIANG Jianfa are executive Directors of the Bank. Mr. JIN Qingjun, Mr. FENG Heping and Mr. HUA Yaogang are independent non-executive Directors. The primary duties of the Related Party Transactions Control Committee include the following:

- identifying Related Parties and connected persons; and
- conducting review of related party transactions and connected transactions subject to review by the Board and the Shareholders' general meeting, reporting such Related Parties and connected transactions to the Board, and reviewing the related party transactions and connected transactions within the scope of authority of the Board.

During the Reporting Period, the Related Party Transaction Control Committee held 4 meetings, considering and approving 2 proposals on matters mainly including: 2017 Work Report and 2018 Work Plan of Related Party Transactions Control Committee under the Board of Bank of Tianjin Co., Ltd. (《天津銀行股份有限公司董事會關聯交易控制委員會2017年工作情況和2018年工作計劃》) and Report on Supplemental Information on Identification of "Insiders" Regarding Related Parties and Changes on the List of Related Parties (《關於關聯方「內部人」補充認別情況及關聯方名單變更情況的報告》).

Corporate Governance Report

The attendance of each member in the meeting of the Related Party Transactions Control Committee during the Reporting Period is set out below:

Committee members	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
Mr. JIN Qingjun	4	4	0
Ms. ZHANG Furong	3	3	0
Mr. LIANG Jianfa	3	2	1
Mr. FENG Heping	4	4	0
Mr. HUA Yaogang	3	3	0
Mr. LIU Baorui ⁽¹⁾	1	1	0
Mr. LUAN Fengxiang ⁽¹⁾	1	0	1

Note: (1) Retired as members of the Related Party Transactions Control Committee on June 15, 2018.

Risk Management Committee

Our Bank has established a Risk Management Committee with written terms of reference. As of the date of this annual report, the Risk Management Committee consists of five Directors, being Mr. SUN Liguu, Mr. LIANG Jianfa, Mr. WU Tao, Mr. ZHAO Wei and Mr. JIN Qingjun. The chairman of the Risk Management Committee is Mr. SUN Liguu. Mr. SUN Liguu and Mr. LIANG Jianfa are executive Directors of our Bank. Mr. WU Tao and Mr. ZHAO Wei are non-executive Directors of our Bank. Mr. JIN Qingjun is independent non-executive Directors of our Bank. The primary duties of the Risk Management Committee include the following:

- supervising the risk control condition conducted by the senior management in respect of credit risks, marketing risks, liquidity risks, operation risks, compliance risks, information technology risks and reputation risks, and conducting regular reviews of the risk reports;
- assessing our risk policies, management, tolerance and capacity;
- supervising our risk management and internal control systems, and making proposals on the improvement plans of our risk management and internal control systems;
- discussing our risk management and internal control system with senior management to ensure the effectiveness of our risk management systems; and
- conducting regular review of and supervising the effectiveness of our risk management systems.

Corporate Governance Report

During the Reporting Period, the Risk Management Committee held 4 meetings, considering and approving 12 proposals on matters mainly including: 2017 Risk and Risk Management Status Report (2017年度風險及風險管理狀況報告) and 2018 Risk Appetite (2018年風險偏好). The Risk Management Committee regularly reviewed risk management systems of our Bank by hearing on a quarterly basis, the report by our senior management on the risk management of our Bank, including credit risk, market risk, operational risk, compliance risk, liquidity risk and information technology risk, reputation risk, etc. Based on the economic development trends, the changes in macro-economic regulation and control and our Bank's actual operational development, the Risk Management Committee will put forward opinions and suggestions to improve our Bank's risk management and urge the senior management to improve the workflow of risk management.

The attendance of each member in the meetings of the Risk Management Committee during the Reporting Period is set out below:

Committee members	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
Mr. SUN Liguo	4	4	0
Mr. LIANG Jianfa	3	2	1
Mr. WU Tao	3	3	0
Mr. ZHAO Wei	4	4	0
Mr. JIN Qingjun	3	3	0
Mr. ZHAO Jiawang ⁽¹⁾	1	1	0
Mr. Alistair Marshall BULLOCH ⁽¹⁾	1	1	0

Note: (1) Retired as members of the Risk Management Committee on June 15, 2018.

Nomination and Remuneration Committee

Our Bank has established the Nomination and Remuneration Committee with written terms of reference in compliance with the requirements under the Hong Kong Listing Rules. The terms of reference of the Nomination and Remuneration Committee can be found on the website of the Hong Kong Stock Exchange and the website of our Bank. As of the date of this annual report, the Nomination and Remuneration Committee consists of five Directors, being Mr. HE Jia, Mr. LI Zongtang, Ms. ZHANG Furong, Mr. FENG Heping and Mr. LAW Yee Kwan, Quinn. The chairman of the Nomination and Remuneration Committee is Mr. HE Jia. Mr. LI Zongtang and Ms. ZHANG Furong are executive Directors of our Bank. Mr. HE Jia, Mr. FENG Heping and Mr. LAW Yee Kwan, Quinn are independent non-executive Directors of our Bank. Independent non-executive directors represent the majority of the Bank's Nomination and Remuneration Committee. An independent non-executive director serves as chairman of the Nomination and Remuneration Committee. The primary duties of the Nomination and Remuneration Committee include the following:

Corporate Governance Report

Nomination duties

- reviewing the structure, size and composition of the Board annually, and making recommendations on any proposed changes to the Board to complement our strategy;
- formulating the criteria and procedures for selecting directors and senior management members and succession planning for directors, and making recommendations to the Board;
- extensively identifying qualified candidates for directors and senior management members, and making recommendations to the Board;
- conducting the preliminary examination of qualifications of candidates for directorships and senior management positions, and making recommendations to the Board on the selection; and assessing the independence of independent non-executive directors.

Remuneration and appraisal duties

- studying the criteria for appraising Directors and senior management members, conducting the appraisal, and submitting the appraisal reports to the Board;
- reviewing our policy and structure of remuneration management, formulating the policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy, and making recommendations to the Board and overseeing the execution of the proposal;
- reviewing and approving compensations payable to directors and senior management members for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive; and
- reviewing compensation arrangements relating to dismissal or removal of any director for his misconduct to ensure that such arrangements are consistent with contractual terms and are otherwise reasonable and appropriate.

During the Reporting Period, the Nomination and Remuneration Committee held 1 meeting, considering and approving 5 proposals on matters mainly including: Evaluation Comment on Performance of Duty of Directors and Senior Management 2017 (2017年度董事和高級管理人員履職評價意見) and resolutions on 2018 Performance Appraisal Index (2018年度公司績效考核指標的議案).

Corporate Governance Report

The attendance of each member in the meetings of the Nomination and Remuneration Committee during the Reporting Period is set out below:

Committee members	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
Mr. HE Jia	0	0	0
Mr. LI Zongtang	1	1	0
Ms. ZHANG Furong	1	1	0
Mr. FENG Heping	0	0	0
Mr. LAW Yee Kwan, Quinn	1	1	0
Mr. JIN Qingjun ⁽¹⁾	1	1	0
Mr. GUO Tianyong ⁽¹⁾	1	1	0

Note: (1) Retired as members of the Nomination and Remuneration Committee on June 15, 2018.

The Bank believes that a Board of Directors with a diverse composition will enable the Bank to improve its performance. It is of significant importance for the Bank to have a diversified Board of Directors so as to achieve sustainable development, implement its strategies and maintain good corporate governance.

In selecting the Board members, the Board and the Nomination and Remuneration Committee consider a large number of factors, including but not limited to skills, gender, age, cultural and educational background, professional experience and years of service, in order to achieve the diversity of the members of the Board. Our Nomination and Remuneration Committee is responsible for reviewing the structure, size and composition of the Board annually, determining the policy for the remuneration of directors, assessing performance of executive directors and approving the terms of executive directors' service contracts and making recommendations on the remuneration packages of individual executive directors and senior management to the Board.

In designing the composition of the Board, our Bank has considered various measurable factors to achieve Board diversity, including gender, age, cultural and education background as well as professional experiences. As at the date of this annual report, the Board comprised of 15 directors, among which 3 members are female, 2 members are within the age group of 40 to 49, 8 members are within the age group of 50 to 59, 5 members are 60 and above; 6 members have professional financial background, 5 members have professional accounting and audit background, 2 members have professional economic and management background, 1 member has professional legal background and 1 member has educational background.

Corporate Governance Report

Consumer Rights Protection Committee

Our Bank has established a Consumer Rights Protection Committee with written terms of reference. As of the date of this annual report, the Consumer Rights Protection Committee consists of five Directors, being Mr. HUA Yaogang, Mr. LI Zongtang, Mr. SUN Liguu, Ms. ZHANG Furong and Mr. LIANG Jianfa. The chairman of the Consumer Rights Protection Committee is Mr. HUA Yaogang. The primary duties of the Consumer Rights Protection Committee include the following:

- Formulating the strategies, policies, and objectives of the Bank's work of protections of consumer rights;
- Supervising the senior management to achieve the effective implementation of relevant rules and regulations, receiving and reviewing special reports regularly submitted by the senior management regarding the implementation of consumer rights protection, and reporting to the Board in this regard;
- Reviewing the implementation of the Bank's consumer rights protection work, supervising and assessing the comprehensiveness, timeliness, and effectiveness of the Bank's consumer rights protection work as well as the performance of duties of the senior management in this regard; and
- Information disclosure of the Bank's consumer rights protection work.

During the Reporting Period, the Consumer Rights Protection Committee held 2 meetings, considering and approving 3 proposals on matters mainly including: 2017 Report on Consumer Rights Protection Work (2017年消費者權益保護工作情況報告) and amend the Working Rules of the Consumer Rights Protection Committee under the Board of Bank of Tianjin Co., Ltd. (《天津銀行股份有限公司董事會消費者權益保護委員會工作規則》).

The attendance of each member in the meetings of the Consumer Rights Protection Committee during the Reporting Period is set out below:

Committee members	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
Mr. HUA Yaogang	1	1	0
Mr. LI Zongtang	2	2	0
Mr. SUN Liguu	2	2	0
Ms. ZHANG Furong	2	2	0
Mr. LIANG Jianfa	1	1	0
Mr. JIN Qingjun ⁽¹⁾	1	1	0

Note: (1) Retired as member of the Consumer Rights Protection Committee on June 15, 2018.

Corporate Governance Report

Corporate Governance Functions

No corporate governance committee has been established. The Board is responsible for performing the corporate governance functions such as developing and reviewing the Bank's policies, practices on corporate governance, reviewing and monitoring the training and continuous professional development of Directors, Supervisors and senior management, reviewing and monitoring the Bank's policies and practices on compliance with legal and regulatory requirements, reviewing the Bank's compliance with the Code and disclosure in the Corporate Governance Report.

BOARD OF SUPERVISORS

Composition of the Board of Supervisors

As of the date of this annual report, our Board of Supervisors consists of five Supervisors, including two Employee Representative Supervisors, namely Ms. FENG Xia and Mr. YAO Tao, one Shareholder Representative Supervisor, namely Mr. YU Yang, and two External Supervisors, namely Mr. ZHANG Lianming and Mr. LIU Baorui. Ms. FENG Xia tendered her resignation as shareholder representative supervisor and a member of the supervision committee of the Board of Supervisors on January 19, 2018, and on the same date, she was elected as an employee representative supervisor, the chairman of the Board of Supervisors, a member of the supervision committee of the Board of Supervisors and a member of the nomination committee of the Board of Supervisors. The number and composition of our Board of Supervisors are in compliance with the applicable laws and regulations.

Change of Supervisors during the Reporting Period

During the Reporting Period, other than disclosed in the section headed "Directors, Supervisors, Senior Management and Employees – Changes of Directors, Supervisors and Senior Management During the Reporting Period", there was no change in the Supervisors.

Meetings of the Board of Supervisors and the Supervisors' Attendance

During the Reporting Period, the Board of Supervisors held 7 meetings, considering and approving 61 proposals on matters mainly including: 2017 Work Report of the Board of Supervisors (監事會2017年度工作報告), resolution on Rotation of the Board of Supervisors and 2017 Report of Duty Performance Evaluation on the Board and the Board of Supervisors (2017年度董事會及董事履職評價報告).

Corporate Governance Report

The attendance of each Supervisor in the meetings of the Board of Supervisors during the Reporting Period is set out below:

Members of the Board of Supervisors	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
Ms. FENG Xia	7	7	0
Mr. YAO Tao	7	7	0
Mr. YU Yang	4	4	0
Mr. ZHANG Lianming	7	7	0
Mr. LIU Baorui	4	4	0
Ms. CHENG Yifeng ⁽¹⁾	3	3	0
Ms. ZHANG Xiaoli ⁽¹⁾	3	2	1

Note: (1) Retired as members of the Board of Supervisors on June 8, 2018.

Committees under the Board of Supervisors

Our Bank has established two committees under the Board of Supervisors: a Supervision Committee and a Nomination Committee. The committees operate in accordance with terms of reference established by our Board of Supervisors.

Supervision Committee

As of the date of this annual report, the Supervision Committee consists of three Supervisors, being Mr. LIU Baorui, Ms. FENG Xia and Mr. YU Yang. The chairman of the Supervision Committee is Mr. LIU Baorui. The primary duties of the Supervision Committee include the following:

- drafting the plans on supervising our Bank's financial activities, and implementing such supervisions;
- supervising the Board for the establishment of stable operation principle, value criterion, and formulating the development strategy appropriate for our current situation; and
- supervising and examining our Bank's operation decisions, risk management and internal control.

Corporate Governance Report

During the Reporting Period, the Supervision Committee held 4 meetings, considering and approving 33 proposals on matters mainly including internal audit work report and plans and internal control evaluation report. The attendance of each member in the meetings of the Supervision Committee during the Reporting Period is set out below:

Committee members	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
Mr. LIU Baorui	3	3	0
Ms. FENG Xia	4	4	0
Mr. YU Yang	3	3	0
Ms. ZHANG Xiaoli ⁽¹⁾	1	0	1
Ms. CHENG Yifeng ⁽¹⁾	1	1	0

Note: (1) Retired as members of the Supervision Committee on June 8, 2018.

Nomination Committee

As of the date of this annual report, the Nomination Committee consists of three Supervisors, being Mr. ZHANG Lianming, Ms. FENG Xia and Mr. YAO Tao. The chairman of the Nomination Committee is Mr. ZHANG Lianming. The primary duties of the Nomination Committee include the following:

- researching the criteria and procedures for selecting supervisors, and providing advice to the Board of Supervisors;
- conducting preliminary review on the qualifications of supervisor candidates, and providing advice on it;
- supervising the procedures for the selection and appointment of directors; and
- conducting comprehensive evaluation on the work performance of directors, supervisors and members of senior management and reporting to the Board of Supervisors.

Corporate Governance Report

During the Reporting Period, the Nomination Committee held 3 meetings, considering and approving 13 proposals on matters mainly including resolution on Rotation of the Board of Supervisors and Report of Duty Performance Evaluation on the Board, senior management and other members. The attendance of each member in the meetings of the Nomination Committee during the Reporting Period is set out below:

Committee members	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
Mr. ZHANG Lianming	2	2	0
Ms. FENG Xia	2	2	0
Mr. YAO Tao	3	3	0
Ms. ZHANG Xiaoli ⁽¹⁾	1	1	0
Ms. CHENG Yifeng ⁽¹⁾	1	1	0

Note: (1) Retired as members of the Nomination Committee on January 19, 2018.

Attendance at shareholders' general meetings during the Reporting Period

During the Reporting Period, the Bank held one Shareholders' general meeting. The Board of Supervisors has designated representatives to attend such meeting to carry out on-site supervision over the legal compliance of the matters transacted at the meeting, procedures of the meeting and the voting process.

Attendance at meetings of the Board of Directors during the Reporting Period

During the Reporting Period, to strengthen the basic work of duty performance evaluation, our Board of Supervisors has designated Supervisors to attend meetings of the Board of Directors, and requested Supervisors to record the key contents and the proceeding of the meetings of the specialized committees of the Board of Directors they attended, as well as to conduct on-site evaluation and marking to be used as base information for the year-end evaluation by the Board of Supervisors, which effectively enhanced the objectivity of the evaluation.

Training to the Directors and Supervisors during the Reporting Period

During the Reporting Period, the Directors and Supervisors of the Bank participated in the relevant training, the main content include training on performance of duty of directors and supervisors.

Corporate Governance Report

SENIOR MANAGEMENT

The senior management has the powers vested by our Board of Directors to manage our daily operations. Our President is primarily responsible for carrying out the decisions made by our Board and shall report to our Board of Directors. We have also appointed two Vice Presidents and other senior management members to work with our President and perform their respective management responsibilities.

The Board of Directors of the Bank and the management led by the President exercise their respective powers in accordance with their responsibilities as set out in the Articles of Association. Under the Articles of Association, senior management of the Bank shall, in accordance with the needs of the Bank's operations, establish a well-developed internal control mechanism with the internal rules and regulations, the operational risk control system, the credit approval system, etc. as its key parts, and identify, measure, monitor and control various risk effectively that the Bank faces.

Chairman and President

During the Reporting Period, the roles and functions of the Chairman and the President of the Bank are taken by different individuals. There is a clear division of responsibilities between the Chairman and the President, which is in compliance with the recommendations of the Hong Kong Listing Rules.

As at the date of this annual report, Mr. LI Zongtang, as the Chairman, was responsible for the overall work of the Party Committee and the Board of the Bank and is in charge of audit work and the General Office of the Board as well as the Audit Department. Mr. SUN Liguu, as our President, was responsible for the overall work of operation and management of the Bank, overseeing the Strategic Development Department.

COMPANY SECRETARIES

Ms. ZHANG Furong has been appointed as our secretary to the Board since June 2015. Ms. ZHANG Furong and Dr. NGAI Wai Fung have been acting as our joint company secretaries since September 2015. Dr. NGAI Wai Fung is a director and chief executive officer of SWCS Corporate Services Group (Hong Kong) Limited. Ms. ZHANG is the primary contact person for Dr. NGAI at the Bank.

Corporate Governance Report

RELATIONSHIPS BETWEEN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

There are no relationships between each of the Directors, Supervisors and senior management of the Bank, including financial, business, family relationships.

AMENDMENT TO THE ARTICLES OF ASSOCIATION

The Bank made amendments to the Articles of Association in accordance with (i) the Interim Measures for Equity Management of Commercial Banks and other relevant rules; (ii) the procedures and requirements under relevant laws and regulations; and (iii) the actual circumstances of the Bank to further optimize the corporate governance of the Bank. The resolution on such amendments was considered and approved by the 2017 annual general meeting held on May 11, 2018. The Bank has received the "Approval from China Banking Regulatory Commission Tianjin Office on the Amendments to the Articles of Association of Bank of Tianjin Co., Ltd." (Jin Yin Jian Fu [2018] No. 179) dated July 25, 2018, approving the amended Articles of Association as approved at the AGM. The amended Articles of Association have become effective since the date of the approval of the China Banking and Insurance Regulatory Commission Tianjin Office.

Save for the above, there has been no material change in the Articles of Association up to the date hereof. A copy of Articles of Association is available on the websites of the Bank and the Hong Kong Stock Exchange.

COMMUNICATION WITH SHAREHOLDERS

The Bank values comments and recommendations of shareholders, and proactively hosts various communication activities with investors and analysts, so as to maintain a good relationship, and satisfy the reasonable requests of shareholders in a timely manner. Shareholders may direct their enquiries to the Board of Directors through the office of the Board. Contact details of the office of the Board are as follows:

Address: 15 Youyi Road, Hexi District, Tianjin, PRC

Post Code: 300201

Tel: +86 2228405536

Fax: +86 2228405518

E-mail: ir@bankoftianjin.com

RIGHTS OF SHAREHOLDERS

Procedures of Convening an Extraordinary General Meeting of the Shareholders

The Bank effectively protects the rights of Shareholders in strict compliance with applicable laws, regulations, the Hong Kong Listing Rules, the Articles of Association and its corporate governance system.

Corporate Governance Report

Pursuant to the Articles of Association and the Rules of Procedure for Shareholders' General Meeting:

Shareholders individually or jointly holding 10% or more Shares may request the Board of Directors in writing to convene an extraordinary general meeting or a separate class Shareholders' meeting while clarifying the topic of such meeting in such request. The Board of Directors shall, within 10 days after receipt of such request, make written feedback whether to convene an extraordinary general meeting or a separate class Shareholders' meeting in writing in accordance with provisions of the laws, administrative regulations and the Articles of Association. The shareholding of the above Shareholders is based on their shareholdings on the date of such request is proposed to the Board of Directors in writing.

If the Board of Directors agrees to convene an extraordinary general meeting or a separate class Shareholders' meeting, the Board of Directors shall deliver a notice of convening a Shareholders' general meeting or a separate class Shareholders' meeting within five days from the adoption of the resolution of the Board. Any change to the original request in the notice shall be made with the consent of relevant shareholders.

Where the Board of Directors disagrees to convene an extraordinary general meeting or a separate class shareholders' meeting or fails to give any feedback within ten days after the receipt of such request, shareholders individually or joint holding 10% or more of shares are entitled to propose to the Board of Supervisors to convene an extraordinary general meeting or a separate class Shareholders' meeting by submitting a request in writing.

Where the Board of Supervisors agrees to convene an extraordinary general meeting or a separate class Shareholders' meeting, it shall, within five days after the receipt of such request, deliver a notice of convening an extraordinary general meeting or a separate class Shareholders' meeting. Any change to the original request in the notice shall be made with the consent of relevant shareholders.

In the event that the Board of Supervisors fails to deliver such notice to convene an extraordinary general meeting or a separate class Shareholders' meeting within the specified period, the Board of Supervisors shall be deemed not to convene or preside over such aforesaid meeting. Such shareholders individually or in aggregate holding 10% or more of the Bank's voting shares for at least 90 consecutive days may at their discretion convene and preside over such aforesaid meeting.

Shareholders may refer to the Articles of Association published on the websites of the Hong Kong Stock Exchange and the Bank for further details.

Procedures of Submitting a Proposal to the Shareholders' General Meeting

Shareholders individually or in aggregate holding 3% of more of the Bank's voting shares may propose an interim proposal and submit it in writing to the convener before ten days of the Shareholders' general meeting. The convener shall review such proposal, issue a supplemental notice of the Shareholders' general meeting and announce the content of an interim proposal if it satisfies the provisions as otherwise specified in the Articles of Association within two days after receiving the proposal. If the Hong Kong Listing Rules specifies otherwise, the procedures of submitting a proposal to the Shareholders' general meeting shall follow such provisions.

Corporate Governance Report

Except as provided in the precedent paragraph, the convener shall not alter the proposals in the notice of the Shareholders' general meeting or add new proposals after the issuance of the notice of the Shareholders' general meeting.

Shareholders may refer to the Articles of Association published on the websites of the Hong Kong Stock Exchange and the Bank for further details.

EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The Bank engaged Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu (collectively, referred to as "Deloitte") to act as domestic auditor and international auditor, respectively, for the 2018 annual financial report of the Bank. The remuneration paid by the Bank to Deloitte for the audit of financial statements for the year ended 31 December 2018 was RMB2.55 million, and the service fee for reviewing the interim financial statements was RMB1.85 million.

The accountants of the Bank have not changed in the past three years.

REMUNERATION OF SENIOR MANAGEMENT

Details of the remuneration of the members of the senior management for the year ended December 31, 2018 are set out in "Directors, Supervisors, Senior Management and Employees – Information on Remuneration paid to Directors, Supervisors and Senior Management".

RISK MANAGEMENT AND INTERNAL CONTROL

For details of the risk management and internal control of the Bank, please refer to "Risk Management and Internal Control" of this annual report.

SECURITIES TRANSACTIONS BY DIRECTORS, SUPERVISORS AND RELEVANT EMPLOYEES

The Bank adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") as set out in Appendix 10 to the Hong Kong Listing Rules as its codes of conduct regulating securities transactions by the Directors and Supervisors.

After the Bank having made specific enquiries to all Directors and Supervisors, each of the Directors and Supervisors has confirmed that they complied with the Model Code during the Reporting Period.

Report of the Board of Directors

PRINCIPAL BUSINESS

The Bank is primarily engaged in banking businesses and related financial services, including corporate banking, retail banking, treasury business and other business.

BUSINESS REVIEW

Review of the Bank's business

A review of the Bank's business during the Reporting Period is set out in the "Management Discussion and Analysis – Business Review".

Environmental Policy and Performance

During recent years, our Bank has proactively borne social responsibility in relation to environment policy.

The Bank adheres to the integration of green finance concepts into business development, actively builds a green financial management system, and integrates the concept of green finance into the process of business development and mitigation of credit risks associated with overcapacity industries. It sets priority in supporting corporate entities that meet the requirements of green finance while supporting projects in energy conservation and environmental protection.

In 2018, the Bank systematically refined its green credit-related system and organized the issuance of the "Green Credit Guidelines of Tianjin Bank" (《天津銀行綠色信貸指引》) (2018 revised edition). The new guidelines more fully and accurately reflect the requirements of regulators for the development of green credit for banking financial institutions, the boundaries of internal management duties are clearer, and the process management requirements are more detailed, providing more reliable system support for the continued deepening of green credit development in the future.

In 2018, the Bank's green credit classification marks was officially embedded in the credit business management system. According to the green credit statistics classification standards formulated by the regulatory authorities, the Bank has proposed corresponding green credit classification management requirements: firstly, launched the green credit classification according to the industry dimension, according to the "Key Evaluation Indicators for Green Credit Implementation Status" (《綠色信貸實施情況關鍵評價指標》) issued by the former China Banking Regulatory Commission, The industries of Class A and Class B projects (customers) were defined (which were subject to high or medium-level environmental or social risks respectively); secondly, established twelve categories of energy-saving and environmental protection projects and service loans classification marks based on the customer dimension and loan dimension. The above classification marks have been embedded in the credit business management system to achieve process management, and through customer classification management, deepened the exploration of customer needs, and further enhanced the efficiency and ability of the Bank to serve green financial customers.

Report of the Board of Directors

The Bank carried out self-evaluation of green credit implementation in accordance with regulatory requirements, and conducted self-evaluation on more than 300 qualitative segmentation indicators and quantitative indicators related to self-evaluation, and summarize the implementation and highlights of efforts in the Bank's green credit products and services, environmental and social risk management as well as its environment and social performance, while improving its policy management measures based on the result of self-evaluation.

During the Reporting Period, the Bank's support for energy conservation and environmental protection projects and service loans reached RMB11.561 billion.

In line with national policies to save energy costs, we have implemented a series of measures, including: (i) Enhance employees' awareness of energy conservation. Energy-saving and water-saving signs are posted in public areas such as office areas, canteens and bathrooms. (ii) Strengthen daily management and inspections. Set the air-conditioner temperature at reasonable range, turn off the air conditioner when no person is in the room and shut the doors and windows when air-conditions are working. Strengthen daily inspection, and ensure turn off the water and light when leave. (iii) Strengthen the maintenance and management of facilities and equipment. Regular maintenance and timely maintenance of lighting, office equipment and water supply facilities to avoid energy waste caused by abnormal wear and tear. (iv) Strengthen the daily management of motor vehicles. The purchase of vehicles follows the principles of economical application, energy conservation and environmental protection; gasoline consumption shall be strictly managed and each motor vehicle has one registered account for use of gasoline; routes and passengers shall be reasonably arranged to reduce energy waste caused by vehicles running empty.

For details of our environmental policies and performance, please refer to the "2018 Social Responsibility Report of Bank of Tianjin Co., Ltd."

Protection of Consumer Rights

During the Reporting Period, the Bank attached great importance to the protection of financial consumers' rights and interests, established and improved the management and system of consumer rights protection, strengthened pre-sales review on the protection of consumer rights, protected consumers' legitimate rights and interests from the source, promoted compliant sales management, and treated consumers in a fair manner. Product information was properly disclosed, and risks were effectively remained to build the first line of risk prevention; post-supervisory mechanism was improved, internal inspections of consumer protection was conducted; training on consumer protection was carried out and the level of consumer protection was enhanced; during the Reporting Period, the Bank strengthened the handling of complaints raised by consumers, improved the system for the confidentiality of customer information, and improved service quality, proactively undertook the responsibility for educating our consumers on financial knowledge by launching various activities for financial education, as a way to guide and cultivate the financial awareness and risk awareness of the public.

Report of the Board of Directors

To safeguard the consumer rights, our Bank was principally engaged in the following activities: (1) we further improved the system of consumer rights protection management. In order to better serve the public and protect the rights and interests of consumers, in 2018, the Bank adjusted the management system for protection of consumer rights, clarifying the rights and responsibilities of consumer rights protection of the Board of Directors and the senior management, and further improving consumer rights protection “Headquarters – Branch – Sub-branch” three-tier organization and management structure. The Bank gradually improved the system of consumer rights protection, set up a consumer rights protection system framework from the aspects of operation mechanism, sales compliance, publicity and education, assessment and evaluation, personal financial information protection, complaint handling, information disclosure, contingency plans and service management, to provide a strong guarantee for smooth implementation of consumer rights protection work; and (2) we carried out financial knowledge publicity and education. In 2018, based on business outlets, the Bank conducted more than 10 financial knowledge publicity and education activities on a continuous basis through financial knowledge into the campus, into the community, into enterprises, and into the township by various media such as LED display, LCD TV, WeChat, and SMS. These activities created a good environment for the public to study finance, understand finance and apply finance. According to statistics, in 2018, the Bank held more than 2,600 indoor and outdoor publicity and education events, an increase of more than 400 over 2017 and a total of more than 125,000 sets of promotional materials were distributed. Financial knowledge was promoted by official WeChat for more than 30 times, and more than 1.84 million SMS were sent for publicity, benefitting nearly 2 million people.

Compliance with Laws and Regulations

We have implemented an effective risk management system to control our exposure to (i) legal risks, which include risk of legal liability arising from violation of laws and regulations, breach of contracts, infringement on legal rights of others or otherwise in connection with any contract or business activity in which we are involved; and (ii) compliance risk, such as the risk of being subject to legal sanctions, regulatory penalties and significant financial and reputational losses as a result of a failure to comply with applicable laws, regulations, rules, and standards.

We have established a series of regimes and measures to manage and control our exposure to legal risk. We have set up a legal document review and approval regime where no legal documents may be issued without the review and approval of the relevant functional departments at our head office as to the authenticity, validity, and completeness of such legal documents. We have put in place a legal enquiry regime where a legal enquiry hotline is set up at our head office which provides enquiry service for legal issues encountered by our various operational units in their daily operation and management work. We have engaged permanent legal advisor to provide group and professional legal support for our daily operation management. We have also engaged external professional lawyers to provide professional legal services support for our material business disputes and legal proceedings.

Report of the Board of Directors

Our branches and sub-branches are responsible for their relevant legal proceedings and legal risk. To control and manage our exposure to compliance risk, we proactively promote our business departments to identify and assess compliance risk associated with our business operation, while coordinating them to organize and revise business related regulations and operation procedures so as to ensure the compliance of our various business workflows. We have established a compliance management reporting regime where we report the relevant compliance management status to senior management in a timely manner, and establish operational risk warning mechanism to warn the relevant risks in a timely manner and promote the operation of institutions at all levels in compliance with laws and regulations. Meanwhile, we provide periodic compliance training to our staff, covering education on compliance alerts and helping them better understand how to carry out business operations in compliance with the laws and regulations. Our comprehensive accountability regime sets up the method, level, principles, rules, organizational framework and responsibilities, procedures, and reporting system so as to determine the accountability of our relevant staff for their conducts against our regulations or lack of responsibilities.

In line with the PRC Anti-Money Laundering Law (《中華人民共和國反洗錢法》) and other applicable rules and regulations promulgated by the PBoC, we have managed our anti-money laundering through the establishment of our bank-wide and professional anti-money laundering team, our anti-money laundering internal control system, our anti-money laundering data monitoring and reporting system, our anti-money laundering internal audit, as well as our relevant staff training. We have carried out our anti-money laundering work for more than 14 years.

We have set up an anti-money laundering lead group office within our Internal Control and compliance department. Our anti-money laundering lead group preside over the bank-wide anti-money laundering and takes charge of calling the meeting of the head office's anti-money laundering lead team, liaising with relevant departments to prevent, identify, and punish actions that breach relevant laws and regulations and undutiful behaviour, and improving the control over relevant risks through strengthening management. The Board of Directors is ultimately responsible for anti-money laundering risk management. The anti-money laundering lead group leads the bank-wide implementation of anti-money laundering policies and procedures. The head office, branches, and sub-branches have respective teams to execute anti-money laundering activities and operations on a day-to-day basis.

We have developed many internal policies and measures with respect to anti-money laundering which are primarily related to customer due diligence and identification sanction screening, transaction record keeping, suspected terrorism financing and drug transaction related money monitoring, and large and suspicious transaction reporting. We have also developed and have continuously updated our anti-money data supervision and reporting system which features modules.

Report of the Board of Directors

Relationship between the Bank and its Employees

Our Bank adheres to the strategic philosophy that prosperous businesses are driven by talents. We promote a market-oriented human resources system and continually strengthen our incentive assessments, training, and other complementary mechanisms. We have adopted a distinctive training system that could serve different needs of various groups of employees, which is characterized with a multiple-level training structure, systematic training programs and comprehensive training subjects. As a result, we managed to cultivate an innovative, pragmatic, studious, motivated and business-minded workforce. We also believe career planning of individual employees to be of great importance and have developed a clear career development path for different roles in our Bank, including administration, non-managerial and client management sectors, which we believe could further encourage our employees to endeavor to maximize his or her value. Our motto of “Excellence is in the details, hard work creates brilliance” exemplifies our corporate culture and best practice, creating an outlook and code of conduct for all employees to follow.

We believe that our sustainable growth depends on the capability and dedication of our employees. We have developed an appraisal and training system, and aligned our development strategy with the career development of our employees. We gradually set up a scientific incentive and restraint mechanism to achieve a better match of the compensation with the overall efficiency of the Bank and individual performance through the implementation of classified evaluation. We contribute to our employees’ social insurance and other employee benefits, such as pension insurance, medical insurance, work injury insurance, unemployment insurance, maternity insurance and housing fund in accordance with the applicable PRC laws, rules and regulations.

Our labor union represents the interests of the employees and works closely with our management on labor-related issues. During the Reporting Period, we have not experienced any strikes or other material labor disputes that have affected our operation and we believe that the relationship between our management and the labor union has been satisfactory.

Results

Results of the Bank for the year ended December 31, 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 145 to 146.

Dividends

The Bank considers stable and sustainable returns to Shareholders to be our goal and endeavours to maintain its stable Dividend Policy. Under the Dividend Policy, when deciding whether to propose a dividend and in determining the dividend amount, the Board takes into account the Group’s operating result, financial position, distributable profit for the year, liquidity sufficiency, capital requirements, future prospects and any other factors the Board may deem appropriate.

The profit distribution plan for 2017 of the Bank was considered and approved by the Shareholders at the 2017 annual general meeting of the Bank held on May 11, 2018. A final dividend of RMB1.8 (tax inclusive) per ten shares for the year of 2017, amounting to a total dividend of RMB1,092.7 million (tax inclusive) was distributed to holders of H Shares and Domestic Shares of the Bank on July 6, 2018.

Report of the Board of Directors

The Board has recommended the payment of the final dividend of RMB1.8 per ten shares (tax inclusive) in cash for the year ended December 31, 2018, representing a total payment of approximately RMB1,092.7 million. The final dividend is subject to approval of the shareholders at the forthcoming 2018 annual general meeting of the Bank. If approved by the Bank's 2018 annual general meeting, it is expected the final dividend will be paid on July 10, 2019.

Relationship between the Bank and its Customers

We are the only City Commercial Bank headquartered in Tianjin. With our roots in Tianjin, we have developed an in-depth understanding of Tianjin's economic structure and industry layout over the last 20 years. We have established long-term strategic cooperative relationships with a number of local enterprises with a strong business portfolio, particularly those operating in infrastructures, energy conservation, environmental protection, medical and health care, high-end equipment manufacturing, education, tourism, and public-service, as well as technology-based SMEs. As of December 31, 2018, we were providing financial services to all state-owned groups that are subject to the direct supervision of Tianjin SASAC.

For many years, we have promoted the development of our SME business as a starting point for business transformations, the adjustment and optimization of the business structure, to create quality and rapid development, thereby constantly shaping the "Partner Bank for SMEs" quality brand. In 2018, the Bank improved the organization structure of the SME business, and renamed the Small and Medium Enterprise Department of the Head Office to SME Inclusive Finance Department, which was specialized in the promotion and management of the SME inclusive financial business organization of the Bank. At the same time, it actively adapted to market changes and actively transformed the acquisition mode and business model of the SME business, and proposed a "dual-track" development strategy for online and offline businesses, focusing on core enterprises in the industry chain, various application scenarios, high-quality platforms, and technology finance, and obtaining high-quality micro-micro in batches. Customers, and online business as the main way to support the financing of SMEs.

Under the unremitting efforts and excellent work of the staff across the Bank, in 2018, the Bank won various awards, such as the "Excellent Asian City Commercial Bank Award", "Top Ten Precision Poverty Alleviation Innovation Bank Award", "Green Financial Bank Award", "Outstanding Commercial Bank Brand Award", "Annual Social Responsibility Contribution Award", "Best Trade Finance City Commercial Bank Award", "Best Mobile Banking Growth Award for Regional Commercial Banks", "Outstanding Mobile Banking APP Award" and "Best City Renaissance Bank Award", "Innovation Excellence Award" and "Award for Practical and Sincere Conduct", and was also granted the "Excellent Financial Bond Issuer Award", "Excellent Market-maker Merchant Award" by China Central Depository & Clearing as well as a number of other awards such as the "Core Dealer Award" by National Interbank Funding Center of the China and the "Outstanding Contribution Award" by the Banking Credit Asset Registration and Transfer Center.

We ranked 200th in the Top 1,000 World Banks 2018 published by the Banker, a UK publication, ranking 32nd among the 135 Chinese banks on the list. The China Enterprise Confederation and the China Entrepreneur Association jointly released the "2018 Top 500 China Service Industry Enterprises" list. The Bank was re-elected, ranking 172nd, up 10 places from the previous year. China Lianhe Credit Rating determined our credit rating as AAA, the highest corporate credit rating of domestic commercial banks and the rating outlook was stable, which meant that we obtained the highest corporate credit rating for domestic commercial banks for two consecutive years.

Report of the Board of Directors

We have acquired and maintained a large pool of retail customers. As of December 31, 2018, we have had 165 outlets in Tianjin, covering all administrative districts of the city.

We are currently the only bank in Tianjin to provide agency services for the housing maintenance fund. We are also the only bank in Tianjin to issue the Tianjin Trade Union Membership Card. We are also an authorized issuer bank of social security cards.

Exposure to major risks

Please refer to "Management Discussion and Analysis – Risk Management" for the major risks the Bank had been exposed to during the Reporting Period.

Major Events Subsequent to the end of the Reporting Period

For major events of the Bank subsequent to the end of the Reporting Period, please refer to "Important Events – Major Events Subsequent to the End of the Reporting Period". Save as the disclosures above, no other significant events which have an impact on the Bank have occurred after the end of the Reporting Period.

Future development

A review of certain aspects of future development affecting the Bank is set out in "Management Discussion and Analysis – Environment and Prospects".

Analysis of key financial performance indicators during the year

See details at section headed "Summary of Accounting Data and Financial Indicators" and "Management Discussion and Analysis" of this annual report.

SHARE CAPITAL

Please refer to "Changes in Share Capital and Information on Shareholders – I. Changes in shares of the Bank" for details of the share capital of the Bank.

PRE-EMPTIVE RIGHTS

There are no provisions in the Articles of Association and the relevant PRC laws for granting pre-emptive rights to Shareholders of the Bank.

SUBSTANTIAL SHAREHOLDERS

Details of the Bank's substantial shareholders are set out in "Changes in Share Capital and Information on Shareholders – II. Information on Shareholders".

DONATIONS

The charitable and other donations made by the Bank amounted to approximately RMB3.1 million for the year ended December 31, 2018.

Report of the Board of Directors

PROPERTY AND EQUIPMENT

Details of the changes in property and equipment of the Bank for the year ended December 31, 2018 are set out in the Note 33 of the financial statement in this annual report.

CHANGES IN THE RESERVES

For the year ended December 31, 2018, the details of changes in the reserves of the Bank are set out in the Consolidated Statement of Changes in Equity in the financial statement of the Bank.

DISTRIBUTABLE RESERVES

The distributable reserves of the Bank as of December 31, 2018 were RMB17,563.6 million.

PURCHASE, SALE AND REDEMPTION OF THE LISTED SECURITIES OF THE BANK

During the Reporting Period, the Bank or any of its subsidiaries had not purchased, sold or redeemed any listed securities of the Bank.

RETIREMENT BENEFITS

Please refer to Note 39 in the financial statements in this annual report for details of the retirement benefits provided to employees of the Bank.

MAJOR CUSTOMERS AND MAJOR SUPPLIERS

Our five largest depositors accounted for less than 30% of the total deposits and the five largest borrowers accounted for less than 30% of the gross loans and advances to customers as of the end of the Reporting Period.

DIRECTORS

Please see the "Directors, Supervisors, Senior Management and Employees" section for biographies of incumbent Directors, as well as information on changes of Directors during the Reporting Period.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

During the Reporting Period, the Directors and Supervisors of the Bank did not have service contracts which are not determinable by the Bank within one year without payment of compensation (other than statutory compensation).

PERMITTED INDEMNITY PROVISIONS

At no time during the Reporting Period and as of the date of this annual report, there was or is, any permitted indemnity provision being in force for the benefit at any of the Directors or Supervisors (whether made by the Bank or otherwise) or the Directors or Supervisors of an associated corporation of the Bank (if made by the Bank).

Report of the Board of Directors

DIRECTORS' AND SUPERVISORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

For the year ended December 31, 2018, the Bank or its subsidiaries did not have any transaction, arrangement or contract of significance in which the Directors and/or Supervisors (or entities connected with the Directors and/or Supervisors) directly or indirectly were materially interested.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the Reporting Period was the Bank a party to any arrangements to enable the Directors and Supervisors to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate.

MANAGEMENT CONTRACTS

Save for the service contracts entered into with the management of the Bank, the Bank has not entered into any other contract with any individual, company or body corporate in relation to the management or administration of the whole or any substantial part of any business of the Bank.

DIRECTORS, CHIEF EXECUTIVE'S AND SUPERVISORS' INTEREST IN SHARES OF THE BANK

As of the end of the Reporting Period, the interests and short positions of the Directors, Supervisors and the chief executive of the Bank and their associates in the Shares, underlying Shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Hong Kong Listing Rules are set out as follows:

Directors

Name of Director	Capacity	Class of Shares	Number of Shares directly or indirectly held (long position)	Approximate % of interest in our Bank
ZHANG Furong (張富榮)	Beneficial interest	Domestic Shares	478,645 ⁽¹⁾	0.0079%

Note:

- (1) On May 3, 2018, Ms. ZHANG Furong transferred the 119,600 domestic shares which she directly holds to her spouse ZHOU Lizhong (周立志) by way of an agreement. As at the end of the Reporting Period, Ms. ZHANG Furong directly holds 359,045 domestic shares of the Bank and her spouse holds 119,600 domestic shares. According to the Securities and Futures Ordinance, the interest held by Mr. ZHOU is deemed as the interest held by Ms. ZHANG.

Report of the Board of Directors

Supervisors

Name of Supervisor	Capacity	Class of Shares	Number of Shares directly or indirectly held (long position)	Approximate % of interest in our Bank
YAO Tao (姚濤)	Beneficial interest	Domestic Shares	102,487	0.0017%
LIU Baorui (劉寶瑞)	Beneficial interest	Domestic Shares	15,959	0.0003%

Save as disclosed above, none of the Directors, the chief executive or the Supervisors of the Bank or their associates held any interests or short positions in the Shares, underlying Shares and debentures of the Bank or its associated corporations as of December 31, 2018.

CORPORATE GOVERNANCE

We are committed to maintaining high standards in corporate governance. Please refer to the "Corporate Governance Report" in this annual report.

PUBLIC FLOAT

Based on the information available in the public and so far as our Directors concerned, as of the date of this annual report, the Bank had maintained sufficient public float in compliance with the minimum requirement of the Hong Kong Listing Rules and the exemption granted by the Hong Kong Stock Exchange upon the Bank's listing.

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

In the ordinary and usual course of business of the Bank, it provides commercial banking services and products to the public in China, which includes substantial Shareholders, certain Directors and Supervisors, the President and/or each of their respective associates. Each of the above people is a connected person of the Bank under Hong Kong Listing Rules. As these transactions are entered into on normal commercial terms in the ordinary and usual course of the business of the Bank, such transactions are exempt from the reporting, annual review, disclosure and independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

The details of the related party transactions conducted by the Bank in the ordinary and usual course of business during the Reporting Period are set out in note 50 to the Financial Statements. The definition of connected persons under Chapter 14A of the Hong Kong Listing Rules is different from the definition of related parties under International Accounting Standard 24, "Related Party Disclosures", and its interpretations by the International Accounting Standards Board. Certain related party transactions set out in the notes of the financial statements also constitute connected transactions or continuing connected transactions as defined under the Hong Kong Listing Rules, but none constitutes a disclosable connected transaction as required under the Hong Kong Listing Rules.

The Bank confirms that it has complied with disclosure requirements in accordance with Chapter 14A of the Hong Kong Listing Rules.

Report of the Board of Directors

REMUNERATION OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Our Bank offers our Executive Directors, employee representative Supervisors and senior management members, who are also our employees, compensation in the form of salaries, bonuses, social security plans, housing provident fund plans and other benefits. Our independent Non-executive Directors and external Supervisors receive compensation based on their responsibilities. Please refer to note 17 to the financial statements in this report for the details of the remuneration of the Directors and Supervisors.

Our Bank strictly adheres to relevant regulatory provisions when making remuneration payments. The Bank assesses senior management personnel using the "Policies for Remuneration Management of Bank of Tianjin Co., Ltd." (《天津銀行股份有限公司薪酬管理政策》) and offers remuneration to Executive Directors and other senior management personnel based on the results of the assessment.

The Bank offers remuneration to employee Supervisors in accordance with the "Policies for Remuneration Management of Bank of Tianjin Co., Ltd." (《天津銀行股份有限公司薪酬管理政策》) and "Measures for Remuneration Management of Bank of Tianjin" (《天津銀行薪酬管理辦法》). The "Policies on the Allowance of Directors and Supervisors of Bank of Tianjin Co., Ltd." which stipulates the distribution standard of allowance to Directors, was considered and passed at the general meeting of the Bank.

DIRECTORS' AND SUPERVISORS' INTEREST IN BUSINESS IN COMPETITION WITH THE BANK

None of our Directors or Supervisors holds any interest in any business, which competes or is likely to compete, either directly or indirectly, with our Bank under Rule 8.10(2) of the Hong Kong Listing Rules.

TAX RELIEF

Withholding foreign non-resident enterprises' enterprise income tax

Pursuant to the applicable provisions and the implementing regulations of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), the Bank shall withhold the enterprise income tax at the rate of 10% for non-resident enterprise holders of H Shares (including the H Shares registered in the name of HKSCC Nominees Limited).

Withholding foreign non-resident individual shareholder's individual income tax

Pursuant to the applicable provisions and the implementing regulations of the Individual Income Tax Law of the PRC and Notice on Matters Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 045 issued by State Administration of Taxation, the Bank shall withhold individual income tax from the holders of H Shares according to the following arrangement:

For an individual holder of H Shares who is a resident of Hong Kong, Macau or a country/region that has signed a tax treaty with the PRC stipulating a dividend rate of 10%, the Bank shall withhold and pay individual income tax at the rate of 10% on behalf of such H Shareholders when distributing the final dividend;

Report of the Board of Directors

For an individual holder of H Shares who is a resident of a country/region which has signed a tax treaty with the PRC stipulating a dividend rate of lower than 10%, the Bank shall temporarily withhold and pay individual income tax at the rate of 10% on behalf of such holders of H Shares while distributing the final dividend. In case the relevant holders of H Shares are to apply for refund of the tax over-withheld, the Bank will follow the Notice of Tax to handle the application of the relevant tax benefits on their behalf. The qualified holders of H Shares are required to timely submit the written authorization and all application materials to the H Share Registrar of the Bank, Computershare Hong Kong Investor Services Limited; the Bank will forward the received documents to the competent tax authorities for review, and if approved, the Bank will assist in handling the refund of the over-withheld tax;

For an individual holder of H Shares who is a resident of a country/region that has signed a tax treaty with the PRC stipulating a dividend rate higher than 10% but lower than 20%, the Bank shall withhold and pay individual income tax at the applicable rate stipulated in the relevant tax treaty while distributing the final dividend; and

For an individual holder of H Shares who is a resident of a country/region which has signed a tax treaty with the PRC stipulating a dividend rate of 20% or has no tax treaty with China or otherwise, the Bank shall withhold and pay individual income tax at the rate of 20% while distributing the final dividend.

AUDITORS

Please refer to the section "Corporate Governance Report – External Auditors and Auditors' Remuneration" for the information on the auditors of the Bank.

ISSUANCE OF DEBT SECURITIES

Bond Issuance during the Reporting Period

Approved by Tianjin Office of China Banking Regulatory Commission and PBoC, the Bank issued tier-two capital bonds in the national inter-bank bond market on January 18, 2018, and the fund raising was completed on January 22, 2018. This tranche of bonds totaled RMB10 billion, with a maturity of 10 years at a fixed interest rate and a nominal interest rate of 4.80%, subject to the issuer's right to redeem under certain conditions at the end of the fifth year.

On April 24, 2018, the Bank issued the first tranche of financial bonds for 2018 in the national inter-bank bond market and the payment was completed on April 26, 2018. This tranche of bonds issued were three-year fixed rate bonds, with a total amount of RMB10 billion and a coupon rate of 4.70%.

On June 15, 2018, the Bank issued the second tranche of financial bonds for 2018 in the national inter-bank bond market and the payment was completed on June 20, 2018. This tranche of bonds issued were three-year fixed rate bonds, with a total amount of RMB6 billion and a coupon rate of 4.90%.

On November 6, 2018, the Bank issued the third tranche of financial bonds for 2018 in the national inter-bank bond market and the payment was completed on November 8, 2018. This tranche of bonds issued were three-year fixed rate bonds, with a total amount of RMB4 billion and a coupon rate of 4.08%.

Report of the Board of Directors

Previous Financial Bonds Issuance

On May 11, 2015, we issued fixed-rate financial bonds named “15 Tianjin Bank 01” with a maturity of three years, at a face value of RMB2.5 billion with a fixed coupon rate of 4.64% per annum, payable annually.

On May 22, 2015, we issued fixed-rate financial bonds named “15 Tianjin Bank 02” with a maturity of three years, at a face value of RMB2.5 billion with a fixed coupon rate of 4.27% per annum, payable annually.

On August 21, 2015, the Bank issued the 10 year tier-two capital bonds at a total face value of RMB5.0 billion with a fixed coupon rate of 5.00% per annum, interests are payable annually. We have the option to redeem part or all of the bonds at face value on the last day of the fifth year if specific redemption conditions as stipulated in the offering documents were met, subject to regulatory requirements. If no early redemption is exercised, the interest rate will remain at 5.00% per annum. The tier-two capital bonds have the write-down feature of a tier-two capital instrument, in case of regulatory triggering events as stipulated in the offering documents, the Bank has the right to write down the principal of such bonds, any unpaid accumulated interest would no longer be payable. These tier-two capital bonds are qualified as tier-two capital instruments in accordance with the relevant CBRC requirements.

The 10-year fixed-rate subordinated bonds were issued on December 27, 2012 by the Bank at a total face value of RMB1.5 billion with a fixed coupon rate of 5.90% per annum, payable annually. The Bank has an option to redeem all of the bonds at face value on the last day of the fifth year. As at December 27, 2017, the Bank has not exercised the early redemption right and the interest rate will remain at 5.90% per annum.

The 15-year fixed-rate subordinated bonds were issued on December 27, 2012 by the Bank at a total face value of RMB1.2 billion with a fixed coupon rate of 5.99% per annum, payable annually. The Bank has an option to redeem all of the bonds at face value on the last day of the tenth year. If no early redemption right is exercised, the interest rate will remain at 5.99% per annum.

EQUITY-LINKED AGREEMENT

During the Reporting Period, the Bank did not enter into or renew any other equity-linked agreement.

On Behalf of the Board of Directors

LI Zongtang

Chairman

Tianjin, China
March 22, 2019

Report of the Board of Supervisors

In 2018, the Board of Supervisors fully played its role in strict accordance with the Articles of Association of the Bank and regulatory requirements, as well as the development situation of all work of the Bank, so as to ensure the standard and efficient performance. Work report of the Board of Supervisors is set forth hereunder:

I. CONDITIONS OF MAJOR WORK

In 2018, the Board of Supervisors reviewed and supervised over operating conditions, financial activities and fulfillment of duties by the Directors and senior management of the Bank through convening regular meetings, attending relevant meetings held by the Board of Directors and conducting specific examination and survey to hear work reports from senior management and special reports from relevant departments, and to review relevant documents. A total of 7 meetings were held by the Board of Supervisors, with 61 resolutions considered and 46 matters reported throughout the year.

(I) Smooth Completion of Election of New Session of the Board of Supervisors

In June 2018, in accordance with the regulatory requirements and the requirements of duty performance of the Board of Supervisors, the election of a new session of Board of Supervisors was completed smoothly. After the completion of election, the Board of Supervisors comprised 5 members, including 3 former members and 2 new members, all of who were capable of effectively bringing into play their professionalism and performing their duties. The new session of Board of Supervisors, upon its establishment, invited supervisors of the regulatory authorities and counsel of the Company to provide training on duty performance for its members and attended training on operation of Board of Supervisors held by external training institutions, to further improve the Supervisors' competence and capabilities. Meanwhile, the Board of Supervisors was also engaged in the approval process related to election of a new session of Board of Directors and senior management, and supervised the election to ensure that it was in compliance with the Articles of Association and regulatory requirements.

(II) Supervision on Duty Fulfilment

During the reporting period, the Board of Supervisors continued to perform supervision on performance of duties, during which, it supervised the compliance with laws and regulations as well as the rules and the Articles of Association of the Bank by the Board of Directors and the senior management and its members, and supervised the execution of resolutions of general meetings and board meetings as well as opinions for supervision, focusing on the performance of duties by the Board of Directors and senior management in respect of corporate governance, development strategies and operational management. In the face of the new normal state of economic and financial development, the Board of Supervisors continued to deepen the supervision of performance of duties, actively innovated the way of performance supervision, and integrated the supervision on performance of duties into the supervision of financial activities, risk management and internal control. In addition, it also strengthened supervision over the implementation of national macroeconomic policies and regulatory requirements, paid attention to the Bank's support and service to the real economy and local economic development, as well as the fulfillment of its social responsibilities, with a focus on the evaluation and implementation of the Bank's strategies for development. It organized Supervisors to visit Chengdu together with the Directors to conduct inspection on the retail business of the Bank, further increasing the comprehensive

Report of the Board of Supervisors

understanding of the Bank's business development and construction of branches, and proposed a number of opinions and advices on the online retail business. Through the attendance of the meetings of the Board of Directors and its special committee and the meetings of senior management, it strengthened the supervision of the Board of Directors and Directors, senior management and its members in fulfilling their responsibilities and performing their duties. It participated in the approval process for the election and appointment of the Board of Directors and senior management, and supervised the matters in relation to the election and appointment to ensure that they were compliant with the regulations as provided by the Articles of Association and regulatory requirements. Apart from these, it also followed regulatory requirements to conduct assessment of performance by the Board of Directors, Directors, senior management and its members, and prepared the performance evaluation report which would subsequently be reported to the general meeting.

(III) Financial Supervision

The Board of Supervisors carefully reviewed the periodic reports, listened to reports on the preparation of annual and interim periodic reports and results announcements, and provided written review opinions on the truthfulness, accuracy and completeness of the reports. At the same time, it also strengthened the supervision of external audit work, listened to the report on the engagement of the external audit agency for the review and audit of the financial statements of the Bank for the year 2018, and listened to the senior management's report on the operation on a quarterly basis, while conducting in-depth research on the operation of the branches and giving opinions and suggestions.

(IV) Internal Control Supervision

According to the strategy of "innovation + transformation", the Bank continued to promote the construction of system infrastructure. The Board of Supervisors strengthened the supervision of the establishment of the internal control system, and continued to pay attention to the establishment and improvement of the internal control system and the management system, as well as the performance of the "three lines of defense". Specially, it listened to the Tianjin Banking Insurance Regulatory Bureau's 2017 annual regulatory notice and the implementation of the Bank's rectification, focusing on the internal control and risk issues raised by the regulatory authority. The Bank regularly listened to report on concerns by the internal audit department, and provided opinions and suggestions on internal audit work in terms of increasing the deployment of personnel, strengthening training, independent assessment, and increasing investment (including third-party services) to improve the guidance on internal audit. In addition, it also supervised the formulation of the case prevention and control management system, listened to the report on the evaluation of internal control, regularly listened to the work report of the Board of Directors and the senior management, with a focus on the performance of the duties of the Board of Directors and the senior management.

Report of the Board of Supervisors

(V) Supervision on Risk Management

Amid the ever-changing business environment and regulatory environment, the Board of Supervisors, in light of the actual situations of the Bank, continuously strengthened supervision over the establishment and implementation of a comprehensive risk management system, and listened to comprehensive risk management reports on a quarterly basis to supervise the Bank's compliance with risk supervision indicators. It supervised the construction of policy systems such as stress testing, liquidity risks, compliance risks, and large-scale risk exposure; strengthened the management and supervision on consolidation of financial statements, while supervising the construction of the system of consolidation of financial statements. It attached great importance to the related party transaction control management, listened to the related party transaction report on a quarterly basis, and listened to the audit department's special audit result report of related party transactions, while supervising the performance of the related party transactions management duties of the Board of Directors and senior management; paid close attention to the Bank's credit risk management and control, organized the investigation and inspection of credit risk of branches; the Board of Supervisors conducted on-the-spot investigations to five branches in other regions and one central branch in the city; based on their professional advantages and practical experience and with a focus on the credit risks and prevention and control capabilities as well as internal control management, credit risk response and next-step work measures, implementation in response to the result of previous inspection and rectification, and the performance of management personnel in different branches, etc., conducted in-depth exchanges and discussions with the leadership members of various branches, and put forward positive suggestions and guidance on the development direction for each branch from the perspective of the performance of duties by Supervisors. At the same time, talk to senior management on issues in the branches which were related to the management of the operation of the headquarters. Based on the findings of the on-site inspection of the previous audit department, it gave feedbacks of supervision notice to the senior management on the special inspection, requiring the senior management to formulate effective rectification measures and to supervise the implementation.

(VI) Internal Improvement

The Board of Supervisors continuously improved the mechanisms, methods and means of supervision activities, established a global concept, and focused on risk orientation. Guided by the party building, it gave full play to the supervision of internal audit; organized the annual performance evaluation of Supervisors. All members of the Board of Supervisors worked diligently and actively participated in meetings and other activities to perform their duties, carefully reviewed various proposals, and enhanced their performance through meetings, training, research and inspection. The Board of Supervisors has rearranged the relevant system rules within the scope of functions, and revised five rules and regulations, which included the method for evaluation of Supervisors' performance, the method for management of allowance granted to Supervisors, the method for the evaluation of the performance of the Board of Directors and the performance of Directors, the senior management and its member, as well as the method for the supervision and management of the Board of Supervisors; strengthened the operability and effectiveness of the evaluation of performance of Directors, Supervisors and the senior management, thus promoting the scientific and standardized development of the evaluation and assessment, while further clarifying that the Board of Supervisors should focus on fulfilling their duties from the perspective of performance of duties, financial activities, internal control and risk management to facilitating the work of the Board of Supervisors and the special committees.

Report of the Board of Supervisors

II. INDEPENDENT OPINIONS ISSUED BY THE BOARD OF SUPERVISORS ON RELEVANT MATTERS

During the Reporting Period, the Board of Supervisors fulfilled its duty of supervising the duty performance by the Board of Directors and senior management of our Bank in accordance with the Articles of Association. The opinions issued in respect of the relevant matters are as follows:

(I) Operation in Compliance with Laws

During the Reporting Period, the Bank conducted business under laws and regulations, and continued to improve internal control mechanisms. The decision-making procedure during the operation complied with laws and regulations and relevant provisions of the Company Law of the PRC. Members of the Board of Directors and senior management duly fulfill their duties, and none of the Directors and senior management was found to violate any laws and regulations or prejudice the interests of our Bank and shareholders.

(II) Preparation of annual report

The procedures of preparation and review of this annual report are in compliance with laws, regulations and regulatory requirements, and the contents of the report give a true, accurate and complete view on the actual situations of the Bank.

(III) Related-Party Transactions

During the Reporting Period, the Board of Supervisors supervised the management of our related-party transactions and found no act of damaging the interests of the Bank and its shareholders.

(IV) Execution of the Resolutions Passed by the Shareholders' General Meeting

During the Reporting Period, we convened 1 general meetings. All members of the Board of Supervisors attended the meetings in accordance with the relevant provisions of the Company Law of the PRC and the Articles of Association of Bank of Tianjin Co., Ltd. We had no objection to the reports and proposals submitted by the Board of Directors to the general meeting for consideration, supervised the execution of the resolutions of the general meeting, and considered that the Board of Directors was able to conscientiously implement relevant resolutions of the Shareholders' general meeting.

On Behalf of the Board of Supervisors

FENG Xia

Chairwoman

Important Events

USE OF PROCEEDS

The proceeds from issuance of H shares of the Bank had been used in accordance with the intended usage as disclosed in the prospectus of the Bank. The net proceeds raised from the global offering of the Bank (after deduction of the underwriting fees and commissions and estimated expenses payable by the Bank in connection with the global offering) had been completely applied to strengthen the capital of the Bank to support the ongoing growth of its business.

Approved by Tianjin Office of China Banking Regulatory Commission and PBoC, the Bank issued tier-two capital bonds in the national inter-bank bond market on January 18, 2018, and the fund raising was completed on January 22. This tranche of bonds totaled RMB10 billion, with a maturity of 10 years at a fixed interest rate and a nominal interest rate of 4.80%, subject to the issuer's right to redeem under certain conditions at the end of the fifth year. The funds raised from this tranche of bonds will be replenished the Bank's tier-two capital in compliance with applicable laws and approvals from relevant regulatory authorities.

On April 24, 2018, the Bank issued the first tranche of financial bonds for 2018 in the national inter-bank bond market and the payment was completed on April 26. This tranche of bonds issued were three-year fixed rate bonds, with a total amount of RMB10 billion and a coupon rate of 4.70%. The proceeds from issuance of this tranche of bonds have been used to meet the Bank's needs for asset-liability matching, replenish the capital sources, improve the debt maturity structure and promote steady business development according to applicable laws, approvals of regulatory departments and the purposes disclosed in the prospectus. The proceeds from issuance of this tranche of financial bonds will be used for investment in quality asset projects featuring controllable risks and corresponding terms in strict accordance with national policies and rules on industries in which investment is encouraged and forbidden.

On June 15, 2018, the Bank issued the second tranche of financial bonds for 2018 in the national inter-bank bond market and the payment was completed on June 20. This tranche of bonds issued were three-year fixed rate bonds, with a total amount of RMB6 billion and a coupon rate of 4.90%. The proceeds from issuance of this tranche of bonds have been used to meet the Bank's needs for asset-liability matching, replenish the capital sources, improve the debt maturity structure and promote steady business development according to applicable laws, approvals of regulatory departments and the purposes disclosed in the prospectus. The proceeds from issuance of this tranche of financial bonds will be used for investment in quality asset projects featuring controllable risks and corresponding terms in strict accordance with national policies and rules on industries in which investment is encouraged and forbidden.

On November 6, 2018, the Bank issued the third tranche of financial bonds for 2018 in the national inter-bank bond market and the payment was completed on November 8. This tranche of bonds issued were three-year fixed rate bonds, with a total amount of RMB4 billion and a coupon rate of 4.08%. The proceeds from issuance of this tranche of bonds have been used to meet the Bank's needs for asset-liability matching, replenish the capital sources, improve the debt maturity structure and promote steady business development according to applicable laws, approvals of regulatory departments and the purposes disclosed in the prospectus. The proceeds from issuance of this tranche of financial bonds will be used for investment in quality asset projects featuring controllable risks and corresponding terms in strict accordance with national policies and rules on industries in which investment is encouraged and forbidden.

Important Events

MATERIAL LITIGATIONS AND ARBITRATIONS

As of the date of this annual report, our Bank does not expect any of our current and pending legal or arbitration proceedings to have, individually or in the aggregate, a material adverse effect on our business, financial condition and result of operations after provision for impairment.

Litigation against our Tianbao Sub-branch in relation to customers' deposits

Since 2014, 14 companies or individuals (collectively, the "Plaintiffs"), including Tianjin Zhongxin Huitong Investment Guarantee Co., Ltd. (天津中信匯通投資擔保有限公司) and Tianjin Sangzidi Enterprise Co., Ltd. (天津桑梓地實業有限公司), have filed separate civil lawsuits against us, alleging that their deposits in their savings accounts opened with our Tianbao Sub-branch were transferred to an account of a third party without their authorizations, as well as demanding our Tianbao Sub-branch to pay back their savings of approximately RMB380 million in total along with the relevant interests accrued or economic losses.

As of the date of this Report, the Tianjin Higher People's Court issued the final ruling on the civil suit to the seven plaintiffs including Tianjin Zhongxin Huitong Investment Guarantee Co., Ltd., Tianjin Sangzidi Enterprise Co., Ltd., Tianjin Fuyuan Fangsheng Steel Co., Ltd. (天津市福源方勝鋼鐵有限公司) and Tianjin Fumude Technology Development Co., Ltd. (天津富睦德科技發展有限公司); Tianjin No. 2 Intermediate People's Court and People's Court of Hexi District, Tianjin issued the initial ruling on the civil suit to the seven plaintiffs including Tianjin Zhichuan Investment Holding Co., Ltd. (天津智川投資控股有限公司), Tianjin Bangyou Commerce Co., Ltd. (天津邦友商貿有限公司) and Tianjin Guisheng Commerce Co., Ltd. (天津市貴盛商貿有限公司). As the depositors concerned received principal and interest through the "extracorporeal circulation" method, they were suspected of committing economic crimes. The court rejected the prosecution of 14 plaintiffs and referred the case materials to the public security organs.

Litigation against our Jinan Branch raised by Hezhong Asset Management Co., Ltd. in relation to customers' deposits

In April 2015, Hezhong Asset Management Company Ltd. ("Hezhong Asset Management") (合眾資產管理股份有限公司), filed a lawsuit at the High Court of Shandong against our Jinan Branch, alleging that we were in breach of the security guarantee obligations with respect to the deposits placed by Hezhong Asset Management and as a result the amount of RMB300 million managed by Hezhong Asset Management on behalf of a third party failed to be deposited to a fixed account and instead was transferred out illegally, as well as demanding our Jinan Branch to revert the principal and the interests accrued along with the litigation fees. On December 28, 2016, the High Court of Shandong made the initial ruling that our Jinan Bank will revert to Hezhong Asset Management the deposit of RMB300 million and the corresponding interests accrued on demand along with the litigation fees.

Important Events

Our Jinan Branch filed a civil appeal to the Supreme People's Court regarding the initial ruling. In September 2018, the Supreme People's Court issued a civil ruling that in this case, whether the series of transactions between the relevant parties was a common civil transaction or a criminal activity, whether the losses arising from the criminal activity were due to the negligence by the relevant parties and the degree of negligence, shall be determined in conjunction with the judgement of the criminal case related to the parties not involved in the case. As the criminal case has not yet been concluded, and the facts of the case have not yet been ascertained, the Supreme People's Court reversed the initial ruling of the Shandong Higher People's Court and remanded to the Shandong Higher People's Court for a new trial.

Litigation against Zhejiang Chouzhou Commercial Bank raised by our Shanghai Branch in relation to a bill-related dispute

In April 2016, Our Shanghai Branch filed a lawsuit against Zhejiang Chouzhou Commercial Bank with the High Court of Shanghai. The litigation involves the bills held under a resale agreement entered into between our Bank and Zhejiang Chouzhou Commercial Bank. As agreed by both parties to the bills held under the resale agreement, our Bank is the reseller of the purchased bills and Zhejiang Chouzhou Commercial Bank is the repurchase of the sold bills, in which case, our Bank purchased 65 copies of bank acceptance from Zhejiang Chouzhou Commercial Bank and repurchase will be made by Zhejiang Chouzhou Commercial Bank upon maturity at a cash consideration of RMB986 million in full payable to Zhejiang Chouzhou Commercial Bank. Upon maturity on April 6, 2016, our Bank failed to receive the payment of RMB786 million. On the same day, our Shanghai Branch filed a report to the Economic Crimes Investigation Brigade under the Shanghai Public Security Bureau, and subsequently filed a lawsuit against Zhejiang Chouzhou Commercial Bank, demanding Zhejiang Chouzhou Commercial Bank to make the payments and interests accrued therefrom under repurchase along with litigation fees, attorney fees, and other expenses. In May 2018, the Shanghai Higher People's Court issued a civil ruling on the suspension of the case.

ACQUISITION AND DISPOSAL OF ASSETS AND BUSINESS MERGER

During the Reporting Period, the Bank was not engaged in any material acquisition or disposal of assets or business merger.

MAJOR EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Reference is made to an announcement of our Bank dated August 24, 2018 in relation to, among others, the fact that Bohai Steel Group Company Limited will not be able to fully repay the principal of its borrowings from the Bank when due and there is a potential default risk to our Bank from Bohai Steel Group Company Limited. On January 31, 2019, the Bank noted that the Tianjin High People's Court and Tianjin Second Intermediate People's Court ruled that they approve the bankruptcy reorganization scheme ("Reorganization Scheme") of Bohai Steel Group Company Limited. Taking account of the repayment proposal within the Reorganization Scheme, the Bank expects that we cannot be fully repaid by Bohai Steel Group Company Limited the principal of its borrowings from the Bank. The Bank has made additional provisions to cover such credit risk. Accordingly, the Bank considers that the Reorganization Scheme will not have material adverse impact on the operation and financial condition of the Bank.

Save as the disclosures above, no other significant events which have an impact on the Bank have occurred after the end of the Reporting Period.

Risk Management and Internal Control

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

Our Board of Directors is responsible for ensuring the establishment and implementation of an adequate and effective risk management and internal control system, and the prudent operation of the commercial bank under the framework of laws and policies. The Board of Supervisors is responsible for supervising the Board of Directors and the senior management of the Bank to enhance the risk management and internal control system, and the fulfillment of risk management and internal control duties of the Board of Directors, the senior management and their members. The senior management is responsible for the execution of the decisions made by the Board of Directors, and ensuring the effective performance of risk management and internal control duties. Currently, the Bank has formulated the Internal Control Policy of Bank of Tianjin Co., Ltd. (《天津銀行股份有限公司內部控制政策》) the Administrative Methods of Internal Controls of Bank of Tianjin (《天津銀行內部控制管理辦法》) according to the Basic Rules on Enterprise Internal Control (《企業內部控制基本規範》) and the Internal Control Guidelines for Commercial Banks (《商業銀行內部控制評價指引》), covering five major aspects of internal control, namely internal environment, risk assessment, control activities, information and communication, and internal supervision.

During the Reporting Period, our Bank has further strengthened the existing corporate governance framework and internal control measures, standardized the implementation and evaluation procedures of the internal control system, and formulated comprehensive, systematic and standardized operation system and management system for operational and management activities, and established an audit mechanism regarding the compliance of such system. During the Reporting Period, 305 systems were amended and supplemented, which further regulated the operational management and business development. Besides, the Bank also provided regular compliance training, special examination and risk warning, so as to improve the compliance awareness of all the staff.

Our well-developed Comprehensive Risk Management System covers major risks facing our Bank, including credit risks, market risks, operating risks, liquidity risks, information technology risks, etc. To counter these risks, our Bank gradually develops and improves a comprehensive risk management structure with clear and definite terms of reference, checks and balances, and highly efficient operations, further strengthening the independence and professionalism of risk management. To ensure effective operation of our risk management system, our Bank establishes and improves our risk management procedures. By exercising prudence, our Bank will identify, assess, and manage risks arising from our Bank as a whole and various products, business lines, business processes, and departments at all levels. For more details of the risk management system of our Bank, please refer to “Management Discussion and Analysis – Risk Management”.

Our Bank implements a negative list management mechanism for risk exposure. By formulating and circulating the “Negative List for Risk Prevention”, we distinctly categorize and prescribe 212 accounts of prohibited actions for all employees at our Bank, and focus on clarifying prohibited matters involved in risk prevention and control. Furthermore, we formulate systems including the Personnel Conduct Management Policy of Bank of Tianjin Co., Ltd. (《天津銀行股份有限公司從業人員行為管理政策》) and Basic Personnel Code of Conduct of Bank of Tianjin. (《天津銀行從業人員基本行為守則》) which regulate the management of conducts of all employees at our Bank and improve our employees’ awareness of compliance and self-discipline. At the same time, we revised and promulgated the Administrative Measures on Reporting of Compliance and Honesty in Tianjin Bank (《天津銀行合規誠信舉報管理辦法》), to further clarify the establishment of a reporting mechanism for compliance and honesty, increase the management responsibilities of relevant departments and smooth the reporting channels for compliance and honesty.

Risk Management and Internal Control

The “Measures to Manage Disclosure of Information about Bank of Tianjin”, which is formulated by the Board of our Bank, expressly prescribes that our Board will be responsible for managing information disclosure. Our Board and president will ensure the truthfulness, accuracy, and completeness of the information so disclosed, for which they shall assume the corresponding legal responsibilities. Our Bank shall make timely disclosure upon occurrence of “inside information” as defined under Part XIVA of the Securities and Futures Ordinance of Hong Kong or in case of timely disclosure of other matters as required under the relevant laws and regulations and the regulatory rules governing the listing of securities in the jurisdiction where our Bank is listed, unless exemptions are granted under the same.

Our Bank further improved the accounting and audit system and accounting working procedures according to the relevant requirements under the China Accounting Standards for Business Enterprises (《企業會計準則》) and Basis Norms of Internal Audit Control (《內部會計控制規範》) and further specifies the duties of different positions and comprehensively manages risks. By means of position set-up, granting level-based authorizations, position rotation, reviewing accounts and supervision and inspection, our Bank was able to effectively control the audit operation process, and ensured the truthfulness and fairness of the preparation of financial statements for our Bank. During the Reporting period, our Bank was not aware of any significant deficiencies regarding the internal control in the financial report.

Our Bank highly values effective information management, and has established a comprehensive set of guidance regarding internal communication and reporting duties, which specifies the requirements of internal communication and reporting duties and procedures, in view of ensuring the effective communication internally and externally. The Bank has formulated many systems including Operational Risk Management Policies of Bank of Tianjin Co., Ltd. (《天津銀行股份有限公司操作風險管理政策》), Management Measures for Case Disposal Work of Bank of Tianjin (《天津銀行案件處置工作管理辦法》), Information Technology Risk Management Policies of Bank of Tianjin Co., Ltd. (《天津銀行股份有限公司信息科技風險管理政策》), Business Continuity Management Policies of Bank of Tianjin (《天津銀行業務連續性管理政策》) and Management Measures for Business System of Bank of Tianjin (《天津銀行業務制度管理辦法》). to facilitate orderly division of work responsibilities amongst different working levels throughout our Bank for implementing effective precautions against various risks. By clarifying the responsibility boundaries of departments and identifying the responsible departments for reporting and the reporting paths, our Bank has strengthened the existing internal system for internal information exchange and communication, ensuring that various departments and entities at all levels of our Bank can relay information on any updates in our Bank’s strategies, policies, systems and relevant requirements to our working level in a timely manner, and simultaneously provide support across our working level for timely report of potential internal control issues to the management.

During the Reporting Period, our Bank established a set of risk management framework and policies, which promotes adequate compliance culture and professional ethics, and enhanced the awareness to comply with the rules and regulations when carrying out business activities, and optimized the environment for controlling compliance and risk management. The Bank also amended Compliance Risk Management Policies of Bank of Tianjin Co., Ltd. (《天津銀行股份有限公司合規風險管理政策》) and Administrative Methods for Compliance Risk Management of Bank of Tianjin (《天津銀行合規風險管理辦法》), which further enhanced the objectives of compliance risk management, clarified the responsibilities of compliance risk management and optimized the process of compliance risk management.

Risk Management and Internal Control

Our Bank has paid great attention to the Basic Rules on Enterprise Internal Control (《企業內部控制基本規範》) and its supporting guidelines. First, our Bank has established a sound risk management system which covers various aspects of business operations, including corporate governance, loan extension business, treasury business, billing business, anti-money laundering, legal and compliance, internal audit and information technology management. Second, our Bank has separated the responsibilities of the front, middle and back offices of headquarters and branches as well as sub-branches, targeting effective check and balance mechanism and clear reporting lines. Third, our Bank timely supervised and monitored the progress of tackling the internal control issues identified during the internal audit and business review in 2017, continuously improving the internal control management capabilities and standards. Fourth, our Bank carried out evaluation of the internal control involving different departments at our headquarters, branches and sub-branches to ensure the internal control system of our Bank has been effectively implemented.

The risk management and internal control system of our Bank is, however, designed to manage and mitigate rather than eliminate the risk, and can only provide reasonable and not absolute assurance against material misstatement or loss.

INTERNAL AUDIT

The Bank further improved an independent internal audit organizational structure and the Board of Directors is ultimately responsible for independence and effectiveness of internal audit. The Audit Committee under the Board of Directors is responsible for consideration of and approving important internal audit systems, listening to audit work reports, approving medium and long-term audit plans and annual audit plans and offering guidance and assessment the internal audit work. The internal audit department of the Bank uniformly organizes, manages and reports the audit work of the Bank and takes charge of reviewing, assessing and supervising the improvement of the business operations, risk management, internal control compliance and corporate governance effects of the company. The Bank adheres to the principles of independence, objectivity, solemnity, confidentiality, prudence and abstention throughout the internal audit work.

During the Reporting Period, the internal audit department continued to improve the internal audit management system and enhanced the capabilities of internal audit by systematic and standardised methods, upgraded and reformed the internal audit system, improved the various systems and processes of internal control, conducted various audit assessments by on-site and off-site audit and expanded gradually the functions of internal audit.

Independent Auditor's Report

Deloitte.

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TO THE SHAREHOLDERS OF BANK OF TIANJIN CO., LTD

(天津銀行股份有限公司)

(Incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Bank of Tianjin Co., Ltd (the "Bank") and its subsidiaries (collectively referred to as the "Group") set out on pages 145 to 299, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December, 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional 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 judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
<p><i>Expected credit loss provision of loans and advances to customers and debt instruments at amortised cost</i></p> <p>We identified the expected credit loss ("ECL") provision of loans and advances to customers and debt instruments at amortised cost as a key audit matter as these financial assets are material to the Group, and the management of the Group exercises significant judgements on whether credit risk of a financial asset has increased significantly since initial recognition, whether a financial asset is credit-impaired, and estimation in key inputs used for measuring ECL, which including probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD").</p> <p>Accounting policies and significant accounting estimates and judgments used to determine the ECL provision of loans and advances to customers and debt instruments at amortised cost are disclosed in Note 3.9 and Note 54, respectively.</p>	<p>Our procedures in relation to ECL provision of loans and advances to customers and debt instruments at amortised cost included:</p> <ul style="list-style-type: none">• Understanding design and testing operating effectiveness of controls in relation to ECL impairment assessment;• Understanding the ECL model used by the Group, utilising internal expert on evaluating the appropriateness of the ECL model and the critical assumptions and parameters used;• Selecting samples on the credit review performed by the Group to determine if for a financial asset, its credit risk has increased significantly since initial recognition or is credit-impaired, and reasonableness of expected future cash flow flows from the counterparties, guarantors, or realisation of collateral held to determine LGD;• Recalculating the provision and comparing the results with those estimated by the Group.

Independent Auditor's Report

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
<p><i>Valuation of financial instruments measured at Level 3 Fair Value</i></p> <p>We identified the valuation of financial assets measured at Level 3 fair value is a key audit matter as the carrying balances of these financial assets are material to the Group, and the management made significant judgement and estimation in the valuation process.</p> <p>The Group's financial instruments measured at Level 3 fair value with unobservable inputs mainly included financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income as set out in Note 24 and Note 26, respectively. In aggregate, carrying balances of these financial assets accounted for approximately 10% of the total assets of the Group.</p> <p>Disclosures in relation to Level 3 fair value measurement of these financial assets were made in Note 55.</p>	<p>Our procedures in relation to valuation of financial instruments measured at Level 3 fair value included:</p> <ul style="list-style-type: none"> • Understanding design and testing operating effectiveness of controls in relation to financial instrument valuation process; • On a sample basis, involving internal valuation experts to review and assess the valuation methodology and assumptions used; • Recalculating fair value estimates and comparing the results to the Group's valuations.

Independent Auditor's Report

KEY AUDIT MATTERS (Continued)

Key audit matter

How our audit addressed the key audit matter

Consolidation of Structured Entities

We identified consolidation of structured entities as a key audit matter since significant judgment was applied by management to determine whether the Group has control of structured entities and the classification of structured entities significantly affects most of the accounts in the consolidated financial statements.

The structured entities include asset-backed securities, wealth management products, asset management plans and trust beneficiary rights disclosed in Note 49 in the consolidated financial statements.

Our procedures in relation to consolidation of structured entities included:

- Evaluating whether the accounting policies for the consolidation of structured entities determined by the Group and the factors considered are in compliance with the accounting standards and are consistently applied;
- Understanding design and operating effectiveness of controls in relation to consolidation of structured entities;
- On a sample basis, making our independent judgements by analysing of the contractual terms of selected structured entities and comparing the results with judgments made by the Group.

Independent Auditor's Report

OTHER INFORMATION

The directors of the Bank are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Bank are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group'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 the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated 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 solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 consolidated financial statements.

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

- o Identify and assess the risks of material misstatement of the consolidated 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.
- o Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- o Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- o Conclude on the appropriateness of the directors' 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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- o Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year 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.

The engagement partner on the audit resulting in the independent auditor's report is Mr. Man Kai Sze.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

22 March, 2019

Consolidated Statement of Profit or Loss and other Comprehensive Income

For the year ended December 31, 2018
(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	Year ended 31 December,	
		2018	2017
Interest income		27,487,524	27,894,735
Interest expense		(20,781,987)	(19,493,523)
Net interest income	6	6,705,537	8,401,212
Investment income	7	3,793,253	–
Fee and commission income		1,881,805	2,112,839
Fee and commission expense		(344,211)	(79,374)
Net fee and commission income	8	1,537,594	2,033,465
Net trading losses	9	(145,176)	(157,018)
Net gains arising from derecognition of financial assets measured at amortised cost	10	132,526	–
Other income, gains or losses	11	114,480	(134,343)
Operating income		12,138,214	10,143,316
Operating expenses	12	(3,447,071)	(3,102,593)
Impairment losses	13	(3,481,867)	(2,131,853)
Share of results of associates		8,233	(25,932)
Profit before tax		5,217,509	4,882,938
Income tax expense	14	(987,422)	(939,874)
Profit for the year		4,230,087	3,943,064

Consolidated Statement of Profit or Loss and other Comprehensive Income

For the year ended December 31, 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	Year ended 31 December,	
		2018	2017
Other comprehensive income/(expense):			
Items that may be reclassified subsequently to profit or loss:			
Fair value gains/(losses) on:			
– available-for-sale financial assets	44	–	(464,494)
– financial assets measured at fair value through other comprehensive income	44	1,028,193	–
Amount reclassified to profit or loss upon disposal of:			
– available-for-sale financial assets	44	–	(15,601)
– debt instruments measured at fair value through other comprehensive income	44	(53,770)	–
Cumulative impairment loss recognised on:			
– financial assets measured at fair value through other comprehensive income	44	(11,385)	–
Income tax relating to items that may be reclassified subsequently to profit or loss	44	(245,955)	120,024
Other comprehensive income/(expense) for the year, net of income tax		717,083	(360,071)
Total comprehensive income for the year		4,947,170	3,582,993
Profit for the year attributable to:			
Equity holders of the Bank		4,181,248	3,916,386
Non-controlling interests		48,839	26,678
		4,230,087	3,943,064
Total comprehensive income for the year attributable to:			
Equity holders of the Bank		4,898,331	3,556,315
Non-controlling interests		48,839	26,678
		4,947,170	3,582,993
Earnings per share attributable to equity holders of the Bank (Expressed in RMB Yuan per share)			
– Basic	15	0.69	0.65

Consolidated Statement of Financial Position

As at December 31, 2018
(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	31 December, 2018	31 December, 2017
ASSETS			
Cash and balances with central bank	18	62,313,393	57,372,466
Deposits with banks and other financial institutions	19	4,063,486	8,003,859
Placements with banks and other financial institutions	20	11,186,976	12,295,007
Derivative financial assets	21	70,255	–
Financial assets held for trading	22	–	5,720,098
Financial assets held under resale agreements	23	2,555,983	9,356,836
Financial assets at fair value through profit or loss	24	60,744,554	–
Available-for-sale financial assets	25	–	36,270,946
Debt instruments at fair value through other comprehensive income	26	49,457,614	–
Loans and advances to customers	27	276,943,278	241,637,249
Debt instruments at amortised cost	28	184,769,026	–
Held-to-maturity investments	29	–	49,123,275
Investments classified as receivables	30	–	272,338,316
Deferred tax assets	31	3,165,838	2,237,505
Other assets	32	1,949,842	5,700,341
Property and equipment	33	1,907,562	1,653,828
Interests in associates	34	212,096	203,863
Total assets		659,339,903	701,913,589
LIABILITIES			
Borrowings from central bank	35	17,001,392	7,505,000
Deposits from banks and other financial institutions	36	33,728,238	77,036,368
Placements from banks	37	21,555,660	22,719,415
Derivative financial liabilities	21	27,836	–
Financial assets sold under repurchase agreements	38	28,362,473	50,696,397
Income tax payable		970,269	635,060
Other liabilities	39	7,272,472	22,019,537
Due to customers	40	342,877,165	357,857,635
Debt securities issued	41	159,823,661	118,688,315
Total liabilities		611,619,166	657,157,727

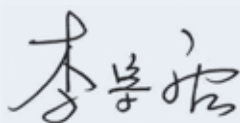
Consolidated Statement of Financial Position

As at December 31, 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	31 December, 2018	31 December, 2017
EQUITY			
Share capital	42	6,070,552	6,070,552
Capital reserve	43	10,731,130	10,731,130
Investment revaluation reserve	44	148,547	(575,715)
Surplus reserve	45	3,352,480	3,352,331
General reserve	46	9,133,134	8,363,493
Retained earnings		17,563,646	16,141,662
Equity attributable to equity holders of the Bank		46,999,489	44,083,453
Non-controlling interests		721,248	672,409
Total equity		47,720,737	44,755,862
Total equity and liabilities		659,339,903	701,913,589

The consolidated financial statements on pages 145 to 299 were approved and authorised for issue by the Board of Directors on 22 March, 2019 and are signed on its behalf by:



EXECUTIVE DIRECTOR



EXECUTIVE DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended December 31, 2018
(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	Attributable to equity holders of the Bank						Subtotal	Non-controlling interests	Total
		Share capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings			
As at 31 December, 2017		6,070,552	10,731,130	(575,715)	3,352,331	8,363,493	16,141,662	44,083,453	672,409	44,755,862
Adjustments of application of accounting policy changes	2	-	-	7,179	-	-	(896,924)	(889,745)	-	(889,745)
As at 1 January, 2018		6,070,552	10,731,130	(568,536)	3,352,331	8,363,493	15,244,738	43,193,708	672,409	43,866,117
Profit for the year		-	-	-	-	-	4,181,248	4,181,248	48,839	4,230,087
Other comprehensive income for the year		-	-	717,083	-	-	-	717,083	-	717,083
Total comprehensive income for the year		-	-	717,083	-	-	4,181,248	4,898,331	48,839	4,947,170
Dividend distribution	16	-	-	-	-	-	(1,092,699)	(1,092,699)	-	(1,092,699)
Appropriation to surplus reserve	45	-	-	-	149	-	-	149	-	149
Appropriation to general reserve	46	-	-	-	-	769,641	(769,641)	-	-	-
As at 31 December, 2018		6,070,552	10,731,130	148,547	3,352,480	9,133,134	17,563,646	46,999,489	721,248	47,720,737
As at 1 January, 2017		6,070,552	10,699,811	(215,644)	3,014,661	7,136,619	15,003,930	41,709,929	44,851	41,754,780
Profit for the year		-	-	-	-	-	3,916,386	3,916,386	26,678	3,943,064
Other comprehensive expense for the year		-	-	(360,071)	-	-	-	(360,071)	-	(360,071)
Total comprehensive income/(expense) for the year		-	-	(360,071)	-	-	3,916,386	3,556,315	26,678	3,582,993
Contributions from non-controlling shareholders		-	31,319	-	-	-	-	31,319	600,880	632,199
Dividend distribution	16	-	-	-	-	-	(1,214,110)	(1,214,110)	-	(1,214,110)
Appropriation to surplus reserve	45	-	-	-	337,670	-	(337,670)	-	-	-
Appropriation to general reserve	46	-	-	-	-	1,226,874	(1,226,874)	-	-	-
As at 31 December, 2017		6,070,552	10,731,130	(575,715)	3,352,331	8,363,493	16,141,662	44,083,453	672,409	44,755,862

Consolidated Statement of Cash Flows

For the year ended December 31, 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

	Year ended 31 December	
	2018	2017
OPERATING ACTIVITIES		
Profit before tax	5,217,509	4,882,938
Adjustments for:		
Depreciation and amortisation	239,795	224,498
Impairment losses	3,481,867	2,131,853
Share of results of associates	(8,233)	25,932
Interest income arising from debt instruments at FVTOCI and at amortised costs	(11,468,780)	(14,343,675)
Interest income arising from impaired financial assets	(105,457)	(78,730)
Interest expense arising from debt securities issued	6,536,210	3,922,701
Investment income	(3,793,253)	–
Net trading losses	145,176	157,018
Net gains arising from derecognition of financial assets measured at amortised cost	(132,526)	–
Dividend income from investment securities	(880)	(5,000)
Other income, gains or losses	(2,759)	60,440
Operating cash flows before movements in working capital	108,669	(3,022,025)
Decrease in balances with central bank and deposits with banks and other financial institutions	11,569,499	8,418,674
Increase in placements with banks and other financial institutions	(2,750,908)	(243,357)
Decrease/(increase) in financial assets held for trading and derivatives	4,391,629	(5,943)
Decrease in financial assets held under resale agreements	2,337,970	6,703,995
Increase in loans and advances to customers	(38,446,786)	(35,235,867)
Increase in borrowings from central bank	9,210,000	7,505,000
Decrease in deposits from banks and other financial institutions	(43,611,466)	(42,296,644)
(Decrease)/increase in placements from banks	(1,290,774)	4,169,107
Decrease in financial assets sold under repurchase agreements	(22,367,527)	(8,109,203)
Decrease in due to customers	(22,417,388)	(7,613,322)
Decrease/(increase) in other operating assets	766,366	(894,870)
(Decrease)/increase in other operating liabilities	(8,133,496)	9,741,543
Cash used in operating activities	(110,634,212)	(60,882,912)
Income tax paid	(1,529,919)	(1,291,463)
Net cash used in operating activities	(112,164,131)	(62,174,375)

Consolidated Statement of Cash Flows

For the year ended December 31, 2018
(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	Year ended 31 December	
		2018	2017
INVESTING ACTIVITIES			
Cash received from disposal and redemption of			
– investment securities		735,941,312	1,210,957,082
Cash received from disposal of property and equipment			
and other assets		12,619	28,350
Cash paid for purchases of – investment securities		(666,187,217)	(1,265,393,212)
Cash paid for purchase of property			
and equipment and other assets		(558,295)	(218,754)
Interest income received from investment securities		13,418,034	13,805,174
Dividend income received from investment securities		880	5,000
Net cash generated by/(used in) investing activities		82,627,333	(40,816,360)
FINANCING ACTIVITIES			
Contributions from non-controlling shareholders		–	632,199
Cash received from debt securities issued	47	316,845,424	257,606,433
Repayment of debt securities issued	47	(276,750,000)	(180,578,660)
Interest expenses paid for debt securities issued		(5,722,332)	(2,667,700)
Dividends paid		(1,101,756)	(1,211,476)
Net cash generated by financing activities		33,271,336	73,780,796
Net increase/(decrease) in cash and cash equivalents		3,734,538	(29,209,939)
Cash and cash equivalents at beginning of the year		22,816,725	52,231,121
Effect of foreign exchange rate changes		299,932	(204,457)
Cash and cash equivalents at end of the year	48	26,851,195	22,816,725
Net cash generated by operating activities include:			
Interest received		28,480,651	15,513,042
Interest paid		(25,452,726)	(14,654,175)
Net interest received from operating activities		3,027,925	858,867

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

1. GENERAL INFORMATION

Bank of Tianjin Co., Ltd. (the "Bank") is formerly known as Tianjin City Cooperative Bank Co., Ltd., a limited liability commercial bank established in Tianjin Municipality of the People's Republic of China (the "PRC") in November, 1996 with the approval of the People's Bank of China ("PBoC"). The Bank changed its name to Tianjin City Commercial Bank Co., Ltd. in August 1998 and then to Bank of Tianjin Co., Ltd. in February, 2007.

The Bank is licensed as a financial institution by the China Banking and Insurance Regulatory Commission (the "CBIRC") Tianjin Bureau (No. B0108H212000001) and is registered as a business enterprise with the approval of Tianjin Market and Quality Supervision Administration (Unified Credit Record No. 911200001030702984). The Bank was listed on The Stock Exchange of Hong Kong Limited on 30 March, 2016.

As at 31 December, 2018, the number of ordinary shares of the Bank was 6.071 billion. As at 31 December, 2018, the Bank had a total of 14 tier-one branches, 9 of them are located in Tianjin Municipality and 5 of them are located outside the Tianjin Municipality. Information on the subsidiaries of the Bank is presented in Note 56.

The approved business scope of the Bank and its subsidiaries (collectively referred to as the "Group") consists of deposit taking; granting of short-term, medium-term and long-term loans; handling domestic and overseas settlement; handling bill acceptance and discounting; bank cards business, issuing financial bonds; acting as agent to issue, settle and underwrite government bonds; trading of government bonds; engaging in inter-bank placement; providing guarantee; acting as agent on inward and outward payments, acting as insurance agent; providing safe-box service; entrusted loan business on credit turnover funds of local public finance. Foreign currency deposit taking, granting of loans; foreign currency remittance, currency exchange; international settlement; foreign currency sale and settlement; inter-bank foreign currency placement; foreign currency guarantee; foreign currency borrowing; foreign currency bill acceptance and discount; credit investigation, consulting, and assurance; proprietary and broker trading of foreign currency marketable securities other than stocks; proprietary and broker trading of foreign exchange; financial leasing; transfer of assets under finance lease, securities investment with fixed income, lease guarantee deposits from lessees, time deposit taking from non-bank shareholders with over 3 months (inclusive) maturity; inter-bank placements, borrowings from financial institutions, overseas borrowings, sales and disposal of leased property, economic consulting (certain projects are subject to approval of authorities), and other business activities approved by the CBIRC (businesses among the above scope shall be handled in accordance with specific regulations, if any).

The Bank and its subsidiaries are collectively referred to as the Group. The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Bank and its subsidiaries.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018
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2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSS”)

New and Amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board (“IASB”) for the first time in current year:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014-2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

Except as described below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.1 Application of IFRS 15 Revenue from Contracts with Customers

The Group has applied IFRS 15 for the first time in the current year. IFRS 15 superseded IAS 18 Revenue and the related interpretations, but its application has had no material impact on the timing and amounts of revenue recognised in the reporting periods.

The Group recognises revenue from the following major sources arising from contracts with customers:

- Asset management fee from wealth management products sponsored by the bank
- Commission from distribution of financial products sponsored by other entities
- Fiduciary, settlement and clearing fees

Information about the Group’s performance obligations and accounting policies resulting from application of IFRS 15 are disclosed in Note 8 and Note 3, respectively.

Notes to the Consolidated Financial Statements

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2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”) *(Continued)*

2.2 Application of IFRS 9 Financial Instruments

In the current year, the Group has applied IFRS 9 Financial Instruments and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses (“ECL”) for financial assets and other items (for example, lease receivables and financial guarantee contracts).

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January, 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January, 2018. The difference between carrying amounts as at 31 December, 2017 and the carrying amounts as at 1 January, 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 *Financial Instruments: Recognition and Measurement*.

Accounting policies resulting from application of IFRS 9 are disclosed in Note 3.

Summary of effects arising from initial application of IFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under IFRS 9 and IAS 39 at the date of initial application, 1 January, 2018:

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018
(Amounts in thousands of Renminbi, unless otherwise stated)

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”) (Continued)

2.2 Application of IFRS 9 Financial Instruments (Continued)

Summary of effects arising from initial application of IFRS 9 (Continued)

Notes	Financial assets at		Amortised cost		Financial guarantee contracts/		Deferred tax assets/ liabilities	Investment revaluation reserve	Retained earnings	Non-controlling interests	
	FVTPL required by IAS 39/ IFRS 9	Available-for-sale financial assets (“AFS”)	Held-to-maturity	Debt instruments at FVTOCI	loans and receivables	other liabilities					
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Closing balance at 31											
December, 2017 – IAS 39	5,720,098	36,270,946	49,123,275	-	543,631,267	379,323	2,237,505	(575,715)	16,141,662	672,409	
Effect arising from initial application of IFRS 9:											
Reclassification											
From available-for-sale	(a)	3,361,638	(36,270,946)	-	32,909,308	-	-	-	6,303	(6,303)	-
From financial assets held for trading	(b)	-	-	-	-	-	-	-	-	-	-
From held-to-maturity	(c)	-	-	(49,123,275)	-	49,123,275	-	-	-	-	-
From investments classified as receivables	(d)	138,530,042	-	-	4,687,982	(143,218,024)	-	-	-	-	-
Remeasurement											
Impairment under ECL model											
From amortised cost to fair value	(d)	(33,911)	-	-	(26,540)	-	-	15,112	(19,905)	(25,434)	-
Opening balance											
at 1 January, 2018	147,577,867	-	-	37,570,750	448,675,003	643,684	2,534,087	(568,536)	15,244,738	672,409	

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (Continued)

2.2 Application of IFRS 9 Financial Instruments (Continued)

Summary of effects arising from initial application of IFRS 9 (Continued)

(a) Available-for-sale investments

From available-for-sale ("AFS") investments to financial assets at fair value through profit or loss ("FVTPL")

At the date of initial application of IFRS 9, the Group's equity investments of RMB59 million, which were measured at cost less impairment, were reclassified from AFS investments to financial assets at FVTPL. The carrying amount of these investments was approximate to their fair values and therefore no fair value gains or losses was recognised as at 1 January, 2018.

Bonds and funds with fair values of RMB199 million and RMB3,104 million were reclassified from AFS investments to financial assets at FVTPL. This is because even though the Group's business model is to hold financial assets in order to collect contractual cash flows, the cash flows of these investments do not meet the IFRS 9 criteria as solely payments of principal and interest on the principal amount outstanding. Related fair value losses of RMB6 million were transferred from the AFS reserve to retained earnings as at 1 January, 2018.

From AFS Debt instruments to financial assets at fair value through other comprehensive income ("FVTOCI")

Bonds with fair values of RMB32,909 million were reclassified from available-for-sale investments to debt instruments at FVTOCI, as these investments are held within a business model whose objective is achieved by both collecting contractual cash flows and selling of these assets and the contractual cash flows of these investments are solely payments of principal and interest on the principal amount outstanding. Related fair value losses of RMB34 million continued to accumulate in the investment revaluation reserve as at 1 January, 2018.

(b) Financial assets held for trading

At the date of initial application, financial assets held for trading were reclassified to financial assets at FVTPL. There was no impact on the amounts recognised in relation to these assets from the application of IFRS 9.

(c) Held-to-maturity investments

Bonds previously classified as held-to-maturity investments are reclassified and measured at amortised cost upon application of IFRS 9. The Group intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. There was no difference between the previous carrying amount and the revised carrying amount at 1 January, 2018.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018
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2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSS”) *(Continued)*

2.2 Application of IFRS 9 Financial Instruments *(Continued)*

Summary of effects arising from initial application of IFRS 9 (Continued)

(d) Investments classified as receivables

Financial assets previously classified as investments classified as receivables of RMB138,530 million are reclassified to financial assets at FVTPL upon the application of IFRS 9 because its cash flows do not represent solely payments of principal and interest on the principal amount outstanding. The related fair value losses of RMB25 million was adjusted to financial assets at FVTPL and retained earnings as at 1 January, 2018.

Debt instruments previously classified as investments classified as receivables of RMB4,688 million are reclassified to financial assets at FVTOCI, as these investments are held within a business model whose objective is achieved by both collecting contractual cash flows and selling of these assets and the contractual cash flows of these investments are solely payments of principal and interest on the principal amount outstanding. The related fair value losses of RMB20 million was adjusted to financial assets at FVTOCI and investment revaluation reserve as at 1 January, 2018.

(e) Impairment under ECL model

ECL for financial assets at amortised cost, including deposits with banks and other financial institutions, placements with banks and other financial institutions, financial assets held under resale agreements, loans and advances to customers and debt instruments at amortised cost, are assessed on 12-month of lifetime ECL basis, depends on whether there was significant increase in credit risk since initial recognition or credit impaired under the revised accounting policies.

As at 1 January, 2018, the directors of the Company reviewed and assessed the Group’s existing financial assets, lease receivables, loan commitments and financial guarantee contracts for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9. The results of the assessment and the impact thereof are detailed in the table below.

As at 1 January, 2018, the additional credit loss allowance of RMB865 million, net of deferred tax, has been recognised against retained earnings. The additional loss allowance is charged against the respective asset or provision for financial guarantee contracts.

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For the year ended December 31, 2018

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2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSS”) (Continued)

2.2 Application of IFRS 9 Financial Instruments (Continued)

Summary of effects arising from initial application of IFRS 9 (Continued)

(e) Impairment under ECL model (Continued)

All loss allowances for financial assets at amortised cost, debt instruments at FVTOCI, and financial guarantee contracts as at 31 December, 2017 reconcile to the opening loss allowance as at 1 January, 2018 is as follows:

	Debt instruments at FVTOCI RMB'000	Debt instruments at amortised cost RMB'000	Loan commitments and financial guarantee contracts RMB'000
At 31 December, 2017 – IAS 39	–	9,266,744	379,323
Reclassification	–	(404,390)	–
Amounts remeasured through opening retained earnings/ investment revaluation reserve	20,781	1,265,905	264,361
At 1 January, 2018	20,781	10,128,259	643,684

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For the year ended December 31, 2018
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2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSS”) (Continued)

New or revised standards and interpretations that have been issued but not yet effective for the current year

The Group has not early applied the following new and amendments to IFRSs issued that have been issued but are not yet effective:

IFRS 16	Leases ¹
IFRS 17	Insurance Contracts ²
IFRIC 23	Uncertainty over Income Tax Treatments ¹
Amendments to IFRS 3	Definition of a Business ³
Amendments to IFRS 9	Prepayment Features with Negative Compensation ¹
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to IAS 1 and IAS 8	Definition of Material ⁵
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement ¹
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures ¹
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015-2017 Cycle ¹

¹ Effective for annual periods beginning on or after 1 January, 2019.

² Effective for annual periods beginning on or after 1 January, 2021.

³ Effective for business combination for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January, 2020.

⁴ Effective for annual periods beginning on or after a date to be determined.

⁵ Effective for annual periods beginning on or after 1 January, 2020.

Except for the new and amendments to IFRSs mentioned below, the directors of the Bank anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, IFRS 16 requires sales and leaseback transactions to be determined based on the requirements of IFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. IFRS 16 also includes requirements relating to subleases and lease modifications.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

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2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”) (Continued)

New or revised standards and interpretations that have been issued but not yet effective for the current year (Continued)

IFRS 16 Leases (Continued)

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group, upfront prepaid lease payments will continue to be presented as investing or operating cash flows in accordance to the nature, as appropriate.

Under IAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December, 2018, the Group has non-cancellable operating lease commitments of RMB1,249 million as disclosed in Note 51. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

Notes to the Consolidated Financial Statements

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2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSS”) (Continued)

New or revised standards and interpretations that have been issued but not yet effective for the current year (Continued)

IFRS 16 Leases (Continued)

In addition, the Group currently considers refundable rental deposits paid of RMB25 million as disclosed in Note 32 and refundable rental deposits received of RMB103 million as disclosed in Note 39 as rights and obligations under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

Upon application of IFRS 16, the Group will apply the requirements of IFRS 15 to assess whether sales and leaseback transaction constitutes a sale. For a transfer that does not satisfy the requirements as a sale, the Group will account for the transfer proceeds as financial liabilities within the scope of IFRS 9. In accordance with the transition provisions of IFRS 16, sale and leaseback transactions entered into before the date of initial application will not be reassessed but the new requirements may impact the Group's future sale and leaseback transactions.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of IFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

Notes to the Consolidated Financial Statements

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3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

3.2 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which is described below:

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

Notes to the Consolidated Financial Statements

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3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Basis of consolidation

The consolidated financial statements incorporates the financial statements of the Bank and the entities (including structured entities) controlled by the Bank. Control is achieved when the Bank:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the equity holders of the Bank and to the non-controlling interests. Total comprehensive income of subsidiary is attributed to the equity holders of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Notes to the Consolidated Financial Statements

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(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Basis of consolidation *(Continued)*

Changes in the Group's interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the equity holders of the Bank.

When the Group loses control of a subsidiary, the assets and liabilities of its subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of fair value of the consideration received and fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9/IAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3.4 Investments in associates

An associate is an entity over which the Group has significant influence. 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.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associates other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.4 Investments in associates *(Continued)*

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the year in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of IFRS 9/IAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

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3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.5 Revenue recognition

Revenue from contracts with customers (upon application of IFRS 15 in accordance with transitions in Note 2)

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates and enhances an asset that the customer controls as the Group performs;
or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group’s performance in transferring control of goods or services.

Variable consideration

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

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3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.5 Revenue recognition *(Continued)*

*Revenue from contracts with customers (upon application of IFRS 15 in accordance with transitions in Note 2)
(Continued)*

Variable consideration *(Continued)*

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Revenue recognition (prior to 1 January 2018)

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business. Specific recognition criteria for different nature of revenue are disclosed below.

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For the year ended December 31, 2018
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3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.5 Revenue recognition *(Continued)*

Revenue recognition (prior to 1 January 2018) (Continued)

Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised within “interest income” and “interest expense” in profit or loss using the effective interest method.

The accounting policy regarding interest income and expense is detailed in Note 3.9.

Fee and commission income

The Group earns fee and commission income from a range of services it provides to its customers. For those services that are provided over a period of time, fee and commission income are accrued over that period when the services are rendered. For other services, fee and commission income are recognised when the transactions are completed.

Dividend income

Dividend income from investments is recognised when the Group’s right to receive payment is established.

3.6 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated statement of financial position and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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For the year ended December 31, 2018
(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.6 Taxation *(Continued)*

Deferred tax (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control 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 sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income, in which case the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

3.7 Employee benefits

In the period in which an employee has rendered services, the Group recognises the employee benefits payable for those services as a liability.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.7 Employee benefits *(Continued)*

Short-term employee benefits (Continued)

A liability is recognised for benefits accruing to employees (such as salaries, bonuses and allowances) after deducting any amount already paid.

Social welfare

Social welfare expenditure refers to payments for employees' social welfare system established by the government, including social insurance, housing funds and other social welfare contributions. The Group contributes on a monthly basis to these funds based on certain percentage of the salaries of the employees and the contributions are recognised in profit or loss for the year in which they are incurred. The Group's liabilities in respect of these funds are limited to the contribution payable during the year.

Annuity plan

The Bank has set up its annuity plan. The scope of beneficiary has covered all staff under current employment and in the early retirement arrangement of the Bank. It is a defined contribution plan where the Bank contributes certain percentage of the gross employee salaries, and the contributions are charged or credited to profit or loss immediately as "Operating expenses" when they occur. Besides the fixed amount contributed to the pension plan, even if the pension plan is not sufficient to pay the employees' future retirement benefits, the Group has no further obligation to contribute to the plan.

Early retirement benefits

The Group provides early retirement benefits to those employees who accept the early retirement arrangement.

Obligations of early retirement benefits are calculated using the projected unit credit method at the end of the reporting period. All resulting gains or losses are charged or credited to profit or loss immediately as "Operating expenses" when they occur.

3.8 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018
(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.8 Government grants *(Continued)*

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the year in which they become receivable.

3.9 Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are recognised in the consolidated financial statements when an entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income which are derived from the Group's ordinary course of business are presented as revenue.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.9 Financial instruments *(Continued)*

Financial assets

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in Note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI").

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

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

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment, which is not held for trading, in other comprehensive income ("OCI").

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Investment securities are comprised of certain financial assets measured at FVTPL as their contractual cash flows do not represent solely payments of principal and interest on the principal amount outstanding, debt instruments measured at amortised costs and FVTOCI.

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For the year ended December 31, 2018
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3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.9 Financial instruments *(Continued)*

Financial assets (Continued)

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in Note 2) *(Continued)*

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method, and foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in OCI and accumulated under the heading of investment revaluation reserve. Impairment losses are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of debt instruments. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments had been measured at amortised cost. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "Net trading losses" line item.

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with Note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including financial assets at amortised cost, debt instruments at FVTOCI, lease receivables, loan commitments and financial guarantee contracts). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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For the year ended December 31, 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.9 Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with Note 2) *(Continued)*

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

For all financial instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) *Significant increase in credit risk*

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

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For the year ended December 31, 2018
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3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.9 Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with Note 2) *(Continued)*

(i) *Significant increase in credit risk (Continued)*

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a debt instrument to have low credit risk when it has an external credit rating of higher than A.

For loan commitments and financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates; for financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) *Definition of default*

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

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For the year ended December 31, 2018
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3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.9 Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with Note 2) *(Continued)*

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating the counterparty is in severe financial difficulty and there is no realistic prospect of recovery for the example, when the counterparty has been liquidated, its business licence has been revoked, a natural person is deceased without adequate bequests. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking in account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

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3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.9 Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with Note 2) *(Continued)*

(v) *Measurement and recognition of ECL (Continued)*

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with IAS 17 Leases.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected losses is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For undrawn loan commitments, the ECL is the present value of the difference between the contractual cash flows that are due to the Group if the holder of the loan commitments draws down the loan, and the cash flows that the Group expects to receive if the loan is drawn down.

For ECL on financial guarantee contracts or on loan commitments for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Where ECL is measured on a collective basis where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature and industry of debtors; and
- External credit ratings where available.

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3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.9 Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with Note 2)

(Continued)

(v) *Measurement and recognition of ECL (Continued)*

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with IFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

For undrawn loan commitments, the loss allowances are the present value of the difference between:

- (a) the contractual cash flows that are due to the Group if the holder of the loan commitment draws down the loan; and
- (b) the cash flows that the Group expects to receive if the loan is drawn down.

Except for investments in debt instruments that are measured at FVTOCI, loan commitments and financial guarantee contracts, the Group recognises an impairment gain or loss in profit or loss for all financial instruments where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the FVTOCI reserve without reducing the carrying amount of these debt instruments.

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 January 2018)

The Group's financial assets are classified into the following specified categories: financial assets at FVTPL, held-to-maturity investments, available-for-sale financial assets and loans and receivables. Investment securities comprise held-to-maturity investments, available-for-sale financial assets and investments classified as receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.9 Financial instruments *(Continued)*

Financial assets (Continued)

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 January 2018) *(Continued)*

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) held for trading or (ii) it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the year in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in net trading losses. Fair value is determined in the manner describe in Note 55.

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3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.9 Financial instruments *(Continued)*

Financial assets (Continued)

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 January 2018) *(Continued)*

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities dates that quoted in an active market and that the Group has the positive intention and ability to hold to maturity other than:

- a) those that the Group upon initial recognition designates as at FVTPL;
- b) those that the Group designates as available-for-sale; and
- c) those that meet the definition of loans and receivables.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Equity and debt securities held by the Group that are classified as available-for-sale financial assets are measured at fair value at the end of the reporting period except for unlisted equity investments whose fair value cannot be reliably measured. Changes in the carrying amount are recognised in other comprehensive income and accumulated in the investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period.

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3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.9 Financial instruments *(Continued)*

Financial assets (Continued)

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 January 2018) *(Continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Impairment of financial assets (before application of IFRS 9 on 1 January 2018)

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, the objective evidence of impairment could include:

- (1) significant financial difficulty of the issuer or counter party;
- (2) breach of contract, such as a default or delinquency in interest or principal payments;
- (3) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- (4) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- (5) the disappearance of an active market for that financial asset because of financial difficulties; or

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3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.9 Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets (before application of IFRS 9 on 1 January 2018) *(Continued)*

- (6) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
- (i) adverse changes in the payment status of borrowers in the portfolio; and
 - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

Impairment of financial assets carried at amortised cost

An impairment loss is recognised in profit or loss when there is objective evidence that the assets are impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. For financial assets with variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

The carrying amount of the financial asset is reduced through the use of an allowance account. Changes in carrying amount of the allowance account are recognised in the profit or loss. When a financial asset is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.9 Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets (before application of IFRS 9 on 1 January 2018) *(Continued)*

Impairment of financial assets carried at amortised cost (Continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment of available-for-sale financial assets

A decline in the fair value of an available-for-sale financial asset is recognised directly in other comprehensive income and accumulated in the investment revaluation reserve. Where there is objective evidence that asset is impaired, the cumulative loss that had been recognised directly in the investment revaluation reserve is reclassified to profit or loss.

Impairment loss on available-for-sale equity investments at fair value is not reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in the investment revaluation reserve. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed in subsequent periods.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and recognises a collateralised borrowing for the proceeds received.

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3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.9 Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets (before application of IFRS 9 on 1 January 2018) *(Continued)*

Derecognition of financial assets (Continued)

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in a debt instrument classified as at FVTOCI upon application of IFRS 9, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI upon application of IFRS 9, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

On derecognition of an AFS financial asset, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

Financial liabilities and equity

Financial liabilities and equity instruments are classified as either financial liabilities or as equity according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Bank for cash are recorded at the proceeds received, net of direct issue costs.

The Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading or (ii) it is designated as at FVTPL.

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For the year ended December 31, 2018
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3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.9 Financial instruments *(Continued)*

Financial liabilities and equity (Continued)

Financial liabilities at FVTPL *(Continued)*

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9/IAS 39 permits the entire combined contract to be designated as at FVTPL.

Upon application of IFRS 9, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Prior to application of IFRS 9 on 1 January 2018, financial liabilities at FVTPL are stated at fair value, with changes in fair value arising from re-measurement recognised directly in profit or loss in the year in which they arise. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities and is included in the "other income, gains and losses" line item.

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For the year ended December 31, 2018

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3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.9 Financial instruments *(Continued)*

Financial liabilities and equity (Continued)

Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

The Group accounts for an exchange with a lender of a financial liability with substantially different terms as an extinguishment of the original financial liability and the recognition of a new financial liability. A substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the Group) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 percent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 percent.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

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For the year ended December 31, 2018
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3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.10 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9 (since 1 January, 2018)/IAS 37 Provisions, Contingent Liabilities and Contingent Assets (before application of IFRS 9 on 1 January, 2018); and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period

3.11 Repurchase agreements and agreements to resell

Financial assets sold subject to repurchase agreements continue to be recognised, and are recorded in their respective balance sheet categories. The corresponding liability is included in "financial assets sold under repurchase agreements". Financial assets held under agreements to resell at a specific future date at a fixed price are recorded as "financial assets held under resale agreements".

The difference between purchase and sale price is recognised as interest expense or income in profit or loss over the life of the agreements using the effective interest method.

3.12 Property and equipment

Property and equipment including buildings held for use in the supply of services, or for administrative purpose (other than properties under construction in progress), are stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property and equipment (other than construction in progress) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.12 Property and equipment *(Continued)*

The useful lives, estimated residual value rates and annual depreciation rates of each class of property and equipment are as follows:

Classes	Useful lives	Estimated residual value rates	Annual depreciation rates
Buildings	20-50 years	3%-5%	1.90%-4.85%
Electronic equipment	3-5 years	3%-5%	19.00%-32.33%
Motor vehicles	4-5 years	3%-5%	19.00%-24.25%
Furniture and fixtures	5-10 years	3%-5%	9.50%-19.40%

Properties and equipment in the course of construction for supply of services or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and other directly attributable costs. Such properties and equipment are classified to the appropriate category of property and equipment when completed and ready for their intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Certain properties are used by the Group as investment properties. They are initially measured at cost and stated at cost less accumulated depreciation and any accumulated impairment losses subsequent to initial recognition. Depreciation is recognised on the same basis as buildings stated above.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.13 Land use rights

Land use rights are included in other assets and amortised on a straight-line basis over the lease term.

3.14 Repossessed assets

Repossessed assets are initially recognised at fair value and subsequently measured at the lower of carrying amount and fair value less costs to sell at the end of the reporting period. When the fair value less costs to sell is lower than the repossessed asset's carrying amount, an impairment loss is recognised in profit or loss.

Notes to the Consolidated Financial Statements

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3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.14 Repossessed assets *(Continued)*

Any gain or loss arising from disposal of the repossessed asset is included in profit or loss in the year in which the item is disposed of.

A repossessed asset used by the Group is transferred to property and equipment at carrying amount.

3.15 Cash and cash equivalents

Cash and cash equivalents refer to short term highly liquid assets, which are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value.

3.16 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land (i.e. land use rights) and building elements, the Group assesses the classification of each element separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interests in leasehold land is accounted for as operating leases and is amortised over the lease term on a straight-line basis.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018
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3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.17 Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the year when the asset is derecognised.

3.18 Impairment of tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of tangible and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018
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3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.18 Impairment of tangible and intangible assets *(Continued)*

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3.19 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group will be required to settle that obligation and a reliable estimate can be made on the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

3.20 Foreign currencies

In preparing the consolidated financial statements of the Group, transactions in currencies other than the functional currency of the Group (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the year in which they arise.

3.21 Fiduciary Activities

The Group acts in fiduciary activities as a manager, custodian, or an agent for customers. Assets held by the Group and the related undertakings to return such assets to customers are recorded as off-balance sheet items as the risks and rewards of the assets reside with customers.

The Group enters into entrusted loan agreements with customers, whereby the customers provide funding (the "entrusted funds") to the Group, and the Group grants loans to third parties (the "entrusted loans") under instructions of the customers. As the Group does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, the entrusted loans and funds are recorded as off-balance sheet items at their principal amount. No provision for impairment loss is made for entrusted loans.

Notes to the Consolidated Financial Statements

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4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Bank are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The followings are the critical judgements and key sources of estimation uncertainty that the directors of the Bank have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements and/or in the next twelve months.

Consolidation of structured entities

Where the Group acts as an asset manager of structured entities, the Group makes judgment on whether it is the principal or an agent to assess whether the Group controls the structured entities and should consolidate them. When performing this assessment, the Group considers several factors including, among other things, the scope of its decision-making authority over the structured entities, the rights held by other parties, the remuneration to which it is entitled in accordance with the related agreements for the assets management services, the Group's exposure to variability of returns from other interests that it holds in the structured entities. The Group performs re-assessment periodically.

Classification of financial assets

- Business model assessment: Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost or FVTOCI that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held.

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4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Impairment under ECL model

- Significant increase of credit risk: ECL are measured as an allowance equal to 12m ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition; and it comes to stage 3 when it is credit impaired (but it is not purchased original credit impaired). In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.
- Establishing groups of assets with similar credit risk characteristics: When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets.
- Models and assumptions used: The Group uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.
- Forward-looking information: When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.
- Probability of default ("PD"): PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.
- Loss Given Default ("LGD"): LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

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4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Fair value of financial instruments

Certain of the Group's financial assets, including primarily asset management plans and trust beneficiary rights, with a carrying amount of RMB63,167 million as at 31 December, 2018 (31 December, 2017: Nil) are measured at fair values with fair values being determined based on unobserved inputs using valuation techniques.

Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. See Note 55 for further disclosures.

5. SEGMENT ANALYSIS

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board of Directors and relevant management committees (chief operating decision maker) for the purposes of allocating resources to segments and assessing their performance. The Group's chief operating decision maker reviews consolidated financial statements mainly based on operating segments for the purpose of allocating resources and performance assessment.

Measurement of segment assets and liabilities and segment income and result is based on the Group's accounting policies. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the consolidated financial statements.

Internal charges and transfer pricing are determined with reference to market rates and have been reflected in the performance of each segment. Interest income and expense arising from internal charges and transfer pricing adjustments are referred to as 'inter-segment interest income/expense'. Interest income and expense earned from/incurred with third parties are referred to as 'external interest income/expense'.

The Group has no major customer which contributes to 10 percent or more of the Group's income. No geographical information is presented as most of the Group's operations are conducted and most of its non-current assets are located and therefore revenue is derived from activities in Tianjin Municipality of the PRC.

Segment revenues, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

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5. SEGMENT ANALYSIS *(Continued)*

Operating Segments

The Group provides a diversified range of banking and related financial services. The products and services offered to customers are organised into the following operating segments:

Corporate banking

The corporate banking segment provides financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit takings and other types of corporate intermediary services.

Personal banking

The personal banking segment provides financial products and services to individual customers. The products and services include personal loans, deposit products, card business, personal wealth management services and other types of personal intermediary services.

Treasury operations

The Group's treasury operations conduct debt instruments investments as well as money market, foreign exchange, precious metal and derivatives transactions for its own accounts or on behalf of customers.

Others

Others include head office operations as well as items that are not attributed to the above segments.

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5. SEGMENT ANALYSIS *(Continued)*

Operating Segments *(Continued)*

	Corporate banking	Personal banking	Treasury operations	Others	Total
Year ended 31 December, 2018					
External interest income	10,631,862	3,319,292	13,536,370	–	27,487,524
External interest expense	(7,954,399)	(2,082,916)	(10,744,672)	–	(20,781,987)
Inter-segment interest income/(expense)	3,367,290	851,102	(4,218,392)	–	–
Net interest income	6,044,753	2,087,478	(1,426,694)	–	6,705,537
Investment income	–	–	3,793,253	–	3,793,253
Fee and commission income	1,118,627	486,088	277,090	–	1,881,805
Fee and commission expense	(45,322)	(298,883)	(6)	–	(344,211)
Net fee and commission income	1,073,305	187,205	277,084	–	1,537,594
Net trading losses	–	–	(145,176)	–	(145,176)
Net gains arising from the derecognition of financial assets measured at amortised cost	–	–	132,526	–	132,526
Other income, gains or losses	–	–	(1,440)	115,920	114,480
Operating income	7,118,058	2,274,683	2,629,553	115,920	12,138,214
Operating expenses	(1,586,876)	(1,221,873)	(638,322)	–	(3,447,071)
Impairment losses, net of reversals	(3,099,890)	(376,799)	(5,178)	–	(3,481,867)
Share of results of associates	–	–	–	8,233	8,233
Profit before tax	2,431,292	676,011	1,986,053	124,153	5,217,509
Income tax expense	–	–	–	–	(987,422)
Profit for the year	–	–	–	–	4,230,087
Depreciation and amortisation	(141,219)	(46,405)	(52,171)	–	(239,795)
Capital expenditure	(207,717)	(226,837)	(53,408)	(70,333)	(558,295)
As at 31 December, 2018					
Segment assets	175,777,213	102,711,026	380,149,195	702,469	659,339,903
Segment liabilities	(276,669,271)	(72,429,338)	(261,507,783)	(1,012,774)	(611,619,166)
Supplementary information Credit commitments	78,329,774	2,172,192	–	–	80,501,966

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5. SEGMENT ANALYSIS *(Continued)*

Operating Segments *(Continued)*

	Corporate banking	Personal banking	Treasury operations	Others	Total
Year ended 31 December, 2017					
External interest income	9,348,550	1,498,077	17,048,108	–	27,894,735
External interest expense	(7,073,313)	(1,671,516)	(10,748,694)	–	(19,493,523)
Inter-segment interest income/(expense)	3,659,737	1,565,333	(5,225,070)	–	–
Net interest income	5,934,974	1,391,894	1,074,344	–	8,401,212
Fee and commission income	1,534,002	378,668	200,169	–	2,112,839
Fee and commission expense	(65,394)	(13,976)	(4)	–	(79,374)
Net fee and commission income	1,468,608	364,692	200,165	–	2,033,465
Net trading losses	–	–	(157,018)	–	(157,018)
Other income, gains or losses	(60,000)	–	(81,271)	6,928	(134,343)
Operating income	7,343,582	1,756,586	1,036,220	6,928	10,143,316
Operating expenses	(1,825,469)	(976,571)	(300,553)	–	(3,102,593)
Impairment losses, net of reversals	(1,798,570)	(225,033)	(108,250)	–	(2,131,853)
Share of results of associates	–	–	–	(25,932)	(25,932)
Profit/(losses) before tax	3,719,543	554,982	627,417	(19,004)	4,882,938
Income tax expense					(939,874)
Profit for the year					3,943,064
Depreciation and amortisation	(163,175)	(38,484)	(22,839)	–	(224,498)
Capital expenditure	(117,290)	(67,683)	(9,136)	(24,645)	(218,754)
As at 31 December, 2017					
Segment assets	212,058,853	34,607,292	454,701,284	546,160	701,913,589
Segment liabilities	(306,411,501)	(71,087,087)	(278,975,443)	(683,696)	(657,157,727)
Supplementary information					
Credit commitments	63,710,227	1,799,981	–	–	65,510,208

Notes to the Consolidated Financial Statements

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6. NET INTEREST INCOME

	Year ended 31 December,	
	2018	2017
Interest income:		
Loans and advances to customers, including:		
Corporate loans and advances	9,979,067	9,054,002
Personal loans and advances	3,319,292	1,498,077
Discounted bills	190,733	100,227
Finance lease	549,236	228,357
Balances with central bank	786,748	832,184
Deposits with banks and other financial institutions	179,949	556,032
Placements with banks and other financial institutions	805,502	653,640
Financial assets held under resale agreements	208,217	503,743
Investments, including:		
Bond investments	–	4,016,448
Other investments classified as receivables (i)	–	10,452,025
Debt instruments at FVTOCI	2,064,021	–
Debt instruments at amortised costs	9,404,759	–
Subtotal	27,487,524	27,894,735
Interest expense:		
Borrowings from central bank	(430,615)	(80,501)
Deposits from banks and other financial institutions	(2,137,970)	(4,240,365)
Placements from banks	(788,799)	(533,129)
Financial assets sold under repurchase agreements	(850,878)	(1,971,998)
Due to customers	(10,037,315)	(8,744,829)
Debt securities issued	(6,536,210)	(3,922,701)
Subtotal	(20,781,987)	(19,493,523)
Net interest income (ii)	6,705,537	8,401,212

Notes:

- (i) Other investments classified as receivables include trust beneficiary rights, wealth management products and asset management plans.
- (ii) The Group initially adopted IFRS 9 for the current year, and therefore, the Group reclassified certain financial assets measured at amortised cost under IAS 39 to financial assets at FVTPL under IFRS 9 as disclosed in Note 2.2. As a result of amendments to IAS 1 *Presentation of Financial Statements* in responses to changes in IFRS 9, interest income generated by financial assets at FVTPL was presented as “investment income” instead of “interest income”. Therefore, the nature of “interest income”, “net interest income” and “investment income” were changed accordingly.

Notes to the Consolidated Financial Statements

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7. INVESTMENT INCOME

	Year ended 31 December,	
	2018	2017
Investment income from financial assets at fair value through profit or loss	3,793,253	–

Investment income includes income from debt securities, trust beneficiary rights, wealth management products and asset management plans measured at FVTPL.

8. NET FEE AND COMMISSION INCOME

	Year ended 31 December,	
	2018	2017
Fee and commission income (i)		
Wealth management service fees	1,010,519	1,229,197
Consultancy fees	139,196	258,976
Acceptance and guarantee commitment fees	90,106	194,369
Agency commissions and fiduciary service fees	380,809	237,431
Settlement and clearing fees	216,953	157,350
Bank card fees	40,461	35,249
Others	3,761	267
Subtotal	1,881,805	2,112,839
Fee and commission expense	(344,211)	(79,374)
Total	1,537,594	2,033,465

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8. NET FEE AND COMMISSION INCOME *(Continued)*

- (i) The Group provides asset management services in respect of wealth management products. The Group is entitled residual values of wealth management products after distribution of returns to its customers for its services rendered. Performance obligation is satisfied over the term of respective wealth management products. Management fees of wealth management products are recognised to the extent that it is highly probable that such recognition will not result in a significant revenue reversal in the future when the uncertainty associated with the quantum of management fees is subsequently resolved. Therefore, in practice it can only be recognised when the residual values of relevant wealth management products can be almost ascertained.

The Group distributes financial products for other financial institutions. Performance obligation is satisfied when customers enter into contracts with the relevant financial institutions. The Group collects commissions from these financial institutions usually on monthly or quarterly basis.

The Group provides fiduciary, settlement and clearing services to its customers and performance obligations are satisfied at one point time. The Group retains relevant fees from funds collected when the transactions are processed.

Most contracts with customers have original expected duration of less than one year and therefore information about their remaining performance obligations is not disclosed.

The Group provides services to both corporate and personal customers and its disaggregation of revenue from these services by types of customers in reportable segments are disclosed in Note 5. For commission income, this disaggregation was performed according to type of customers that purchase the relevant financial products sponsored by other financial institutions.

9. NET TRADING LOSSES

	Year ended 31 December,	
	2018	2017
Realised and unrealised losses from financial assets at fair value through profit or loss	(198,946)	(172,619)
Net gains on disposal of available-for-sale financial assets	–	15,601
Net gains on disposal of debt instruments at fair value through other comprehensive income	53,770	–
Total	(145,176)	(157,018)

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10. NET GAINS ARISING FROM DERECOGNITION OF FINANCIAL ASSETS MEASURED AT AMORTISED COST

	Year ended 31 December,	
	2018	2017
Net gains on disposal of financial assets measured at amortised cost (i)	132,526	–

Note:

- (i) During the year ended at 31 December, 2018, the Group sold some financial assets measured at amortised cost due to the demand of liquidity.

11. OTHER INCOME, GAINS OR LOSSES

	Notes	Year ended 31 December,	
		2018	2017
Dividend income		880	5,000
Government subsidies	(i)	34,006	11,488
Exchange differences		(1,440)	(81,271)
Dormant accounts		4,707	3,381
Provision	(ii)	–	(60,000)
Rental income		38,176	5,385
Early repayment penalties for internet personal loans		73,486	–
Others		(35,335)	(18,326)
Total		114,480	(134,343)

Notes:

- (i) Government subsidies primarily represent subsidies of RMB9.19 million (31 December, 2017: Nil) to a banking subsidiary of the Group according to its balances of loan and advances to customers, and the other subsidies of tax rebates of RMB13.39 million (31 December 2017: RMB9.83 million) to a financial leasing subsidiary of the Group.
- (ii) Provision was made in relation to the Group's legal proceedings. Details are included in note 39.

Notes to the Consolidated Financial Statements

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12. OPERATING EXPENSES

	Notes	Year ended 31 December,	
		2018	2017
Staff costs	(1)	1,955,676	1,843,233
Office expenses		299,218	222,420
Rental and property management expenses		389,234	339,916
Other general and administrative expenses	(2)	415,158	353,875
Sundry taxes		147,990	118,651
Depreciation		152,307	144,427
Amortisation		87,488	80,071
Total		3,447,071	3,102,593

Notes:

(1) Staff costs

	Year ended 31 December,	
	2018	2017
Salaries, bonuses and allowances	1,322,595	1,201,147
Social insurance	299,105	275,537
Housing funds	116,465	105,848
Staff welfare	89,614	102,690
Labor union fees and staff education expenses	37,596	36,288
Contribution to annuity funds	90,301	121,723
Total	1,955,676	1,843,233

(2) The Group's statutory audit fee for 2018 was RMB2.55 million (2017: RMB2.95 million).

Notes to the Consolidated Financial Statements

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13. IMPAIRMENT LOSSES, NET OF REVERSALS

	Year ended 31 December,	
	2018	2017
Loans and advances to customers (Note 54.1)	3,857,714	1,338,595
Deposits with banks and other financial institutions	(1,565)	–
Placements with banks and other financial institutions	(5,942)	–
Financial assets held under resale agreements	76,570	(39,250)
Investments classified as receivables	–	1,035,542
Debt instruments at amortised costs (Note 28)	(62,855)	–
Financial assets at fair value through other comprehensive income	(11,385)	–
Credit commitments (Note 39)	(370,670)	(207,334)
Others	–	4,300
Total	3,481,867	2,131,853

14. INCOME TAX EXPENSE

	Year ended 31 December,	
	2018	2017
Income tax expense comprises:		
Current income tax		
– PRC Enterprise Income Tax	1,865,128	1,359,307
Deferred tax (note 31)	(877,706)	(419,433)
Total	987,422	939,874

PRC Enterprise Income Tax is calculated at 25% of the estimated assessable profit for the year.

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14. INCOME TAX EXPENSE *(Continued)*

The tax charge for the year can be reconciled to profit before tax per the consolidated statement of profit or loss as follows:

	Year ended 31 December,	
	2018	2017
Profit before tax	5,217,509	4,882,938
Tax calculated at applicable statutory tax rate of 25%	1,304,377	1,220,735
Underprovision of tax in prior years	4,898	3,972
Tax effect of expenses not deductible for tax purpose	15,116	25,173
Tax effect of income not taxable for tax purpose (1)	(336,969)	(310,006)
Income tax expense	987,422	939,874

Note:

- (1) The income not taxable for tax purpose mainly represents interest income arising from all government bonds, which is income tax free in accordance with the PRC tax regulations.

15. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to owners of the Bank is as follows:

	Year ended 31 December,	
	2018	2017
Earnings:		
Profit for the year attributable to equity holders of the Bank for the purpose of basic earnings per share	4,181,248	3,916,386
Numbers of shares:		
Weighted average number of shares in issue for the purpose of basic earnings per share (in thousand)	6,070,552	6,070,552
Basic earnings per share (RMB Yuan)	0.69	0.65

No diluted earnings per share has been presented for the year ended 31 December, 2018 and 31 December, 2017 as the Group had no potential ordinary shares in issue during the years.

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16. DIVIDENDS

	Notes	Year ended 31 December,	
		2018	2017
2016 Final Dividend	(1)	–	1,214,110
2017 Final Dividend	(2)	1,092,699	–

Notes:

- (1) A final dividend of RMB20 cents per share (tax inclusive) in respect of the year ended 31 December, 2016 amounting in a total of RMB1,214 million was proposed by the Board of Directors and approved by the 2016 annual general meeting on 12 May, 2017.
- (2) A final dividend of RMB18 cents per share (tax inclusive) in respect of the year ended 31 December, 2017 amounting in a total of RMB1,093 million was proposed by the Board of Directors and approved by the 2017 annual general meeting on 11 May, 2018.

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17. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND HIGHEST PAID INDIVIDUALS

(I) Directors' and supervisors' remunerations

Year ended 31 December, 2018

Name	Fees	Paid remuneration and other benefits	Contribution to pension schemes	Total
Executive directors				
LI Zongtang ⁽¹⁾	–	331	130	461
SUN Ligu ⁽²⁾	–	331	130	461
ZHANG Furong	–	301	130	431
LIANG Jianfa ⁽³⁾	–	301	130	431
YUE Desheng ⁽⁴⁾	–	23	11	34
Non-executive directors				
SUN Jingyu ⁽⁵⁾	–	–	–	–
WU Tao ⁽⁵⁾	–	–	–	–
Alistair Marshall BULLOCH	–	–	–	–
ZHAO Wei	–	–	–	–
XIAO Jingxi ⁽⁵⁾	–	–	–	–
LI Jun ⁽⁵⁾	–	–	–	–
ZHAO Jiawang ⁽⁶⁾	–	–	–	–
LUAN Fengxiang ⁽⁶⁾	–	–	–	–
ZENG Xiangxin ⁽⁶⁾	–	–	–	–
Independent non-executive directors				
FENG Heping	207	–	–	207
LAW Yee Kwan, Quinn	207	–	–	207
JIN Qingjun	207	–	–	207
HUA Yaogang ⁽⁷⁾	120	–	–	120
HE Jia ⁽⁷⁾	120	–	–	120
GUO Tianyong ⁽⁸⁾	85	–	–	85
Supervisors				
FENG Xia ⁽⁹⁾	–	276	119	395
ZHANG Xiang ⁽¹⁰⁾	–	–	–	–
YAO Tao	–	792	130	922
YU Yang ⁽¹¹⁾	–	–	–	–
CHENG Yifeng ⁽¹²⁾	–	–	–	–
ZHANG Lianming	207	–	–	207
LIU Baorui ⁽¹³⁾	207	–	–	207
ZHANG Xiaoli ⁽¹⁴⁾	85	–	–	85
Total	1,445	2,355	780	4,580

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17. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND HIGHEST PAID INDIVIDUALS

(Continued)

(I) Directors' and supervisors' remunerations (Continued)

Year ended 31 December, 2017 (Restated)

Name	Fees	Paid remuneration and other benefits	Bonuses	Contribution to pension schemes	Total
Executive directors					
LI Zongtang ⁽¹⁾	–	319	229	158	706
SUN Liguo ⁽²⁾	–	319	229	158	706
YUE Desheng ⁽⁴⁾	–	291	143	158	592
ZHANG Furong	–	291	206	158	655
Non-executive directors					
YU Yang ⁽¹¹⁾	–	–	–	–	–
Alistair Marshall BULLOCH	95	–	–	–	95
ZHAO Wei	–	–	–	–	–
LUAN Fengxiang ⁽⁶⁾	91	–	–	–	91
ZENG Xiangxin ⁽⁶⁾	90	–	–	–	90
ZHAO Jiawang ⁽⁶⁾	–	–	–	–	–
Independent non-executive directors					
LIU Baorui ⁽¹³⁾	192	–	–	–	192
FENG Heping	186	–	–	–	186
GUO Tianyong ⁽⁸⁾	180	–	–	–	180
LAW Yee Kwan, Quinn	185	–	–	–	185
JIN Qingjun	163	–	–	–	163
Supervisors					
ZHANG Xiang ⁽¹⁰⁾	–	97	68	52	217
YAO Tao	–	742	378	158	1,278
ZHANG Lianming	191	–	–	–	191
ZHANG Xiaoli ⁽¹⁴⁾	194	–	–	–	194
FENG Xia ⁽⁹⁾	94	–	–	–	94
CHENG Yifeng ⁽¹²⁾	94	–	–	–	94
Total	1,755	2,059	1,253	842	5,909

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17. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND HIGHEST PAID INDIVIDUALS

(Continued)

(I) Directors' and supervisors' remunerations *(Continued)*

- (1) Mr. Li Zongtang was appointed as an executive director and chairman of the Bank on February 16, 2017.
- (2) Mr. Sun Liguo was appointed as an executive director of the Bank on February 16, 2017.
- (3) On June 8, 2018, Mr. Liang Jianfa was appointed as an executive director of the Bank.
- (4) On January 12, 2018, Mr. Yue Desheng resigned from the position of the executive director.
- (5) On June 8, 2018, Ms. Sun Jingyu, Mr. Wu Tao, Mr. Xiao Jingxi, Ms. Li Jun were appointed as non-executive directors of the Bank.
- (6) On June 8, 2018, Mr. Zhao Jiawang, Mr. Luan Fengxiang and Mr. Zeng Xiangxin resigned from the position of non-executive directors of the Bank.
- (7) On June 8, 2018, Mr. Hua Yaogang and Mr. He Jia were appointed as independent non-executive directors of the Bank.
- (8) On June 8, 2018, Mr. Guo Tianyong resigned from the position of independent non-executive director of the Bank.
- (9) On January 19, 2018, Ms. Feng Xia resigned from the position of shareholder supervisor and she was appointed as employee supervisor and chief supervisor on the same day.
- (10) On January 19, 2018, Mr. Zhang Xiang resigned from the position of employee supervisor of the Bank.
- (11) On June 8, 2018, Mr. Yu Yang resigned from the position of non-executive director of the Bank and he was appointed as a shareholder supervisor of the Bank on the same day.
- (12) On June 8, 2018, Ms. Cheng Yifeng resigned from the position of shareholder supervisor of the bank.
- (13) On June 8, 2018, Mr. Liu Baorui resigned from the position of independent non-executive director of the Bank and he was appointed as an external supervisor of the Bank on the same day.
- (14) On June 8, 2018, Ms. Zhang Xiaoli resigned from the position of external supervisor of the Bank.

The total compensation packages for these directors and supervisors for the year ended 31 December, 2018 have not been finalised in accordance with regulations of the relevant authorities in the PRC. The final compensation will be disclosed in a separate announcement when determined.

The executive directors' and supervisors' remunerations shown above were paid for their services in connection with the management of the affairs of the Bank and the Group.

The independent non-executive directors' remunerations shown above were paid for their services as directors of the Bank.

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17. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND HIGHEST PAID INDIVIDUALS

(Continued)

(II) Five highest paid individuals

For the year ended 31 December, 2018, Among the five highest paid individuals, none of them are directors or supervisors (2017: none).

The total remunerations payable to the five individuals whose remunerations were the highest in the Group for the year are as follows:

	Year ended 31 December,	
	2018	2017
Salaries and other emoluments	1,717	1,273
Discretionary bonuses	6,448	8,781
Contribution to pension schemes	609	647
Total	8,774	10,701

Remunerations of the five highest paid individuals were within the following bands:

	Year ended 31 December,	
	2018	2017
HKD1,500,001 – HKD2,000,000	4	4
HKD3,000,001 – HKD4,000,000	1	–
HKD5,000,001 – HKD6,000,000	–	1
Total	5	5

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18. CASH AND BALANCES WITH CENTRAL BANK

	Notes	As at 31 December, 2018	As at 31 December, 2017
Cash		566,086	638,816
Mandatory reserve deposits	(1)	40,515,756	48,068,146
Surplus reserve deposits	(2)	21,224,205	8,659,021
Other deposits	(3)	7,346	6,483
Total		62,313,393	57,372,466

Notes:

- (1) The Group places mandatory reserve deposits with the People's Bank of China ("PBoC"). This includes RMB reserve deposits and foreign currency reserve deposits. These mandatory reserve funds are not available for the Group's daily operations.

As at 31 December, 2018, the mandatory reserve deposits at the PBoC were calculated at 12% (31 December, 2017: 13.5%) of eligible RMB deposits for the Bank, at 7% (31 December, 2017: 7%) for Bank of Tianjin Financial Leasing Co., Ltd guarantee deposit, at 9% (31 December, 2017: 9%) for both Ningxia Yuanzhou Jinhui County Bank Co., Ltd and Ningxia Tongxin Jinhui County Bank Co., Ltd, which are subsidiaries of Bank of Tianjin Co., Ltd, eligible RMB deposits, and at 5% of foreign currency deposits for the Bank as at 31 December, 2017 and 31 December, 2018. The foreign currency reserve deposits placed with the PBoC are non-interest bearing.

- (2) The surplus reserve deposits are maintained with the PBoC mainly for the purpose of clearing.

- (3) Other deposits mainly represent the required fiscal deposits placed with the PBoC, which are non-interest bearing.

19. DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December, 2018	As at 31 December, 2017
Deposits with:		
Banks and other financial institutions in Mainland China	3,593,600	6,795,951
Banks outside Mainland China	470,814	1,207,908
Allowance for impairment losses	(928)	–
Total	4,063,486	8,003,859

Notes to the Consolidated Financial Statements

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20. PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December, 2018	As at 31 December, 2017
Placements with:		
Other financial institutions in Mainland China	10,273,713	1,526,645
Banks in Mainland China	915,740	10,768,362
Allowance for impairment losses	(2,477)	-
Total	11,186,976	12,295,007

21. DERIVATIVE FINANCIAL INSTRUMENTS

The derivatives held are for risk management purposes.

	As at 31 December, 2018			As at 31 December, 2017		
	Contract/ Notional Principal	Assets	Liabilities	Contract/ Notional Principal	Assets	Liabilities
Foreign exchange derivatives						
– Currency swaps	7,918,716	69,799	(27,836)	-	-	-
Commodity derivatives and others	76,682	456	-	-	-	-
Total		70,255	(27,836)			

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22. FINANCIAL ASSETS HELD FOR TRADING

	As at 31 December, 2018	As at 31 December, 2017
Listed debt securities issued by:		
Government	–	1,785,329
Financial institutions – Policy banks	–	1,830,279
Corporations	–	2,104,490
Total	–	5,720,098

23. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

Analysed by counterparties:

	As at 31 December, 2018	As at 31 December, 2017
Banks in Mainland China	2,870,603	9,452,740
Other financial institutions in Mainland China	–	140,960
Subtotal	2,870,603	9,593,700
Less: Allowance for impairment losses	(314,620)	(236,864)
Total	2,555,983	9,356,836

Analysed by collateral type:

	As at 31 December, 2018	As at 31 December, 2017
Bills	678,882	757,536
Bonds	1,877,101	8,599,300
Total	2,555,983	9,356,836

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24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	As at 31 December, 2018	As at 31 December, 2017
Investment securities:			
Government bonds		616,496	–
Financial institution bonds			
– Policy banks bonds		535,255	–
Asset-backed securities		80,569	–
Corporate bonds		621,797	–
Wealth management products	(1)	1,039,259	–
Asset management plans	(2)	28,837,476	–
Trust beneficiary rights	(3)	23,054,189	–
Funds		5,900,913	–
Others		58,600	–
Total		60,744,554	–

Notes:

- (1) Wealth management products were issued by other commercial banks.
- (2) Asset management plans refer to designated asset management plans managed by securities companies for the Bank and mainly invested in corporate loans.
- (3) Trust beneficiary rights refer to beneficial right of trust plans that mainly invested in corporate loans.

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25. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 31 December, 2018	As at 31 December, 2017
Listed debt securities issued by:		
Government	-	9,954,663
Financial institutions		
– Policy banks	-	14,443,340
– Commercial banks and other financial institutions	-	6,494,718
Corporations	-	2,215,986
Subtotal	-	33,108,707
Listed funds	-	3,103,639
Unlisted equity instruments (1)	-	58,600
Total	-	36,270,946

Note:

(1) The unlisted equity instruments are measured at cost less impairment because their fair values cannot be reliably measured.

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26. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December, 2018	As at 31 December, 2017
Debt securities issued by:		
Government	14,551,375	–
Financial institutions		
– Policy banks	18,659,305	–
– Commercial banks and other financial institutions	1,151,333	–
Corporations	15,095,601	–
Total	49,457,614	–

27. LOANS AND ADVANCES TO CUSTOMERS

	Notes	As at 31 December, 2018	As at 31 December, 2017
Loans and advances to customers at amortised cost	(1)	286,861,660	248,880,704
Allowance for impairment losses	(2)	(11,845,720)	(7,243,455)
Subtotal		275,015,940	241,637,249
Loans and advances to customers at FVTOCI	(3)	1,927,338	–
Total loans and advances to customers		276,943,278	241,637,249

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27. LOANS AND ADVANCES TO CUSTOMERS *(Continued)*

Notes:

- (1) Loans and advances to customers at amortised cost

	As at 31 December, 2018	As at 31 December, 2017
Corporate loans and advances		
– Loans	171,739,219	202,547,230
– Discounted bills	337,751	3,242,417
– Finance lease receivable (i)	8,774,299	8,711,837
Subtotal	180,851,269	214,501,484
Retail loans and advances		
– Personal loans for consumption	77,896,150	8,792,989
– Residential mortgage loans	22,928,871	21,286,213
– Personal loans for business purposes	4,496,630	3,815,821
– Credit card	688,740	484,197
Subtotal	106,010,391	34,379,220
Gross loans and advances to customers	286,861,660	248,880,704
Allowance for impairment losses (ii)	(11,845,720)	(7,243,455)
Including: Individually assessed	–	(1,587,798)
Collectively assessed	–	(5,655,657)
12m ECL	(2,714,559)	–
Lifetime ECL	(9,131,161)	–
Loans and advances to customers, net	275,015,940	241,637,249

Notes to the Consolidated Financial Statements

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27. LOANS AND ADVANCES TO CUSTOMERS *(Continued)*

(1) Loans and advances to customers at amortised cost *(Continued)*

(i) Finance lease receivable

	As at 31 December, 2018	As at 31 December, 2017
Minimum finance lease receivables:		
Within 1 year (inclusive)	3,782,939	2,534,036
1-3 years (inclusive)	4,465,600	4,504,619
Over 3 years	1,291,322	2,585,839
Gross amount of finance lease receivables	9,539,861	9,624,494
Less: Unearned finance income	(765,562)	(912,657)
Net amount of finance lease receivables	8,774,299	8,711,837
Less: Allowance for impairment losses	(230,584)	(130,678)
Carrying amount of finance lease receivables	8,543,715	8,581,159
Present value of minimum finance lease receivables:		
Within 1 year (inclusive)	3,479,363	2,293,743
1-3 years (inclusive)	4,107,241	4,077,461
Over 3 years	1,187,695	2,340,633
Total	8,774,299	8,711,837

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27. LOANS AND ADVANCES TO CUSTOMERS *(Continued)*

(1) Loans and advances to customers at amortised cost *(Continued)*

(ii) Analysis of allowance for impairment losses

	As at 31 December, 2018					Total
	12-month	Lifetime ECL			subtotal	
	ECL	Stage 2	Stage 3	subtotal		
	Stage 1	Stage 2	Stage 3	subtotal	Total	
Gross loans and advances to customers at amortised cost	262,441,041	11,438,686	12,981,933	24,420,619	286,861,660	
Allowance for impairment losses	(2,714,559)	(2,666,327)	(6,464,834)	(9,131,161)	(11,845,720)	
Loans and advances to customers at amortised cost, net	259,726,482	8,772,359	6,517,099	15,289,458	275,015,940	
	Loans and advances for which allowance is collectively assessed ^(a)	Identified impaired loans and advances ^(b)				Identified impaired loans and advances as a % of gross loans and advances
		For which allowance is collectively assessed	For which allowance is individually assessed	Subtotal	Total	
As at 31 December, 2017						
Gross loans and advances	245,143,346	562,981	3,174,377	3,737,358	248,880,704	1.50
Allowance for impairment losses	(5,234,562)	(421,095)	(1,587,798)	(2,008,893)	(7,243,455)	
Loans and advances to customers, net	239,908,784	141,886	1,586,579	1,728,465	241,637,249	

Notes :

- (a) Loans and advances for which allowance is collectively assessed consist of loans and advances which have not been specifically identified as impaired.
- (b) Identified impaired loans and advances include loans for which objective evidence of impairment exists and which have been identified as bearing an impairment loss and are assessed either individually or collectively.

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27. LOANS AND ADVANCES TO CUSTOMERS (Continued)

- (2) Movements of allowance on loans and advances to customers at amortised cost in 2018 is disclosed in Note 54.1. Movements of allowance on loans and advances to customers at amortised cost in 2017 is as follows:

	Individually assessed allowance	Collectively assessed allowance	Total
As at 1 January, 2017	1,499,610	4,646,572	6,146,182
Charge for the year	548,849	2,538,459	3,087,308
Reversal for the year	(298,136)	(1,450,577)	(1,748,713)
Write-off	(205,714)	(92,936)	(298,650)
Recovery after write-off	121,919	14,139	136,058
Unwinding of discount on allowance	(78,730)	–	(78,730)
As at 31 December, 2017	1,587,798	5,655,657	7,243,455

- (3) Loans and advances to customers at FVTOCI

	As at 31 December, 2018			Total
	12-month ECL	Lifetime ECL		
	Stage 1	Stage 2	Stage 3	
Discounted bills	1,927,338	–	–	1,927,338
Allowance for impairment losses	(1,690)	–	–	(1,690)

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28. DEBT INSTRUMENTS AT AMORTISED COST

	As at 31 December, 2018	As at 31 December, 2017
Government bonds	30,839,754	–
Certificate government bonds	274,087	–
Financial institution bonds		
– Policy banks bonds	22,697,036	–
– Commercial banks and other financial institutions	397,163	–
Asset-backed securities	25,523,518	–
Corporate bonds	13,540,124	–
Asset management plans	57,032,347	–
Trust beneficiary rights	36,255,247	–
Subtotal	186,559,276	–
Allowance for impairment losses	(1,790,250)	–
Including: 12m ECL	(740,195)	–
Lifetime ECL	(1,050,055)	–
Total	184,769,026	–

29. HELD-TO-MATURITY INVESTMENTS

	As at 31 December, 2018	As at 31 December, 2017
Listed debt securities issued by:		
Government	–	25,547,504
Financial institutions		
– Policy banks	–	22,875,771
– Commercial banks and other financial institutions	–	700,000
Total	–	49,123,275

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30. INVESTMENTS CLASSIFIED AS RECEIVABLES

	Notes	As at 31 December, 2018	As at 31 December, 2017
Government bonds		–	1,838,000
Certificate government bonds		–	291,960
Financial institution bonds			
– Commercial banks and other financial institutions		–	134,891
Asset-backed securities		–	19,850,680
Corporate bonds		–	17,745,016
Wealth management products	(1)	–	67,924,624
Asset management plans	(2)	–	81,347,831
Trust beneficiary rights	(3)	–	84,937,452
Subtotal		–	274,070,454
Allowance for impairment losses		–	(1,732,138)
Including: Individually assessed		–	(778,736)
Collectively assessed		–	(953,402)
Total, unlisted	(4)	–	272,338,316

Movements of allowance on investments classified as receivable is as follows:

	Individually assessed allowance	Collectively assessed allowance	Total
As at 1 January, 2017	62,084	634,512	696,596
Charge for the year	716,652	318,890	1,035,542
As at 31 December, 2017	778,736	953,402	1,732,138

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30. INVESTMENTS CLASSIFIED AS RECEIVABLES *(Continued)*

Notes:

- (1) Wealth management products were issued by other commercial banks.
- (2) Asset management plans refer to designated asset management plans managed by securities companies for the Bank and mainly invested in corporate loans.
- (3) Trust beneficiary rights refer to beneficial right of trust plans that mainly invested in corporate loans.
- (4) Total unlisted investments classified as receivables include bonds that have no active market.

31. DEFERRED TAXATION

The followings are the major deferred tax assets and liabilities recognised and movements thereon:

	Allowance for impairment losses	Accrued salaries, bonuses and allowances	Liabilities related to credit commitments	Fair value changes of FVTOCI	Fair value changes of FVTPL	Others	Total
As at 1 January, 2017	1,232,358	205,952	183,064	71,881	2,159	2,634	1,698,048
Credit/(charge) to profit or loss (Note 14)	432,391	(28,458)	(36,833)	–	36,846	15,487	419,433
Credit to other comprehensive income	–	–	–	120,024	–	–	120,024
As at 31 December, 2017	1,664,749	177,494	146,231	191,905	39,005	18,121	2,237,505
Charge to retained earnings on adoption of IFRS 9 (Note 2)	215,380	–	66,090	4,534	10,578	–	296,582
As at 1 January, 2018	1,880,129	177,494	212,321	196,439	49,583	18,121	2,534,087
Credit/(charge) to profit or loss (Note 14)	908,196	19,789	(92,667)	2,349	40,455	(416)	877,706
Charge to other comprehensive income	–	–	–	(245,955)	–	–	(245,955)
As at 31 December, 2018	2,788,325	197,283	119,654	(47,167)	90,038	17,705	3,165,838

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32. OTHER ASSETS

	Notes	As at 31 December, 2018	As at 31 December, 2017
Interest receivables		52,599	4,373,366
Other receivables	(1)	487,044	290,137
Repossessed assets	(2)	956,550	670,761
Prepaid expenses		270,416	210,153
Intangible assets		134,079	104,580
Land use rights		49,154	51,344
Total		1,949,842	5,700,341

Notes:

- (1) Other receivables included refundable rental deposits paid, which amounted to RMB25 million (31 December, 2017: RMB25 million).
- (2) The Group obtained the following assets during the year by taking possession of collateral held as security against loans and advances and held at the year end. The Group's policy is to realise collateral on a timely basis. The Group does not use non-cash collateral for its operations.

	As at 31 December, 2018	As at 31 December, 2017
Properties	955,193	670,761
Other	1,357	-
Total	956,550	670,761

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33. PROPERTY AND EQUIPMENT

	Buildings	Electronic equipment	Motor vehicles	Furniture and fixtures	Construction in progress	Total
COST						
As at 1 January, 2017	1,592,838	589,281	90,265	254,466	340,377	2,867,227
Additions	–	9,082	788	15,376	183,430	208,676
Transfers	–	22,415	–	36,571	(58,986)	–
Transfers out	–	–	–	–	(68,053)	(68,053)
Disposals	–	(21,233)	(6,175)	(28,719)	–	(56,127)
As at 31 December, 2017	1,592,838	599,545	84,878	277,694	396,768	2,951,723
Additions	8,372	124,428	616	31,866	329,520	494,802
Transfers	27,041	2,398	–	3,784	(33,223)	–
Transfers out	–	–	–	–	(79,028)	(79,028)
Disposals	–	(155,320)	(45,174)	(36,292)	–	(236,786)
As at 31 December, 2018	1,628,251	571,051	40,320	277,052	614,037	3,130,711
ACCUMULATED DEPRECIATION						
As at 1 January, 2017	(487,557)	(437,636)	(80,630)	(174,982)	–	(1,180,805)
Provided for the year	(58,423)	(54,023)	(1,364)	(30,617)	–	(144,427)
Disposals	–	15,376	4,411	7,550	–	27,337
As at 31 December, 2017	(545,980)	(476,283)	(77,583)	(198,049)	–	(1,297,895)
Provided for the year	(58,916)	(66,429)	(2,022)	(24,940)	–	(152,307)
Disposals	–	149,593	43,131	34,329	–	227,053
As at 31 December, 2018	(604,896)	(393,119)	(36,474)	(188,660)	–	(1,223,149)
NET BOOK VALUE						
As at 31 December, 2017	1,046,858	123,262	7,295	79,645	396,768	1,653,828
As at 31 December, 2018	1,023,355	177,932	3,846	88,392	614,037	1,907,562

The carrying amount of buildings of the Group with incomplete title deeds as at 31 December, 2018 amounted to RMB91.75 million (31 December, 2017: RMB95.05 million). The Group is still in the process of applying for the outstanding title deeds for the above buildings. The directors of the Bank are of the opinion that these incomplete title deeds would not cause any significant impact on the Group's operations.

As at 31 December, 2018, buildings of the Group with net book value amounted to RMB32.76 million (31 December, 2017: RMB33.43 million) were rented out to third parties as investment properties. Their fair values were estimated to be closed to their net book value.

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34. INTERESTS IN ASSOCIATES

The balance of interests in associates is as follows:

	As at 31 December, 2018	As at 31 December, 2017
Unlisted shares, at cost	223,000	223,000
Share of post-acquisition losses and other comprehensive income	(10,904)	(19,137)
Total	212,096	203,863

Notes:

Details of the Bank's associates as at 31 December, 2018 are set out below:

Name of entity	Type of legal entity	Place of incorporation/ establishment	Date of incorporation/ establishment	Share capital/ registered capital as at 31 December, 2018 (In RMB'000)	Proportion of ownership and voting rights held by the Group		Principal activities
					As at 31 December, 2018 %	As at 31 December, 2017 %	
Tianjin Jizhou County Bank Company Limited (天津市薊州村鎮銀行股份有限公司)	Limited company	Tianjin, PRC	August 2008	300,000	35	35	Banking
AlaEr JinHui County Bank Company Limited (阿拉爾津匯村鎮銀行有限責任公司)	Limited liability company	Xinjiang, PRC	August 2016	50,000	40	40	Banking
Tiemenguan Jinhui County Bank Company Limited (鐵門關津匯村鎮銀行有限責任公司)	Limited liability company	Xinjiang, PRC	September 2016	50,000	49	49	Banking
HuTuBi JinHui County Bank Company Limited (呼圖壁津匯村鎮銀行有限責任公司)	Limited liability company	Xinjiang, PRC	September 2016	50,000	49	49	Banking
TaCheng JinHui County Bank Company Limited (塔城津匯村鎮銀行有限責任公司)	Limited liability company	Xinjiang, PRC	June 2017	50,000	49	49	Banking
FuKang JinHui County Bank Company Limited (阜康津匯村鎮銀行有限責任公司)	Limited liability company	Xinjiang, PRC	August 2017	50,000	49	49	Banking

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34. INTERESTS IN ASSOCIATES *(Continued)*

For the year ended 31 December, 2018, the total amount of associated companies' operating income was RMB126 million (2017: RMB102 million). Total assets and total equity as at 31 December, 2018 were RMB3,947 million (31 December, 2017: RMB3,496 million) and RMB552 million (31 December, 2017: RMB511 million) respectively. They represent 1.04%, 0.60% and 1.16% (31 December, 2017: 1.00%, 0.50% and 1.14%) to the Group's operating income, total assets, and total equity respectively. Directors of the Bank consider that these associates are immaterial to the Group.

35. BORROWINGS FROM CENTRAL BANK

	As at 31 December, 2018	As at 31 December, 2017
Agricultural re-lending	15,000	5,000
Medium-term lending facility	16,986,392	7,500,000
Total	17,001,392	7,505,000

36. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December, 2018	As at 31 December, 2017
Banks in Mainland China	25,193,493	47,344,541
Other financial institutions in Mainland China	8,534,745	29,691,827
Total	33,728,238	77,036,368

37. PLACEMENTS FROM BANKS

	As at 31 December, 2018	As at 31 December, 2017
Banks in Mainland China	21,555,660	22,719,415
Total	21,555,660	22,719,415

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38. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

Analysed by counterparties:

	As at 31 December, 2018	As at 31 December, 2017
Banks in Mainland China	26,962,646	29,962,447
Other financial institutions in Mainland China	1,399,827	20,733,950
Total	28,362,473	50,696,397

The repurchase agreements were collateralised by bonds as at 31 December, 2018 and 31 December, 2017. Details of these agreements as disclosed in Note 53.

39. OTHER LIABILITIES

	Notes	As at 31 December, 2018	As at 31 December, 2017
Interest payables		–	8,948,936
Other payables	(i)	1,965,183	9,796,382
Settlement payable		3,629,162	1,648,634
Salaries and benefits payable	(ii)	870,325	797,848
Provision	(iii)	478,614	584,923
Dividends payable		37,884	46,941
Sundry taxes payable		291,304	195,873
Total		7,272,472	22,019,537

(i) Other payables included funds received for the non-principal-guaranteed wealth management products sponsored by the Bank that commenced after period end date, amounting to RMB1,353 million (31 December, 2017: RMB9,321 million), as at 31 December, 2018. It also included refundable rental deposits received, which amounted to RMB103 million (31 December, 2017: RMB57 million).

(ii) Salaries and benefits payables included the Group's obligations in respect of the early retirement benefits, amounting to RMB53 million (31 December, 2017: RMB47 million) as at 31 December, 2018, estimated based on the projected unit credit actuarial cost method.

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39. OTHER LIABILITIES (Continued)

- (iii) Provision refers to the allowance made on exposure relating to credit commitments and litigation. Provision in relation to litigations is RMB206 million (31 December, 2017: RMB206 million) as at 31 December, 2018, the rest is in relation to credit commitments. Movements of provision are as follows:

	As at 31 December, 2018	As at 31 December, 2017
At beginning of the year	584,923	732,257
Charge to retained earnings on adoption of IFRS 9	264,361	–
Charge for the year	173,619	328,591
Reversal for the year	(544,289)	(475,925)
At end of the year	478,614	584,923

40. DUE TO CUSTOMERS

	As at 31 December, 2018	As at 31 December, 2017
Demand deposits		
Corporate customers	177,578,956	182,502,602
Individual customers	17,718,094	17,163,401
Time deposits		
Corporate customers	79,203,658	92,825,491
Individual customers	51,514,184	45,717,796
Pledged deposits ⁽¹⁾	16,807,774	19,486,797
Others	54,499	161,548
Total	342,877,165	357,857,635

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40. DUE TO CUSTOMERS *(Continued)*

(1) Pledged deposits analysed by products for which deposits are required:

	As at 31 December, 2018	As at 31 December, 2017
Acceptances	10,201,423	8,941,058
Guarantees	2,901,414	5,160,517
Letters of guarantee	1,054,290	2,234,769
Letters of credit	2,474,466	2,953,962
Others	176,181	196,491
Total	16,807,774	19,486,797

41. DEBT SECURITIES ISSUED

	Notes	As at 31 December, 2018	As at 31 December, 2017
12 Tianjin Bank bonds 01	(1)	1,500,000	1,500,000
12 Tianjin Bank bonds 02	(2)	1,199,757	1,198,986
15 Tianjin Bank bonds 01	(3)	–	2,499,365
15 Tianjin Bank bonds 02	(4)	–	2,499,305
15 Tianjin Bank bonds	(5)	5,083,720	4,993,797
18 Tianjin Bank bonds	(6)	10,440,087	–
18 Tianjin Bank bonds 01	(7)	10,311,396	–
18 Tianjin Bank bonds 02	(8)	6,150,791	–
18 Tianjin Bank bonds 03	(9)	4,018,905	–
Tianjin Bank 1 – month negotiable certificates of deposit	(10)	1,993,961	6,375,449
Tianjin Bank 3 – month negotiable certificates of deposit	(11)	8,487,144	32,554,492
Tianjin Bank 6- month negotiable certificates of deposit	(12)	32,433,655	32,055,517
Tianjin Bank 9- month negotiable certificates of deposit	(13)	27,597,272	21,471,049
Tianjin Bank 1 – year negotiable certificates of deposit	(14)	50,606,973	13,540,355
Total		159,823,661	118,688,315

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41. DEBT SECURITIES ISSUED *(Continued)*

- (1) The 10 year fixed-rate subordinated bonds were issued on 27 December, 2012 by the Bank at a face value of RMB1.5 billion with a fixed coupon rate of 5.90% per annum, payable annually. The Bank has an option to redeem all of the bonds at face value on the last day of the fifth year. The Bank did not exercise early redemption on 27 December, 2017, and the interest rate remains unchanged at 5.90% per annum.
- (2) The 15 year fixed-rate subordinated bonds were issued on 27 December, 2012 by the Bank at a face value of RMB1.2 billion with a fixed coupon rate of 5.99% per annum, payable annually. The Bank has an option to redeem all of the bonds at face value on the last day of the tenth year. If no early redemption is exercised, the interested rate will remain at 5.99% per annum.
- (3) The 3 year fixed-rate financial bonds were issued on 11 May, 2015 by the Bank at a face value of RMB2.5 billion with a fixed coupon rate of 4.64% per annum, payable annually. These bonds were fully repaid on 13 May, 2018.
- (4) The 3 year fixed-rate financial bonds were issued on 22 May, 2015 by the Bank at a face value of RMB2.5 billion with a fixed coupon rate of 4.27% per annum, payable annually. These bonds were fully repaid on 26 May, 2018.
- (5) The 10 year fixed-rate tier-two capital bonds were issued on 21 August, 2015 by the Bank at a face value of RMB5.0 billion with a fixed coupon rate of 5.00% per annum, payable annually. The Bank has an option to redeem part or all of the bonds at face value on the last day of the fifth year if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. If no early redemption is exercised, the interest rate will remain at 5.00% per annum. This tier-two capital bonds have write-down feature of a tier-two capital instrument, which allows the Bank to write down the entire principal of the bonds and any accumulated unpaid interests when regulatory trigger events as stipulated in the offering documents occur. These tier-two capital bonds are qualified as tier-two capital instruments in accordance with the CBIRC requirements.
- (6) The 10 year fixed-rate tier-two capital bonds were issued on 18 January, 2018 by the Bank at a face value of RMB10.0 billion with a fixed coupon rate of 4.80% per annum, payable annually. The Bank has an option to redeem part or all of the bonds at face value on the last day of the fifth year if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. If no early redemption is exercised, the interest rate will remain at 4.80% per annum. These bonds have the same tier-two capital features as 15 Tianjin Bank tier-two bonds as set out in note (5).
- (7) The 3 year fixed-rate financial bonds were issued on 24 April, 2018 by the Bank at a face value of RMB10.0 billion with a fixed coupon rate of 4.70% per annum, payable annually.
- (8) The 3 year fixed-rate financial bonds were issued on 15 June, 2018 by the Bank at a face value of RMB6.0 billion with a fixed coupon rate of 4.90% per annum, payable annually.
- (9) The 3 year fixed-rate financial bonds were issued on 6 November, 2018 by the Bank at a face value of RMB4.0 billion with a fixed coupon rate of 4.08% per annum, payable annually.
- (10) The Bank issued a series of 1-month negotiable certificates of deposit ("CD") at a discount. As at 31 December, 2018, the face value of outstanding CD amounted to RMB2.00 billion, with a reference return rate of 3.73% (31 December, 2017: 5.00%-5.72%) per annum, payable at maturity.

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41. DEBT SECURITIES ISSUED *(Continued)*

- (11) The Bank issued a series of 3-month CD at a discount. As at 31 December, 2018, the face value of outstanding CD amounted to RMB8.53 billion, with a reference return rate of 2.85%-3.55% (31 December, 2017: 4.55%-5.40%) per annum, payable at maturity.
- (12) The Bank issued a series of 6-month CD at a discount. As at 31 December, 2018, the face value of outstanding CD amounted to RMB32.75 billion, with a reference return rate of 3.25%-4.10% (31 December, 2017: 4.35%-5.25%) per annum, payable at maturity.
- (13) The Bank issued a series of 9-month CD at a discount. As at 31 December, 2018, the face value of outstanding CD amounted to RMB28.03 billion, with a reference return rate of 3.50%-4.70% (31 December, 2017: 4.50%-5.40%) per annum, payable at maturity.
- (14) The Bank issued a series of 1-year CD at a discount. As at 31 December, 2018, the face value of outstanding CD amounted to RMB51.73 billion, with a reference return rate of 3.30%-5.17% (31 December, 2017: 4.55%-5.30%) per annum, payable at maturity.

42. SHARE CAPITAL

	Year ended 31 December,	
	2018	2017
At beginning and end of the year	6,070,552	6,070,552

43. CAPITAL RESERVE

The balance of capital reserve mainly represents share premium arising from the Bank's initial public offering of H shares (net of listing expenses) and other share issuances in prior years. It also included the difference between the carrying amount of net assets and the amount contributed by non-controlling shareholders during the capital injection of its subsidiary.

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44. INVESTMENT REVALUATION RESERVE

	Gross amount	Tax effect	Net amount
As at 1 January, 2017	(287,525)	71,881	(215,644)
Fair value changes in available-for-sale financial assets	(464,494)	116,124	(348,370)
Amount reclassified to profit or loss upon disposal of available-for-sale financial assets	(15,601)	3,900	(11,701)
As at 31 December, 2017	(767,620)	191,905	(575,715)
Charge to other comprehensive income on adoption of IFRS 9	2,645	4,534	7,179
As at 1 January, 2018	(764,975)	196,439	(568,536)
Fair value changes in financial assets at fair value through other comprehensive income	1,028,193	(257,048)	771,145
Amount reclassified to profit or loss upon disposal of debt instruments at fair value through other comprehensive income	(53,770)	13,442	(40,328)
Cumulative impairment loss recognised on financial assets at fair value through other comprehensive income	(11,385)	(2,349)	(13,734)
As at 31 December, 2018	198,063	(49,516)	148,547

45. SURPLUS RESERVE

Under relevant PRC Laws, corporation is required to transfer 10% of its net profit, determined under the PRC GAAP, to a non-distributable statutory surplus reserve. Appropriation to the statutory surplus reserve may cease when the balance of such reserve has reached 50% of the share capital.

After making the appropriation to the statutory surplus reserve, the corporation may also appropriate its profit for the year to a discretionary surplus reserve upon approval by the shareholders in the shareholders' general meeting. Subject to the approval by the shareholders' general meeting, the discretionary surplus reserve may be used to offset accumulated losses of the corporation, if any, and may be converted into capital.

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46. GENERAL RESERVE

Pursuant to the Administrative Measures for the Provision of Reserves of Financial Enterprises (Cai Jin [2012] No. 20) issued by the Ministry of Finance of the PRC, in addition to the individual and collective allowances for impairment losses, financial enterprise is required to establish and maintain a general reserve within equity to address potential unidentified impairment losses. The general reserve should not be less than 1.5% of the aggregate amount of risk assets as defined by the above measures by year ended 2018.

47. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	2018						As at 31 December,
	As at 1 January,	Cash received from debt securities issued	Repayment of debt securities issued	Interest accruals	Interest payments	Others	
Debt securities issued (Note 41)	118,688,315	316,845,424	(276,750,000)	6,536,210	(5,722,332)	226,044	159,823,661

	2017						As at 31 December,
	As at 1 January,	Cash received from debt securities issued	Repayment of debt securities issued	Interest accruals	Interest payments	Others	
Debt securities issued (Note 41)	40,631,584	257,606,433	(180,578,660)	3,922,701	(2,667,700)	(226,043)	118,688,315

48. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following balances with an original maturity of less than or equal to three months:

	As at 31 December, 2018	As at 31 December, 2017
Cash	566,086	638,816
Balances with central bank	21,224,205	8,659,021
Deposits with banks and other financial institutions	2,534,291	2,503,859
Placements with banks and other financial institutions	649,913	4,753,699
Financial assets held under resale agreements	1,876,700	6,261,330
Total	26,851,195	22,816,725

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49. STRUCTURED ENTITIES

Unconsolidated structured entities

(1) *Structured entities sponsored by third party institutions in which the Bank holds interests*

The Bank holds interests in these structured entities sponsored by third party institutions through investments in the rights or plans issued relating to these structured entities. The Bank does not consolidate these structured entities. Such structured entities include wealth management products issued by financial institutions, asset management plans, trust beneficiary rights and asset-backed securities.

The following table set out an analysis of the gross carrying amounts of interests held by the Group as at 31 December, 2018 in the structured entities sponsored by third party institutions.

	As at 31 December, 2018	As at 31 December, 2017
Asset-backed securities	25,604,087	19,850,680
Wealth management products	1,039,259	67,924,624
Asset management plans	85,869,823	81,347,831
Trust beneficiary rights	59,309,436	84,937,452
Total	171,822,605	254,060,587

All of these unconsolidated structured entities are recorded in financial assets at fair value through profit or loss and debt investments at amortised costs as at 31 December, 2018 (31 December, 2017: investments classified as receivables).

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49. STRUCTURED ENTITIES *(Continued)*

Unconsolidated structured entities *(Continued)*

(2) *Unconsolidated structured entities sponsored by the Bank in which the Bank holds interests*

The types of unconsolidated structured entities sponsored by the Bank mainly include non-principal-guaranteed wealth management products. The purpose of sponsoring these structured entities is to generate fees from managing assets on behalf of investors. Interests held by the Bank includes fees charged by providing management services to these structured entities as disclosure in Note 8.

For the year ended 31 December, 2018, the management fee recognised amounted to RMB974 million (For the year ended 31 December, 2017: RMB1,015 million).

As at 31 December, 2018, the amount of assets held by the unconsolidated non-principal-guaranteed wealth management products sponsored by the Bank amounted to RMB104,626 million (31 December, 2017: RMB96,084 million).

The Group did not provide any financial or other support to these unconsolidated structured entities during the year.

50. RELATED PARTY TRANSACTIONS

(1) **Following major shareholders held more than 5% interest of the Bank and are considered as related parties of the Group:**

Name of Shareholder	Percentage of shares held	
	As at 31 December, 2018	As at 31 December, 2017
Tianjin Bonded Zone Investment Co., Ltd.	15.92%	15.92%
Australia and New Zealand Banking Group Limited	11.95%	11.95%
Tianjin Pharmaceutical Holdings Ltd. and its subsidiaries	8.06%	8.06%
Tianjin Bohai Chemical Industry Group Co., Ltd. and its subsidiaries	8.04%	8.04%

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50. RELATED PARTY TRANSACTIONS *(Continued)*

(1) Following major shareholders held more than 5% interest of the Bank and are considered as related parties of the Group: *(Continued)*

Balances and transactions between the Group and these major shareholders and entities under their control

During the year, the Group had the following material balances and entered into the following material transactions with major shareholders and entities under their control. These transactions were entered into in the normal course of business, with pricing policies consistent with those transactions conducted with independent third parties.

	As at 31 December, 2018	As at 31 December, 2017
Balances at the end of the year:		
Assets		
Deposits with banks and other financial institutions	4,581	4,704
Loans and advances to customers	-	2,600,000
Interest receivable from related parties	-	3,621
Total	4,581	2,608,325
Liabilities		
Due to customers	86,278	914,651
Interest payable to related parties	-	213
Total	86,278	914,864

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50. RELATED PARTY TRANSACTIONS *(Continued)*

(1) Following major shareholders held more than 5% interest of the Bank and are considered as related parties of the Group: *(Continued)*

Balances and transactions between the Group and these major shareholders and entities under their control (Continued)

	Year ended 31 December,	
	2018	2017
Transactions during the year:		
Interest income	14,609	123,537
Interest expense	880	3,634
Interest rate ranges during the year:	%	%
Loans and advances to customers	4.35	4.35~5.50
Due to customers	0.35~1.38	0.05~1.32

(2) Other related parties

Other related parties can be individuals or enterprises, which include: members of the Board of Directors, the senior management and close family members of such individuals; entities (and their subsidiaries) controlled or jointly controlled by members of the Board of Directors, the senior management, and close family members of such individuals. Transactions with other related parties were entered into in the normal course of business, with pricing policies consistent with those transactions conducted with independent third parties.

Balances and transactions with other related parties

	As at 31 December, 2018	As at 31 December, 2017
Balances at the end of the year:		
Liabilities		
Deposits from banks and other financial institutions	1,066,490	591,393
Due to customers	–	50,000
Interest payable from related parties	–	1,112
Total	1,066,490	642,505

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50. RELATED PARTY TRANSACTIONS (Continued)

(2) Other related parties (Continued)

Balances and transactions with other related parties (Continued)

	Year ended 31 December,	
	2018	2017
Transactions during the year:		
Interest expense	22,327	1,884
Interest rate range during the period:	%	%
Deposit from banks and other financial institutions	2.55~5.30	0.35~5.30
Due to customers	–	2.80~4.10

(3) Key management personnel

Key management personnel include directors, supervisors and senior management team members.

No major transactions have been entered into with the key management personnel for the year ended 31 December, 2018 other than the emoluments paid to them (being the key management personnel compensation).

	Year ended 31 December,	
	2018	2017
Fees	1,445	1,755
Basic salaries, bonuses and allowances ⁽¹⁾	4,724	6,976
Contribution to pension schemes	1,166	1,435
Total	7,335	10,166

(1) Bonus for 2018 can only be determined after the shareholders' general meeting and regulatory approval.

(4) Annuity schemes

The Group has the following transactions with the annuity scheme set up by the Bank:

	Year ended 31 December,	
	2018	2017
Contribution to annuity funds (Note 12)	90,301	121,723

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51. CONTINGENT LIABILITIES AND COMMITMENTS

Legal proceedings

The Bank and its subsidiaries, as defendants, are involved in certain lawsuits arising from its normal business operations. As at 31 December, 2018, the Group has assessed and measured the impact of those significant pending lawsuits and recognised reasonable amount of provisions (refer to Note 39).

Capital commitments

	As at 31 December, 2018	As at 31 December, 2017
Contracted but not provided for		
– commitments for the acquisition of property and equipment	287,638	156,338

Operating lease commitments

At the end of the year, the Group had the following non-cancellable operating lease commitments as lessee with fixed lease term and lease payment:

	As at 31 December, 2018	As at 31 December, 2017
Within one year	366,270	297,903
One to five years	672,873	755,848
Over five years	209,887	318,895
Total	1,249,030	1,372,646

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of 5.5 years.

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51. CONTINGENT LIABILITIES AND COMMITMENTS *(Continued)*

Credit commitments

	As at 31 December, 2018	As at 31 December, 2017
Acceptances	27,623,495	29,021,385
Undrawn credit card limit	2,172,192	1,799,981
Letters of credit	11,415,674	8,557,033
Letters of guarantee	2,607,714	6,272,432
Undrawn corporate loans limit	36,682,891	19,779,377
Corporate loans credit commitments	–	80,000
Total	80,501,966	65,510,208

Credit commitments represent general facility limits granted to customers. These credit facilities may be drawn in the form of loans and advances or through the issuance of letters of credit, acceptances or letters of guarantee.

The Group grants loan commitments to specific customers. Directors of the Bank are of the opinion that such commitments are conditional and irrevocable.

Credit risk weighted amounts for credit commitments

	As at 31 December, 2018	2017
Credit commitments	16,102,703	19,367,185

The credit risk weighted amounts are the amounts calculated in accordance with the guidelines issued by the CBIRC and are dependent on, among other factors, the creditworthiness of the counterparty and the maturity characteristics. The risk weightings used range from 0% to 100%, for contingent liabilities and commitments.

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51. CONTINGENT LIABILITIES AND COMMITMENTS *(Continued)*

Redemption commitments of government bond

The Group is authorised by the Ministry of Finance to underwrite certificate government bonds and e-saving bonds. The investors of these bonds can redeem before maturity date and the Group has the obligation to pay the principal and related interests to investors.

As at 31 December, 2018, the principal balance of certificate government bonds which the Group had an obligation to pay in advance amounted to RMB2,296 million (31 December, 2017: RMB2,144 million), and the principal balance of e-saving bonds amounted to RMB2,345 million (31 December, 2017: RMB2,371 million). The original term of these bonds is from 3 to 5 years.

The Ministry of Finance does not pay the principal and interest of the certificate government bonds before the expiry date, but pays the principal and interest of the e-savings bonds on a regular basis based on the payment approach for the e-savings bonds.

52. FIDUCIARY ACTIVITIES

The Group commonly acts as asset manager or in other fiduciary capacities, that results in it holding or managing assets on behalf of individuals or corporations. These assets and any gains or losses arising thereon are not included in the financial statements of the Group as they are not the Group's assets.

As at 31 December, 2018, the entrusted loans balance of the Group amounted to RMB35,031 million (31 December, 2017: RMB44,599 million).

53. TRANSFER OF FINANCIAL ASSETS

Repurchase agreement

The Group entered into repurchase agreements with certain counterparties to sell bonds of carrying amount of RMB29,046 million as at 31 December, 2018 (31 December, 2017: RMB50,726 million) which are subject to the simultaneous agreements with commitments to repurchase at specified future dates and prices. The proceeds from selling such bonds totaling RMB28,362 million (31 December, 2017: RMB50,696 million) is presented as 'financial assets sold under repurchase agreements' (note 38) as at the end of the year.

As stipulated in the repurchase agreements, there is no transfer of the legal ownership of these bonds or bills to the counterparties during the covered period. However, the Group is not allowed to sell or pledge these securities during the covered period unless both parties mutually agree with such arrangement. Accordingly, the Group has determined that it retains substantially all the risks and rewards of these bonds or bills and therefore have not derecognised them from the financial statements but regarded as 'collateral' for the secured lending from the counterparties. The counterparty's recourse is not limited to the transferred assets.

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54. FINANCIAL RISK MANAGEMENT

Overview

The primary objectives of risk management of the Group are to maintain risk within acceptable parameters and satisfy the regulatory requirements.

The Group has designed risk management policies and set up risk controls to identify, analyse, monitor and report risks by means of relevant and up-to-date information systems. The Group regularly reviews its risk management policies and systems to address changes in markets, products and emerging best practices.

Details of the financial instruments are disclosed in respective notes to the consolidated financial statements. The risks associated with these financial instruments include credit risk, liquidity risk and market risk (interest rate risk, currency risk and other price risk). The policies on how to mitigate these risks are set out below. The Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Risk management framework

The Bank has a Risk Management Committee, which is headed by the executive director under the Board of Directors. Risk Management Committee is responsible for setting the overall risk management and internal control strategies of the Group, monitoring the credit risk, liquidity risk, market risk and operation risk, and periodically assesses the overall risk position, risk acceptance and management capabilities, and makes recommendations and suggestions on risk management and internal control of the Group.

Following the risk management strategies set by the Risk Management Committee, the Risk Management Department of the Bank formulates and implements relevant risk management policies and procedures to monitor the risk arising from financial instruments of the Group.

54.1 Credit risk

Credit risk management

Credit risk represents the potential loss that may arise from a customer or counterparty's failure to meet its obligations. Credit risk can also arise from operational failures that result in an unauthorised or inappropriate advance, commitment or investment of funds. Credit risk mainly arises from loans and advances to customers, debt instruments at FVTOCI and debt instruments at amortised cost. The Group considers all elements of credit risk exposure such as counterparty default risk, geographical risk and sector risk for risk management purposes.

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54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.1 Credit risk *(Continued)*

(i) Credit risk management

The Group manages the Group's credit risk through the following processes:

- Ensuring that the Group has appropriate credit risk practices, including an effective system of internal control, to consistently determine adequate allowances in accordance with the Group's stated policies and procedures and relevant supervisory guidance.
- Monitoring, identifying, assessing, measuring, reporting, controlling and mitigating credit risk across the Group, from an individual instrument to a portfolio level.
- Creating credit policies to protect the Group against the identified risks including the requirements to obtain collateral from borrowers, to perform robust ongoing credit assessment of borrowers and to continually monitor exposures against internal risk limits.
- Establishing a robust control framework regarding the authorisation structure for the approval and renewal of credit facilities.
- Developing and maintaining the Group's processes for measuring ECL including monitoring of credit risk, incorporation of forward looking information and the method used to measure ECL.
- Ensuring that the Group has policies and procedures in place to appropriately maintain and validate models used to assess and measure ECL.

(ii) Significant increase in credit risk

The Group monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

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54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.1 Credit risk *(Continued)*

(ii) Significant increase in credit risk *(Continued)*

Internal credit risk ratings

In order to minimise credit risk, the Group has developed and maintained the Group's credit risk grading to categorise exposures according to their degree of risk of default. The Group's credit risk grading framework comprises 12 categories. The credit rating information is based on a range of data that is determined to be predictive of the risk of default and applying experienced credit judgement. The nature of the exposure and type of borrower are taken into account in the analysis. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default.

The credit risk grades are designed and calibrated to reflect the risk of default as credit risk deteriorates. As the credit risk increases the difference in risk of default between grades changes. Each exposure is allocated to a credit risk grade at initial recognition, based on the available information about the counterparty. All exposures are monitored and the credit risk grade is updated to reflect current information. The monitoring procedures followed are both general and tailored to the type of exposure.

The following data are typically used to monitor the Group's exposures:

- Payment record, including payment ratios and ageing analysis;
- Extent of utilisation of granted limit;
- Forbearances (both requested and granted);
- Changes in business, financial and economic conditions;
- Credit rating information supplied by external rating agencies;
- For retail exposures: internally generated data of customer behaviour, affordability metrics etc.; and
- For corporate exposures: information obtained by periodic review of customer files including audited financial statements review, market data such as prices of quoted bonds where available, changes in the financial sector the customer operates etc.

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54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.1 Credit risk *(Continued)*

(ii) Significant increase in credit risk *(Continued)*

Internal credit risk ratings (Continued)

The Group uses credit risk grades as a primary input into the determination of the term structure of the PD for exposures. The Group collects performance and default information about its credit risk exposures analysed by region and by type of product and borrower as well as by credit risk grading. The information used is both internal and external depending on the portfolio assessed. The table below provides a mapping of the Group's internal credit risk grades to external ratings.

Group's credit risk grades (Internal rating)	External rating
1	AAA
2	AA+
3	AA
4	AA-
5	A+, A
6	A-
7	BBB+ to BBB-
8	BB+ to BB-
9	B+ to B-
10	CCC, CC+
11	CC to C+
12	C, C-

The Group analyses all data collected using statistical models and estimates the remaining lifetime PD of exposures and how these are expected to change over time. The factors taken into account in this process include macro-economic data such as GDP growth, unemployment, benchmark interest rates and house prices. The Group generates a 'base case' scenario of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. The Group then uses these forecasts, which are probability-weighted, to adjust its estimates of PDs.

The Group uses different criteria to determine whether credit risk has increased significantly per portfolio of assets. The criteria used are both quantitative changes in PDs as well as qualitative.

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54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.1 Credit risk *(Continued)*

(ii) Significant increase in credit risk *(Continued)*

Internal credit risk ratings (Continued)

The Group considers credit risk has significantly increased if there is:

- Overdue principal or interests by more than 30 days but less than 90 days; or
- Significant downgrade in internal rating, especially when the borrower is downgraded to grade 6 or below; or
- Significant downgrade in external rating, especially the borrower is downgraded to below A (domestic rating agency) or BBB- (international rating agency); or
- Appearance on internal watch-list developed the Group; or
- Significant widening of credit spreads in the market.

(iii) Incorporation of forward-looking information

The Group uses forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of ECL. The Group employs external and internal information to generate different scenarios of future forecast of relevant economic variables. The external information used includes GDP growth, inflation and benchmark interest rates. ECL measurement is partially determined by these forecasts according to statistical analysis.

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54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.1 Credit risk *(Continued)*

(iv) Measurement of ECL

The key inputs used for measuring ECL are:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

As explained above these figures are generally derived from internally developed statistical models and other historical data and they are adjusted to reflect probability-weighted forward-looking information.

PD is an estimate of the likelihood of default over a given time horizon. It is estimated as at a point in time. The calculation is based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on market data (where available), as well as internal data comprising both quantitative and qualitative factors. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates. The estimation is based on current conditions, adjusted to take into account estimates of future conditions that will impact PD.

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from types of guarantee, time of recovery, recovery rates and seniority of claims. The calculation is on a discounted cash flow basis, where the cash flows are discounted by the original EIR of the loan.

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities. The Group's modeling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the loan exposure that are permitted by the current contractual terms, such as amortisation profiles, early repayment or overpayment, changes in utilisation of undrawn commitments and credit mitigation actions taken before default. The Group uses EAD models that reflect the characteristics of the portfolios.

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54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.1 Credit risk *(Continued)*

(iv) Measurement of ECL *(Continued)*

The measurement of ECL is based on probability weighted average credit loss. As a result, the measurement of the loss allowance should be the same regardless of whether it is measured on an individual basis or a collective basis (although measurement on a collective basis is more practical for large portfolios of items). In relation to the assessment of whether there has been a significant increase in credit risk it can be necessary to perform the assessment on a collective basis as noted below.

(v) Grouping based on shared risks characteristics

When ECL are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics, such as:

- instrument type;
- credit risk grade;
- collateral type;
- industry;
- geographic location of the borrower;
- income bracket of the borrower; and
- the value of collateral relative to the financial asset if it has an impact on the probability of a default occurring (loan-to-value (LTV) ratios).

The groupings are reviewed on a regular basis to ensure that each group is comprised of homogenous exposures.

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54. FINANCIAL RISK MANAGEMENT (Continued)

54.1 Credit risk (Continued)

(vi) Risk concentration of loans and advances to customers at amortised cost and at FVTOCI

Analysed by geographical area

As at 31 December, 2018

	Gross amount of loans and advances to customers	%	Overdue loan balance	Allowance	
				12-month ECL	Lifetime ECL
Tianjin	110,171,104	38.14	2,154,620	1,929,002	4,705,173
Beijing	20,727,900	7.18	232,041	146,092	212,545
Shandong	33,548,899	11.62	1,796,708	197,396	1,211,735
Shanghai	71,746,125	24.84	1,021,671	174,027	757,228
Hebei	28,120,952	9.74	2,517,027	159,820	1,945,420
Sichuan	23,436,191	8.12	177,737	78,800	299,060
Ningxia	1,037,827	0.36	–	29,422	–
Total	288,788,998	100.00	7,899,804	2,714,559	9,131,161

As at 31 December, 2017

	Gross amount of loans and advances to customers	%	Impaired loan		Overdue loan balance	Allowance	
			Balance	Ratio		Individually assessed	Collectively assessed
Tianjin	125,408,476	50.38	1,014,142	0.81%	1,961,054	497,728	2,435,102
Beijing	18,782,305	7.55	207,846	1.11%	234,817	32,183	451,140
Shandong	34,908,482	14.03	484,375	1.39%	970,593	225,618	785,265
Shanghai	25,045,542	10.06	543,897	2.17%	833,418	126,707	739,144
Hebei	29,063,669	11.68	1,430,351	4.92%	2,559,977	685,658	813,339
Sichuan	14,778,527	5.94	56,747	0.38%	240,751	19,904	404,435
Ningxia	893,703	0.36	–	–	–	–	27,232
Total	248,880,704	100.00	3,737,358	1.50%	6,800,610	1,587,798	5,655,657

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54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.1 Credit risk *(Continued)*

(vi) Risk concentration of loans and advances to customers at amortised cost and at FVTOCI *(Continued)*

Analysed by industry

	As at 31 December,			
	2018		2017	
	Gross Amount	% of total	Gross Amount	% of total
Corporate loans and advances				
A- Farming, forestry, animal husbandry and fishery	728,068	0.3	790,780	0.3
B- Mining	611,756	0.2	1,491,602	0.6
C- Manufacturing	35,687,600	12.2	51,970,716	21.0
D- Production and supply of electricity, gas and water	3,249,752	1.1	3,941,133	1.6
E- Construction	19,975,498	6.9	24,366,195	9.8
F- Retail and wholesale	30,253,583	10.5	39,572,818	15.9
G- Transportation, logistics and postal services	4,591,495	1.6	6,607,507	2.7
H- Accommodation and food services	974,289	0.3	1,231,573	0.5
I- Information transmission, computer services and software	763,080	0.3	2,542,759	1.0
J- Financial services	3,696,396	1.3	3,069,500	1.2
K- Real estate	35,834,101	12.4	24,471,933	9.8
L- Leasing and commercial services	24,462,808	8.5	20,649,274	8.3
M- Scientific research, technical services	437,451	0.2	1,413,129	0.6
N- Water, environment and public utilities management	15,657,790	5.4	23,424,268	9.4
O- Resident services and other services	2,167,857	0.8	3,775,170	1.5
P- Education	55,272	-	88,000	-
Q- Health, social security and welfare	238,439	0.1	257,827	0.1
R- Culture, sports and entertainment	914,299	0.3	530,883	0.2
S- Public administration and social organisations	213,984	0.1	1,064,000	0.4
Discounted bills	2,265,089	0.8	3,242,417	1.3
Subtotal	182,778,607	63.3	214,501,484	86.2
Personal loans and advances	106,010,391	36.7	34,379,220	13.8
Gross amount of loans and advances to customers	288,788,998	100.0	248,880,704	100.0

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54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.1 Credit risk *(Continued)*

(vi) Risk concentration of loans and advances to customers at amortised cost and at FVTOCI

(Continued)

By contractual maturity and security type

	Gross amount as at 31 December 2018			Total
	Up to 1 year	1 to 5 years	Over 5 years	
Unsecured	59,854,676	25,025,406	3,228,539	88,108,621
Guaranteed	46,741,623	47,288,174	14,707,356	108,737,153
Collateralised	11,839,360	25,272,534	34,569,398	71,681,292
Pledged	4,478,322	13,664,160	2,119,450	20,261,932
Total	122,913,981	111,250,274	54,624,743	288,788,998

	Gross amount as at 31 December 2017			Total
	Up to 1 year	1 to 5 years	Over 5 years	
Unsecured	19,579,178	11,871,209	1,734,801	33,185,188
Guaranteed	71,453,578	36,699,250	6,277,087	114,429,915
Collateralised	20,009,661	14,823,205	26,768,959	61,601,825
Pledged	23,813,631	15,453,614	396,531	39,663,776
Total	134,856,048	78,847,278	35,177,378	248,880,704

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For the year ended December 31, 2018

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54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.1 Credit risk *(Continued)*

(vii) Past due loans and advances to customers at amortised cost and at FVTOCI

	As at 31 December, 2018				
	Up to 90 days	90 days to 1 year	1 year to 3 years	Over 3 years	Total
Unsecured	193,583	30,141	73,826	40,000	337,550
Guaranteed	2,530,761	513,437	1,916,771	589,836	5,550,805
Collateralised	669,467	265,331	722,371	175,036	1,832,205
Pledged	73,665	11,083	29,382	65,114	179,244
Total	3,467,476	819,992	2,742,350	869,986	7,899,804
Percentage of total gross loans and advances to customers	1.21%	0.28%	0.95%	0.30%	2.74%

	As at 31 December, 2017				
	Up to 90 days	90 days to 1 year	1 year to 3 years	Over 3 years	Total
Unsecured	15,784	33,716	50,945	20,000	120,445
Guaranteed	1,598,289	1,511,408	1,250,011	147,328	4,507,036
Collateralized	478,850	639,302	694,890	59,090	1,872,132
Pledged	99,500	23,000	176,618	1,879	300,997
Total	2,192,423	2,207,426	2,172,464	228,297	6,800,610
Percentage of total gross loans and advances to customers	0.88%	0.89%	0.87%	0.09%	2.73%

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54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.1 Credit risk *(Continued)*

(viii) Maximum credit risk exposure without taking into account any collateral or other credit enhancements

The maximum exposure to credit risk represents the credit risk exposure per class of financial assets, internal rating and "stage" to the Group at the end of the reporting period without taking into account any collateral held or other credit enhancements. The exposure to credit risk mainly arises from loans and advances to customers, investment securities, and treasury operations of its banking activities.

Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

At the end of the reporting period, maximum exposure to credit risk is as follows:

Loans and advances to customers

	As at 31 December 2018			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	
Internal grade 1-5	264,368,379	–	7,622,380	271,990,759
Internal grade 6-9	–	11,438,686	628,546	12,067,232
Internal grade 10-12	–	–	4,731,007	4,731,007
Total gross carrying amount	264,368,379	11,438,686	12,981,933	288,788,998
Loss allowance	(2,714,559)	(2,666,327)	(6,464,834)	(11,845,720)
Carrying amount	261,653,820	8,772,359	6,517,099	276,943,278

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

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54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.1 Credit risk *(Continued)*

(viii) Maximum credit risk exposure without taking into account any collateral or other credit enhancements *(Continued)*

Debt instruments at amortised cost

	As at 31 December 2018			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	
Internal grade 1-5	179,901,628	–	–	179,901,628
Internal grade 6-9	–	5,058,859	–	5,058,859
Internal grade 10-12	–	–	1,598,789	1,598,789
Total gross carrying amount	179,901,628	5,058,859	1,598,789	186,559,276
Loss allowance	(740,195)	(151,845)	(898,210)	(1,790,250)
Carrying amount	179,161,433	4,907,014	700,579	184,769,026

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For the year ended December 31, 2018
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54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.1 Credit risk *(Continued)*

(viii) Maximum credit risk exposure without taking into account any collateral or other credit enhancements *(Continued)*

Debt instruments at FVTOCI

	As at 31 December 2018			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	
Internal grade 1-5	49,457,614	–	–	49,457,614
Total gross carrying amount	49,457,614	–	–	49,457,614
Loss allowance	(7,706)	–	–	(7,706)

No loss allowance is recognised in the statement of financial position for debt instruments measured at FVTOCI as the carrying amount is at fair value.

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For the year ended December 31, 2018

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54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.1 Credit risk *(Continued)*

(viii) Maximum credit risk exposure without taking into account any collateral or other credit enhancements *(Continued)*

Credit commitments

	As at 31 December 2018			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	
Internal grade 1-5	80,496,968	–	–	80,496,968
Internal grade 6-9	–	658	–	658
Internal grade 10-12	–	–	4,340	4,340
Total gross carrying amount	80,496,968	658	4,340	80,501,966
Loss allowance	(268,044)	(630)	(4,340)	(273,014)

The carrying amount of the Group's financial assets at FVTPL are disclosed in Note 21 and Note 24 best represents the assets' maximum exposure to credit risk.

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For the year ended December 31, 2018
(Amounts in thousands of Renminbi, unless otherwise stated)

54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.1 Credit risk *(Continued)*

(ix) Credit quality

- (1) Loss allowance

The table below summarises the loss allowance as of the year end by class of assets.

	As at 31 December, 2018	As at 31 December, 2017
Loans and advances to customers	11,845,720	7,243,455
Debt instruments at amortised cost	1,790,250	–
Debt instruments at FVTOCI	7,706	–
Credit commitments	273,014	379,323
Total	13,916,690	7,622,778

No loss allowance is recognised in the statement of financial position for debt instruments at FVTOCI as the carrying amount is at fair value.

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For the year ended December 31, 2018

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54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.1 Credit risk *(Continued)*

(ix) Credit quality *(Continued)*

(2) Movement of loss allowance

The tables below analyse the movement of the loss allowance during the year per class of assets.

Loans and advances to customers

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2018	3,095,699	1,919,594	2,951,180	7,966,473
Changes in the loss allowance				
Transfer to stage 1	200,521	(200,521)	–	–
Transfer to stage 2	(570,469)	843,148	(272,679)	–
Transfer to stage 3	–	(583,214)	583,214	–
Impact on period end ECL of exposures transferred between stages during the period	(180,291)	1,168,252	2,901,071	3,889,032
New financial assets originated or purchased	758,877	–	–	758,877
Financial assets that have been derecognised	(530,549)	(483,903)	(91,744)	(1,106,196)
Contract cash flow modification that did not result in termination of loans	80,219	(21,026)	10,821	70,014
Changes in assumptions and methods of models	(139,448)	23,997	361,438	245,987
Write-offs	–	–	(14,168)	(14,168)
Recovery after write-off	–	–	141,158	141,158
Reversal interest revenue of non-performing loans	–	–	(105,457)	(105,457)
As at 31 December 2018	2,714,559	2,666,327	6,464,834	11,845,720

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For the year ended December 31, 2018
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54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.1 Credit risk *(Continued)*

(ix) Credit quality *(Continued)*

(2) Movement of loss allowance *(Continued)*

The most significant movements of loss allowance during the year in respect of loan and advances to customers arose from transition of loans to Stage 2 or Stage 3 as a result of deterioration of credit quality of certain loans and advances, including but not limited to Bohai Steel Group Company Limited ("Bohai Steel Group").

Changes in assumptions and methods during the year are mainly changes in forward looking information and truncation of decimal places for certain numerical inputs.

Debt instruments at amortised cost

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2018	789,775	525,002	542,860	1,857,637
Changes in the loss allowance				
Transfer to stage 3	–	(229,463)	229,463	–
Impact on period end ECL of exposures transferred between stages during the period	–	–	152,609	152,609
New financial assets originated or purchased	209,048	–	–	209,048
Financial assets that have been derecognised	(146,587)	(224,605)	(103,931)	(475,123)
Changes in assumptions and methods of models	(112,041)	80,911	81,741	50,611
Write-offs	–	–	(4,532)	(4,532)
As at 31 December 2018	740,195	151,845	898,210	1,790,250

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For the year ended December 31, 2018

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54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.1 Credit risk *(Continued)*

(ix) Credit quality *(Continued)*

(2) Movement of loss allowance *(Continued)*

Debt instruments at FVTOCI

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2018	8,781	–	12,000	20,781
Changes in the loss allowance				
New financial assets originated or purchased	3,897	–	–	3,897
Financial assets that have been derecognised	(4,972)	–	(12,000)	(16,972)
As at 31 December 2018	7,706	–	–	7,706

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For the year ended December 31, 2018
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54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.1 Credit risk *(Continued)*

(ix) Credit quality *(Continued)*

(2) Movement of loss allowance *(Continued)*

Credit commitments

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2018	641,306	147	2,231	643,684
Changes in the loss allowance				
Transfer to stage 1	39	(39)	–	–
Transfer to stage 2	(624)	624	–	–
Transfer to stage 3	(64)	(101)	165	–
Impact on period end ECL of exposures transferred between stages during the period	(1,709)	6	1,854	142
New credit commitments originated	99,348	–	–	99,348
Credit commitments that have been derecognised	(302,780)	(7)	(66)	(302,853)
Changes in assumptions and methods of models	(167,472)	–	165	(167,307)
As at 31 December 2018	268,044	630	4,340	273,014

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For the year ended December 31, 2018

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54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.1 Credit risk *(Continued)*

(ix) Credit quality *(Continued)*

- (3) Changes in gross carrying amount of financial assets and credit commitments that contributed to movement of the loss allowance

More information about the significant changes in the gross carrying amount of financial assets during the period that contributed to movement of the loss allowance, is provided at the table below:

Loans and advances to customers

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2018	235,712,227	8,420,774	4,747,703	248,880,704
Changes in the gross amount				
Transfer to stage 1	1,124,200	(1,124,200)	–	–
Transfer to stage 2	(16,055,016)	16,476,816	(421,800)	–
Transfer to stage 3	–	(9,131,320)	9,131,320	–
New financial assets originated or purchased	94,813,692	–	–	94,813,692
Financial assets that have been derecognised	(54,315,232)	(3,633,493)	(695,695)	(58,644,420)
Contract cash flow modification that did not result in termination of loans	3,088,508	430,109	198,872	3,717,489
Write-offs	–	–	(14,168)	(14,168)
Recover original write-off loans and advances	–	–	141,158	141,158
Reversal interest revenue of non-performing loans	–	–	(105,457)	(105,457)
As at 31 December 2018	264,368,379	11,438,686	12,981,933	288,788,998
Allowances for impairment loss as at 31 December 2018	(2,714,559)	(2,666,327)	(6,464,834)	(11,845,720)

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54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.1 Credit risk *(Continued)*

(ix) Credit quality *(Continued)*

- (3) Changes in gross carrying amount of financial assets and credit commitments that contributed to movement of the loss allowance *(Continued)*

Debt instruments at amortised cost

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2018	169,338,902	9,591,839	1,044,964	179,975,705
Changes in the gross amount				
Transfer to stage 3	–	(764,144)	764,144	–
New financial assets originated or purchased	67,433,359	–	–	67,433,359
Financial assets that have been derecognised	(56,870,633)	(3,768,836)	(205,787)	(60,845,256)
Write-offs	–	–	(4,532)	(4,532)
As at 31 December 2018	179,901,628	5,058,859	1,598,789	186,559,276
Allowances for impairment loss as at 31 December 2018	(740,195)	(151,845)	(898,210)	(1,790,250)

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54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.1 Credit risk *(Continued)*

(ix) Credit quality *(Continued)*

- (3) Changes in gross carrying amount of financial assets and credit commitments that contributed to movement of the loss allowance *(Continued)*

Debt instruments at FVTOCI

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2018	37,551,990	–	18,760	37,570,750
Changes in the gross amount				
New financial assets originated or purchased	28,071,371	–	–	28,071,371
Financial assets that have been derecognised	(16,165,747)	–	(18,760)	(16,184,507)
As at 31 December 2018	49,457,614	–	–	49,457,614
Allowances for impairment loss as at 31 December 2018	(7,706)	–	–	(7,706)

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54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.1 Credit risk *(Continued)*

(ix) Credit quality *(Continued)*

- (3) Changes in gross carrying amount of financial assets and credit commitments that contributed to movement of the loss allowance *(Continued)*

Credit commitments

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2018	65,507,651	209	2,348	65,510,208
Changes in the gross amount				
Transfer to stage 1	50	(50)	–	–
Transfer to stage 2	(658)	658	–	–
Transfer to stage 3	(1,913)	(149)	2,062	–
New credit commitments originated	41,376,295	–	–	41,376,295
Credit commitments that have been derecognised	(26,384,457)	(10)	(70)	(26,384,537)
As at 31 December 2018	80,496,968	658	4,340	80,501,966
Allowances for impairment loss as at 31 December 2018	(268,044)	(630)	(4,340)	(273,014)

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54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.1 Credit risk *(Continued)*

(ix) Credit quality *(Continued)*

(4) Modified financial assets

As a result of the Group's forbearance activities financial assets might be modified. The following tables refer to modified financial assets where modification does not result in derecognition.

	Year ended 31 December, 2018
Financial assets (with loss allowance based on lifetime ECL) modified during the period	
Gross carrying amount before modification	806,932
Loss allowance before modification	(240,358)
Net amortised cost before modification	566,574
Net modification loss	(13,392)
Net amortised cost after modification	553,182
	Year ended 31 December, 2018
Financial assets (with loss allowance based on lifetime ECL) modified since initial recognition	
Gross carrying amount of financial assets for which loss allowance has changed in the period from lifetime to 12-month ECL cost after modification	84,000

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54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.1 Credit risk *(Continued)*

(ix) Credit quality *(Continued)*

- (5) Collateral held as security and other credit enhancements

The Group holds collateral or other credit enhancements to mitigate credit risk associated with financial assets. The main types of collateral and the types of assets these are associated with are listed in the table below.

	Type of Collateral held
Loans and advances to customer	Residential properties, land and properties and other assets of the borrowers, equity instruments
Debt instruments at amortised cost	Certificates of deposit, equity instruments and other property rights
Financial assets held under resale agreements	Bonds, bills

The aggregate fair value of collateral in respect of loans and advances to customers amounted to RMB125,105 million as at 31 December, 2018. The aggregate fair value of collateral held for financial assets held under resale agreements amounted to RMB2,903 million (31 December, 2017: RMB9,594 million) as at 31 December, 2018.

The Group did not hold any financial instrument for which no loss allowance is recognised because of collateral at 31 December 2018. There was no change in the Group's collateral policy during the year.

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54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.1 Credit risk *(Continued)*

(ix) Credit quality *(Continued)*

(5) Collateral held as security and other credit enhancements *(Continued)*

The Group requests collateral and guarantees for financial assets including loans and advances to customers and debt instruments measured at amortised cost and FVTOCI. The most relevant indicator of their creditworthiness is an analysis of their financial performance and their liquidity, leverage, management effectiveness and growth ratios. For this reason the valuation of collateral held against corporate lending is not routinely updated. The valuation of such collateral is updated if specific financial asset is put on "watch-list" and is therefore monitored more closely.

For credit-impaired of those financial assets, the Group obtains appraisals of collateral to inform its credit risk management actions. At 31 December 2018 the net carrying amount of loans and advances to those financial assets was RMB1,426 million and the value of the respective collateral was RMB1,940 million.

As at 31 December, 2018, the balances of customer deposits that were secured by the Group's assets amounted to RMB7,272 million (31 December, 2017: RMB9,673 million), of which RMB2,000 million (31 December, 2017: RMB2,000 million) were due over twelve months from inception.

As at 31 December, 2018, the balances of Medium-term Lending Facility that were secured by the Group's assets amounted to RMB16,986 million (31 December, 2017: RMB7,500 million).

Collateral in respect of financial assets sold under repurchase agreements were disclosed in Note 53.

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54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.1 Credit risk *(Continued)*

(ix) Credit quality *(Continued)*

- (6) Credit quality of loans and advances to customers at amortised cost and at FVTOCI

	Notes	As at 31 December, 2017
Neither past due nor impaired	(i)	242,020,096
Past due but not impaired	(ii)	3,123,250
Impaired	(iii)	3,737,358
Subtotal		248,880,704
Allowances for impairment losses		(7,243,455)
Loans and advances to customers, net		241,637,249

- (i) Loans and advances neither past due nor impaired

	As at 31 December, 2017		
	Normal ^(a)	Special mention ^(b)	Total
Corporate loans and advances	200,864,142	7,602,741	208,466,883
Personal loans and advances	33,553,213	–	33,553,213
Total	234,417,355	7,602,741	242,020,096

(a) Normal: If the borrower can fulfill the contract, there is not enough reason to suspect that the principal and interest of the loan cannot be repaid in full and on time.

(b) Special mention: Although the borrower is currently able to repay the principal and interest of the loan, there are some factors that may adversely affect the repayment.

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54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.1 Credit risk *(Continued)*

(ix) Credit quality *(Continued)*

(6) Credit quality of loans and advances to customers at amortised cost and at FVTOCI *(Continued)*

(ii) Loans and advances past due but not impaired

	As at 31 December, 2017					Fair value of collateral
	Up to 30 days	31 to 60 days	61 to 90 days	More than 90 days	Total	
Corporate loans and advances	1,002,640	223,857	641,107	992,620	2,860,224	2,765,683
Personal loans and advances	146,060	93,612	23,354	–	263,026	179,148
Total	1,148,700	317,469	664,461	992,620	3,123,250	2,944,831

(iii) Impaired loans and advances

	As at 31 December, 2017		
	Contractual amount	Allowance for impairment losses	Carrying value
Individually assessed	3,174,377	(1,587,798)	1,586,579
Collectively assessed	562,981	(421,095)	141,886
Total	3,737,358	(2,008,893)	1,728,465

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54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.1 Credit risk *(Continued)*

(ix) Credit quality *(Continued)*

(6) Credit quality of loans and advances to customers at amortised cost and at FVTOCI *(Continued)*

(iii) Impaired loans and advances *(Continued)*

Including:

	As at 31 December, 2017
Individually assessed and impaired	3,174,377
Individually assessed and impaired %	1.28
Fair value of collateral	2,046,219

(7) Rescheduled loans and advances

Rescheduled loans and advances arise from rescheduling or deferring the repayment terms. Rescheduled loans and advances are under continuous monitoring by the Group.

Contractual amount of rescheduled loans and advances for the Group as at 31 December, 2018 amounted to RMB11,794 million (31 December, 2017: RMB16,148 million), among which loans and advances overdue for more than 90 days amounted to RMB351 million (31 December, 2017: RMB359 million).

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54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.1 Credit risk *(Continued)*

(ix) Credit quality *(Continued)*

- (8) Credit quality of due from banks and other financial institutions

The Group executes regular review and management of credit risk related to individual financial institutions, and set credit lines for individual banks and other financial institutions that it conducts business with. The balances due from banks and other financial institutions are as follows:

	Note	As at 31 December, 2017
Neither past due nor impaired		
Deposits with banks and other financial institutions		8,003,859
Placements with banks and other financial institutions		12,295,007
Financial assets held under resale agreements		8,599,300
Impaired	(i)	994,400
Subtotal		29,892,566
Less: Allowance for impairment losses		(236,864)
Net carrying amount		29,655,702

Note:

- (i) Impaired amounts due from banks and other financial institutions for the Group comprise impaired bills purchased under resale agreements.

- (9) Credit quality of debt securities

	Notes	As at 31 December, 2017
Neither past due nor impaired	(i)	356,901,889
Past due but not impaired	(ii)	18,760
Impaired	(iii)	8,205,524
Subtotal		365,126,173
Less: Allowance for impairment losses		(1,732,138)
Debt securities, net		363,394,035

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54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.1 Credit risk *(Continued)*

(ix) Credit quality *(Continued)*

(9) Credit quality of debt securities *(Continued)*

(i) Debt securities neither past due nor impaired

	As at 31 December, 2017					Total
	Financial assets held for trading	Available- for-sale financial assets	Held-to- maturity investments	Investments classified as receivables		
Government bonds	1,785,329	9,954,663	25,547,504	1,838,000	39,125,496	
Financial institution bonds	1,830,279	20,938,058	23,575,771	134,891	46,478,999	
Asset-backed securities	–	–	–	19,850,680	19,850,680	
Corporate bonds	2,085,730	2,215,986	–	17,495,016	21,796,732	
Certificate government bonds	–	–	–	291,960	291,960	
Wealth management products	–	–	–	67,924,624	67,924,624	
Asset management plans	–	–	–	80,012,867	80,012,867	
Trust beneficiary rights	–	–	–	78,316,892	78,316,892	
Funds	–	3,103,639	–	–	3,103,639	
Total	5,701,338	36,212,346	49,123,275	265,864,930	356,901,889	

(ii) Past due but not impaired debt securities for the Group comprise past due but not impaired corporate bonds.

(iii) Impaired debt securities for the Group comprise impaired asset management plans, trust beneficiary rights and corporate bonds.

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54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.1 Credit risk *(Continued)*

(ix) Credit quality *(Continued)*

(10) Bond investments are Analysed by external credit rating as follows:

	As at 31 December, 2018					Total
	AAA	AA	A	Below A	Unrated	
Government bonds	3,796,746	–	–	–	42,210,879	46,007,625
Financial institution bonds	288,062	1,232,576	–	–	41,919,454	43,440,092
Asset-backed securities	14,363,382	3,612,510	–	–	7,628,195	25,604,087
Corporate bonds	12,729,103	15,406,438	–	250,000	871,981	29,257,522
Certificate government bonds	–	–	–	–	274,087	274,087
Total	31,177,293	20,251,524	–	250,000	92,904,596	144,583,413

	As at 31 December, 2017					Total
	AAA	AA	A	Below A	Unrated	
Government bonds	2,022,168	–	–	–	37,103,328	39,125,496
Financial institution bonds	3,734,597	2,357,920	–	–	40,386,482	46,478,999
Asset-backed securities	2,419,367	3,251,078	–	–	14,180,235	19,850,680
Corporate bonds	11,121,884	7,761,092	–	268,760	2,913,756	22,065,492
Certificate government bonds	–	–	–	–	291,960	291,960
Total	19,298,016	13,370,090	–	268,760	94,875,761	127,812,627

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54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.2 Liquidity risk

Liquidity risk is the risk that assets will not be available to meet liabilities as they fall due. This may arise from cash flow or maturity mis-matches of assets and liabilities.

Risk Management Department manages the Group's liquidity risk via:

- Setting target ratio on assets and liabilities structure in accordance with the regulatory requirements and business plan;
- Maintaining stability of deposit base; and
- Making advanced projection on future cash flows and evaluating the appropriate current assets position.

The Group has access to inter-bank placement or repurchase market for liquidity management. It can also issue debt securities for long-term funding management.

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54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.2 Liquidity risk *(Continued)*

Analysis of the remaining maturity of assets and liabilities

The tables below summarise the maturity analysis of assets and liabilities by remaining contractual maturities at the end of the year.

	As at 31 December, 2018							Total
	Past due/ indefinite	On demand	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	
Cash and balances with central bank	40,523,102	21,790,291	-	-	-	-	-	62,313,393
Deposits with banks and other financial institutions	-	2,298,303	239,000	-	1,526,183	-	-	4,063,486
Placements with banks and other financial institutions	-	-	1,066,181	3,426,398	6,694,397	-	-	11,186,976
Derivative financial instruments	-	-	14,357	-	55,617	281	-	70,255
Financial assets held under resale agreements	678,882	-	1,877,101	-	-	-	-	2,555,983
Financial assets at fair value through profit or loss	58,600	-	1,055,342	11,557,820	21,863,147	26,159,879	49,766	60,744,554
Debt instruments at fair value through other comprehensive income	-	-	262,859	2,308,742	16,337,053	25,809,474	4,739,486	49,457,614
Loans and advances to customers	2,227,232	-	6,287,744	15,619,226	140,026,310	84,597,056	28,185,710	276,943,278
Financial assets at amortised costs	253,914	-	4,473,005	10,281,680	51,809,406	109,233,738	8,717,283	184,769,026
Others	264,695	-	46,577	93,154	419,190	5,205,134	1,206,588	7,235,338
Total assets	44,006,425	24,088,594	15,322,166	43,287,020	238,731,303	251,005,562	42,898,833	659,339,903
Borrowings from central bank	-	-	1,031,687	4,107,882	11,861,823	-	-	17,001,392
Deposits from banks and other financial institutions	-	-	20,800,645	6,775,067	6,152,526	-	-	33,728,238
Placements from banks	-	-	7,004,442	5,371,485	8,847,167	332,566	-	21,555,660
Derivative financial instruments	-	-	-	290	27,546	-	-	27,836
Financial assets sold under repurchase agreements	-	-	28,062,443	300,030	-	-	-	28,362,473
Others	40,201	-	2,558,531	853,266	3,839,694	951,049	-	8,242,741
Due to customers	-	242,616,150	6,909,475	9,638,281	37,321,056	44,526,125	1,866,078	342,877,165
Debt securities issued	-	-	11,643,470	32,102,144	78,413,312	37,664,735	-	159,823,661
Total liabilities	40,201	242,616,150	78,010,693	59,148,445	146,463,124	83,474,475	1,866,078	611,619,166
Net position	43,966,224	(218,527,556)	(62,688,527)	(15,861,425)	92,268,179	167,531,087	41,032,755	47,720,737

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54. FINANCIAL RISK MANAGEMENT (Continued)

54.2 Liquidity risk (Continued)

Analysis of the remaining maturity of assets and liabilities (Continued)

The tables below summarise the maturity analysis of assets and liabilities by remaining contractual maturities at the end of the year. (Continued)

	As at 31 December, 2017							Total
	Past due/ Indefinite	On demand	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	
Cash and balances with central bank	48,074,629	9,297,837	-	-	-	-	-	57,372,466
Deposits with banks and other								
financial institutions	-	2,133,859	145,000	1,975,000	3,750,000	-	-	8,003,859
Placements with banks and other								
financial institutions	-	-	2,329,511	4,811,158	5,154,338	-	-	12,295,007
Financial assets held for trading	18,760	-	619,813	514,238	1,559,118	2,331,532	676,637	5,720,098
Financial assets held under resale								
agreements	757,536	-	5,084,760	2,848,640	665,900	-	-	9,356,836
Available-for-sale financial assets	58,600	1,200,478	2,237,032	1,607,542	10,271,623	14,956,551	5,939,120	36,270,946
Loans and advances to customers	3,465,198	-	11,738,749	23,580,565	94,281,791	79,815,165	28,755,781	241,637,249
Held-to-maturity investments	-	-	3,899,993	3,380,170	7,712,132	31,145,903	2,985,077	49,123,275
Investments classified as receivables	700,228	-	13,404,845	41,532,235	66,421,342	148,149,803	2,129,863	272,338,316
Others	335,371	5,501,991	249,339	507,082	1,199,414	1,746,513	255,827	9,795,537
Total assets	53,410,322	18,134,165	39,709,042	80,756,630	191,015,658	278,145,467	40,742,305	701,913,589
Borrowings from central bank	-	-	-	-	7,505,000	-	-	7,505,000
Deposits from banks and other								
financial institutions	-	27,808,791	17,883,570	15,478,288	15,865,719	-	-	77,036,368
Placements from banks	-	-	8,412,170	4,438,372	9,479,176	389,697	-	22,719,415
Financial assets sold under								
repurchase agreements	-	-	49,571,797	1,124,600	-	-	-	50,696,397
Others	-	17,329,979	1,503,317	1,357,893	1,689,430	773,978	-	22,654,597
Due to customers	-	229,164,880	11,492,930	20,442,965	49,962,169	46,794,691	-	357,857,635
Debt securities issued	-	-	19,228,646	54,793,948	36,972,938	7,692,783	-	118,688,315
Total liabilities	-	274,303,650	108,092,430	97,636,066	121,474,432	55,651,149	-	657,157,727
Net position	53,410,322	(256,169,485)	(68,383,388)	(16,879,436)	69,541,226	222,494,318	40,742,305	44,755,862

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54. FINANCIAL RISK MANAGEMENT (Continued)

54.2 Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows

The tables below present the cash flows of non-derivatives financial assets and financial liabilities by remaining contractual maturities at the end of the year. The amounts disclosed in the tables are the undiscounted contractual cash flows.

	As at 31 December, 2018							
	Past due/ Indefinite	On demand	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Cash and balances with central bank	40,666,895	21,827,082	-	-	-	-	-	62,493,977
Deposits with banks and other financial institutions	-	2,295,291	239,000	-	1,536,136	-	-	4,070,427
Placements with banks and other financial institutions	-	-	1,073,063	3,428,081	6,958,974	-	-	11,460,118
Financial assets held under resale agreements	993,500	-	1,877,000	-	-	-	-	2,870,500
Financial assets at fair value through profit or loss	58,600	-	1,076,388	11,393,444	23,137,596	27,470,741	50,750	63,187,519
Debt instruments at fair value through other comprehensive income	-	-	267,341	2,418,889	17,239,885	28,765,768	5,681,641	54,373,524
Loans and advances to customers	6,337,546	-	9,631,521	17,531,848	149,057,597	99,444,331	39,986,865	321,989,708
Financial assets at amortised costs	770,052	-	4,427,395	10,564,356	57,420,175	120,578,025	10,152,271	203,912,274
Other financial assets	52,599	-	38,842	77,684	349,577	64,078	-	582,780
Total financial assets	48,879,192	24,122,373	18,630,550	45,414,302	255,699,940	276,322,943	55,871,527	724,940,827
Borrowings from central bank	-	-	1,032,500	4,130,000	12,101,363	-	-	17,263,863
Deposits from banks and other financial institutions	-	5,735,200	14,292,861	9,190,591	4,856,890	-	-	34,075,542
Placements from banks	-	-	7,009,743	5,576,683	9,088,231	361,310	-	22,035,967
Financial assets sold under repurchase agreements	-	-	28,081,474	301,739	-	-	-	28,383,213
Other financial liabilities	2,317	-	426,633	853,266	3,839,694	472,435	-	5,594,345
Due to customers	-	242,629,436	6,968,241	10,207,062	40,092,347	52,969,571	2,271,888	355,138,545
Debt securities issued	-	-	11,670,000	32,330,000	81,747,960	41,725,540	-	167,473,500
Total financial liabilities	2,317	248,364,636	69,481,452	62,589,341	151,726,485	95,528,856	2,271,888	629,964,975
Net position	48,876,875	(224,242,263)	(50,850,902)	(17,175,039)	103,973,455	180,794,087	53,599,639	94,975,852

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54. FINANCIAL RISK MANAGEMENT (Continued)

54.2 Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows (Continued)

As disclosed in Note 41, there are early redemption rights embedded in certain debt securities issues and therefore the cash outflows for these instruments can be different if some of these rights are exercised.

	As at 31 December, 2017							Total
	Past due/ Indefinite	On demand	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	
Cash and balances with central bank	48,074,629	9,320,574	-	-	-	-	-	57,395,203
Deposits with banks and other								
financial institutions	-	2,133,859	148,465	1,996,789	3,830,157	-	-	8,109,270
Placements with banks and other								
financial institutions	-	-	2,335,079	4,860,621	5,342,958	-	-	12,538,658
Financial assets held for trading	40,000	-	634,596	537,185	1,738,815	2,766,867	833,692	6,551,155
Financial assets held under resale								
agreements	994,400	-	5,091,976	2,890,020	682,012	-	-	9,658,408
Available-for-sale financial assets	58,600	1,200,000	2,368,504	1,787,245	11,378,452	17,271,479	7,618,235	41,682,515
Loans and advances to customers	5,600,919	-	13,341,703	25,855,078	103,373,717	94,978,579	40,796,158	283,946,154
Held-to-maturity investments	-	-	4,131,868	3,618,391	8,895,197	34,171,078	3,288,994	54,105,528
Investments classified as receivables	1,044,964	-	13,625,108	43,691,171	75,058,827	163,718,849	2,497,630	299,636,549
Other financial assets	-	333,270	-	-	-	-	-	333,270
Total financial assets	55,813,512	12,987,703	41,677,299	85,236,500	210,300,135	312,906,852	55,034,709	773,956,710
Borrowings from central bank	-	-	-	-	7,745,718	-	-	7,745,718
Deposits from banks and other								
financial institutions	-	27,808,791	17,919,805	15,642,734	16,196,538	-	-	77,567,868
Placements from banks	-	-	8,441,598	4,492,003	9,688,013	389,697	-	23,011,311
Financial assets sold under								
repurchase agreements	-	-	49,765,443	1,137,079	-	-	-	50,902,522
Other financial liabilities	-	11,445,016	-	-	-	-	-	11,445,016
Due to customers	-	229,176,754	11,563,813	20,807,543	51,827,582	53,481,011	-	366,856,703
Debt securities issued	-	-	19,270,000	55,310,000	38,393,130	8,841,520	-	121,814,650
Total financial liabilities	-	268,430,561	106,960,659	97,389,359	123,850,981	62,712,228	-	659,343,788
Net position	55,813,512	(255,442,858)	(65,283,360)	(12,152,859)	86,449,154	250,194,624	55,034,709	114,612,922

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54. FINANCIAL RISK MANAGEMENT (Continued)

54.2 Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows (Continued)

Assets available to meet all of the liabilities include cash, balances with central bank, deposits with banks and other financial institutions, placements with banks and other financial institutions, available-for-sale financial assets and financial assets held for trading. In the normal course of business, the majority of customer deposits repayable on demand are expected to be revolved.

Analysis of off-balance sheet items

Off-balance sheet items of the Group mainly include credit commitments. The tables below set forth the amounts of the off-balance sheet credit commitments by remaining maturity.

	As at 31 December, 2018						
	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Acceptances	-	2,388,275	5,689,844	19,545,376	-	-	27,623,495
Undrawn corporate loans limit	36,682,891	-	-	-	-	-	36,682,891
Undrawn credit card limit	2,172,192	-	-	-	-	-	2,172,192
Letters of credit	-	2,445,126	2,553,771	6,416,777	-	-	11,415,674
Letters of guarantee	-	923,832	351,996	1,179,803	149,779	2,304	2,607,714
Total	38,855,083	5,757,233	8,595,611	27,141,956	149,779	2,304	80,501,966

	As at 31 December, 2017						
	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Acceptances	-	2,791,154	6,769,361	19,460,870	-	-	29,021,385
Undrawn corporate loans limit	19,779,377	-	-	-	-	-	19,779,377
Undrawn credit card limit	1,799,981	-	-	-	-	-	1,799,981
Letters of credit	-	1,466,414	2,437,612	4,653,007	-	-	8,557,033
Letters of guarantee	-	670,932	406,854	3,283,511	1,908,684	2,451	6,272,432
Corporate loans credit commitments	80,000	-	-	-	-	-	80,000
Total	21,659,358	4,928,500	9,613,827	27,397,388	1,908,684	2,451	65,510,208

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54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.3 Market risk

Market risk is the risk of loss, in respect of the Group's on and off-balance sheet activities, arising from adverse movements in market rates including foreign exchange rates, interest rates and stock prices. Market risk mainly arises from proprietary business of the Group.

The market risk which the Group is primarily exposed to includes currency risk and interest risk.

The Group's foreign currency risk is the risk of loss in respect of its foreign currency exposures, arising from transactions taken on foreign currency denominated assets and liabilities, which results from movements in foreign currency exchange rates.

The Group is primarily exposed to interest rate risk arising from proprietary business and corporate and personal banking business. Interest rate risk is inherent in many of its businesses and largely arises from mis-matches between the re-pricing dates of interest-generating assets and those of interest-bearing liabilities.

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54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.3 Market risk *(Continued)*

Foreign currency risk

The Group conducts its businesses mainly in RMB, with certain transactions denominated in USD, HKD and, to a lesser extent other currencies. Transactions in foreign currencies mainly arise from the Group's treasury exposures.

	As at 31 December, 2018				Total
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	
Cash and balances with central bank	61,899,234	409,029	1,013	4,117	62,313,393
Deposits with banks and other financial institutions	3,498,526	507,887	21,603	35,470	4,063,486
Placements with banks and other financial institutions	10,088,864	1,098,112	–	–	11,186,976
Derivative financial assets	456	69,799	–	–	70,255
Financial assets held under resale agreements	2,555,983	–	–	–	2,555,983
Financial assets at fair value through profit or loss	59,914,107	830,447	–	–	60,744,554
Debt instruments at fair value through other comprehensive income	49,457,614	–	–	–	49,457,614
Loans and advances to customers	268,147,643	8,470,209	262,860	62,566	276,943,278
Debt instruments at amortised cost	184,189,613	579,413	–	–	184,769,026
Other financial assets	539,643	–	–	–	539,643
Total financial assets	640,291,683	11,964,896	285,476	102,153	652,644,208
Borrowings from central bank	17,001,392	–	–	–	17,001,392
Deposits from banks and other financial institutions	33,728,200	38	–	–	33,728,238
Placements from banks	10,634,160	10,642,644	263,161	15,695	21,555,660
Derivative financial liabilities	–	27,772	–	64	27,836
Financial assets sold under repurchase agreements	28,362,473	–	–	–	28,362,473
Other financial liabilities	5,594,345	–	–	–	5,594,345
Due to customers	334,844,202	8,002,985	4,463	25,515	342,877,165
Debt securities issued	159,823,661	–	–	–	159,823,661
Total financial liabilities	589,988,433	18,673,439	267,624	41,274	608,970,770
Net exposure	50,303,250	(6,708,543)	17,852	60,879	43,673,438

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54. FINANCIAL RISK MANAGEMENT (Continued)

54.3 Market risk (Continued)

Foreign currency risk (Continued)

	As at 31 December, 2017				Total
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	
Cash and balances with central bank	56,858,247	509,589	1,482	3,148	57,372,466
Deposits with banks and other financial institutions	6,732,830	1,123,502	112,460	35,067	8,003,859
Placements with banks and other financial institutions	742,541	11,552,466	–	–	12,295,007
Financial assets held for trading	5,720,098	–	–	–	5,720,098
Financial assets held under resale agreements	9,356,836	–	–	–	9,356,836
Available-for-sale financial assets	36,134,930	136,016	–	–	36,270,946
Loans and advances to customers	232,755,364	8,599,356	–	282,529	241,637,249
Held-to-maturity investments	49,123,275	–	–	–	49,123,275
Investments classified as receivables	271,358,186	980,130	–	–	272,338,316
Other financial assets	4,611,551	51,952	–	–	4,663,503
Total financial assets	673,393,858	22,953,011	113,942	320,744	696,781,555
Borrowings from central bank	7,505,000	–	–	–	7,505,000
Deposits from banks and other financial institutions	77,036,362	6	–	–	77,036,368
Placements from banks	10,704,999	11,760,841	–	253,575	22,719,415
Financial assets sold under repurchase agreements	50,696,397	–	–	–	50,696,397
Other financial liabilities	20,320,669	72,829	147	307	20,393,952
Due to customers	347,969,066	9,843,736	7,233	37,600	357,857,635
Debt securities issued	118,688,315	–	–	–	118,688,315
Total financial liabilities	632,920,808	21,677,412	7,380	291,482	654,897,082
Net exposure	40,473,050	1,275,599	106,562	29,262	41,884,473

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54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.3 Market risk *(Continued)*

Foreign currency risk (Continued)

The table below indicates the potential effect of a 5% appreciation or depreciation of RMB spot and forward exchange rates against all other currencies on net profit.

	Year ended 31 December,	
	2018 (Decrease)/ increase in Net Profit	2017 (Decrease)/ increase in Net Profit
5% appreciation	248,618	(52,928)
5% depreciation	(248,618)	52,928

The impact on net profit arises from the effects of movement in RMB exchange rate on the net positions of foreign currency monetary assets and monetary liabilities. Changes in foreign currency exchange rate will not affect other comprehensive income.

The effect on net profit is calculated based on the assumption that the Group's net foreign currency exposure at the end of the reporting period remains unchanged. The Group mitigates its foreign currency risk through active management of its foreign currency exposures, based on the management expectation of future foreign currency movements, and therefore the above sensitivity analysis may differ from the actual situation.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises from the mismatches between contractual maturities or repricing dates of interest-generating assets and interest-bearing liabilities.

The risk of fair value and cash flows changes due to interest rate changes are mainly related to the Group's fixed rates and floating rates financial instruments.

The Group manages its interest rate risk by:

- Regularly monitoring the macro-economic factors that may impact the PBoC benchmark interest rates;
- Minimising the mis-matches between contractual maturities or re-pricing of interest-generating assets and interest-bearing liabilities; and
- Enhancing the interest rate margin between the interest-generating assets and interest-bearing liabilities with reference to the prevailing PBoC benchmark interest rates.

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54. FINANCIAL RISK MANAGEMENT (Continued)

54.3 Market risk (Continued)

Foreign currency risk (Continued)

The tables below summarise the contractual maturity or re-pricing date, whichever is earlier, of the Group's financial assets and financial liabilities.

	As at 31 December, 2018						Total
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	
Cash and balances with central bank	61,316,536	-	-	-	-	996,857	62,313,393
Deposits with banks and other financial institutions	2,533,552	-	1,499,813	-	-	30,121	4,063,486
Placements with banks and other financial institutions	1,027,046	3,314,575	6,598,031	-	-	247,324	11,186,976
Derivative financial assets	-	-	-	-	-	70,255	70,255
Financial assets held under resale agreements	2,555,580	-	-	-	-	403	2,555,983
Financial assets at fair value through profit or loss	1,097,859	10,969,641	21,612,551	26,159,879	49,766	854,858	60,744,554
Debt instruments at fair value through other comprehensive income	180,024	1,966,639	15,730,886	25,809,474	4,739,486	1,031,105	49,457,614
Loans and advances to customers	16,304,562	14,649,769	135,991,039	103,568,753	4,667,690	1,761,465	276,943,278
Financial assets at amortised costs	3,845,466	9,370,933	50,502,532	109,193,351	8,717,283	3,139,461	184,769,026
Other financial assets	-	-	-	-	-	539,643	539,643
Total financial assets	88,860,625	40,271,557	231,934,852	264,731,457	18,174,225	8,671,492	652,644,208
Borrowings from central bank	1,000,000	4,000,000	11,715,000	-	-	286,392	17,001,392
Deposits from banks and other financial institutions	20,643,992	6,649,060	6,131,850	-	-	303,336	33,728,238
Placements from banks	6,984,213	5,291,676	8,820,186	332,566	-	127,019	21,555,660
Derivative financial liabilities	-	-	-	-	-	27,836	27,836
Financial assets sold under repurchase agreements	28,028,990	299,880	-	-	-	33,603	28,362,473
Other financial liabilities	-	-	-	-	-	5,594,345	5,594,345
Due to customers	242,088,707	9,638,282	37,321,055	44,526,125	1,866,078	7,436,918	342,877,165
Debt securities issued	11,643,470	31,627,378	77,848,157	37,664,735	-	1,039,921	159,823,661
Total financial liabilities	310,389,372	57,506,276	141,836,248	82,523,426	1,866,078	14,849,370	608,970,770
Interest rate gap	(221,528,747)	(17,234,719)	90,098,604	182,208,031	16,308,147	(6,177,878)	43,673,438

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54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.3 Market risk *(Continued)*

Foreign currency risk (Continued)

	As at 31 December, 2017						Total
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	
Cash and balances with central bank	56,225,958	–	–	–	–	1,146,508	57,372,466
Deposits with banks and other financial institutions	2,278,859	1,975,000	3,750,000	–	–	–	8,003,859
Placements with banks and other financial institutions	2,329,511	4,811,158	5,154,338	–	–	–	12,295,007
Financial assets held for trading	638,573	514,238	1,559,118	2,331,532	676,637	–	5,720,098
Financial assets held under resale agreements	5,842,296	2,848,640	665,900	–	–	–	9,356,836
Available-for-sale financial assets	3,437,510	2,783,172	9,804,506	14,248,038	5,939,120	58,600	36,270,946
Loans and advances to customers	23,266,954	22,988,701	91,999,811	97,847,078	5,534,705	–	241,637,249
Held-to-maturity investments	3,899,993	3,380,170	7,972,174	30,885,861	2,985,077	–	49,123,275
Investments classified as receivables	13,895,073	41,742,235	66,421,342	148,149,803	2,129,863	–	272,338,316
Other financial assets	–	–	–	–	–	4,663,503	4,663,503
Total financial assets	111,814,727	81,043,314	187,327,189	293,462,312	17,265,402	5,868,611	696,781,555
Borrowings from central bank	–	–	7,505,000	–	–	–	7,505,000
Deposits from banks and other financial institutions	45,692,362	15,478,288	15,865,718	–	–	–	77,036,368
Placements from banks	8,412,170	4,438,372	9,479,176	389,697	–	–	22,719,415
Financial assets sold under repurchase agreements	49,571,797	1,124,600	–	–	–	–	50,696,397
Other financial liabilities	–	–	–	–	–	20,393,952	20,393,952
Due to customers	238,529,324	20,442,965	49,962,169	44,294,691	–	4,628,486	357,857,635
Debt securities issued	19,228,646	54,793,948	36,972,938	7,692,783	–	–	118,688,315
Total financial liabilities	361,434,299	96,278,173	119,785,001	52,377,171	–	25,022,438	654,897,082
Interest rate gap	(249,619,572)	(15,234,859)	67,542,188	241,085,141	17,265,402	(19,153,827)	41,884,473

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54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.3 Market risk *(Continued)*

Foreign currency risk (Continued)

The following table illustrates the potential impact of a parallel upward or downward shift of 100 basis points in RMB's yield curve on profit or loss and other comprehensive income, based on the Group's position of interest-generating assets and interest-bearing liabilities at the end of the year.

	2018		2017	
	Profit or loss	Other comprehensive income	Profit or loss	Other comprehensive income
+100 basis points	7,490	(921,101)	(315,782)	(812,636)
- 100 basis points	(7,490)	978,524	315,782	870,294

The sensitivity analysis is carried out based on reasonably possible changes in interest rates in the coming year with the assumption that the structure of financial assets and financial liabilities held at the end of the year remains unchanged. The impacts on profit or loss takes into account only the changes in interest income and expenses generated by interest-bearing financial assets or liabilities; the impacts on other comprehensive income takes into account the fair value changes in debt instruments at fair value through other comprehensive income.

54.4 Operational risk

Operational risk refers to the risk arising from inadequate or failed internal control procedures, personnel and information technology systems, or external events. The primary operational risks the Group faces include internal and external frauds, worksite safety failures, business interruptions and failure in the information technology system.

The Board of Directors is ultimately responsible for the Group's operational risk management. The Group's senior management leads the group-wide operational risk management on a day-to-day basis. The Group has established "three lines of defenses" to manage operational risk on an end-to-end basis. The business lines and functions are the first line of defense against operational risks, taking direct responsibilities for operational risk management. The internal control and compliance department is the second line of defense against operational risks, responsible for the establishment of operational risk management policies and procedures and the coordination, support and supervision of operational risk management. The audit department is the third line of defense against operational risk, responsible for evaluating the adequacy and effectiveness of operational risk management policies and procedures and assessing the Group's internal control system and compliance.

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For the year ended December 31, 2018

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54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.5 Capital management

The Group's objectives on capital management is to:

- safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- support the Group's stability and growth;
- allocate capital in an efficient and risk based approach to optimise risk adjusted return to shareholders; and
- maintain an adequate capital base to support the development of its business.

The Group calculates its capital adequacy ratios in accordance with Regulation Governing the Capital of Commercial Banks (Provisional) (“商業銀行資本管理辦法(試行)”) (“Regulation”) and other relevant regulations promulgated by the CBIRC.

For non-systematically important banks, CBIRC requires corresponding minimum core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio of 7.50%, 8.50% and 10.50%, respectively. The CBIRC requires commercial banks to meet these requirements by the end of 2018 in accordance with the Regulation.

	As at 31 December,	
	2018	2017
Core tier-one capital adequacy ratio	9.83%	8.64%
Tier-one capital adequacy ratio	9.84%	8.65%
Capital adequacy ratio	14.53%	10.74%
Net core tier-one capital	46,924,630	44,035,909
Net tier-one capital	46,960,805	44,070,696
Net capital base	69,329,252	54,746,365
Risk-weighted assets	477,241,091	509,646,383

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54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.5 Capital management *(Continued)*

The risk-weighted assets of on-balance sheet exposures are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantee. Similar calculation is adopted for off-balance sheet exposures, with adjustments made to reflect the more contingent nature of any potential loss. Market risk-weighted assets are calculated using the standardised approach. Basic indicator approach is used to calculate the risk-weighted assets of operational risk.

55. FAIR VALUE OF FINANCIAL INSTRUMENTS

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available such as the market price of listed equity securities on exchanges. Where level 1 fair value measurements are not available, the fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models, including discounted cash flow analysis, using prices from observable current market transactions for similar instruments to the extent available.

The following tables give the information about how the fair values of these financial assets and financial liabilities are categorised and determined, in particular, the valuation technique(s) and input(s) used.

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55. FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis

	As at 31 December, 2018			Total
	Level 1	Level 2	Level 3	
Financial assets at FVTPL				
Government bonds	–	616,496	–	616,496
Financial institution bonds	–	535,255	–	535,255
Asset-backed securities	–	–	80,569	80,569
Corporate bonds	–	621,797	–	621,797
Wealth management products	–	–	1,039,259	1,039,259
Asset management plans	–	–	28,837,476	28,837,476
Trust beneficiary rights	–	–	23,054,189	23,054,189
Funds	–	5,900,913	–	5,900,913
Others	–	–	58,600	58,600
Subtotal	–	7,674,461	53,070,093	60,744,554
Debt instruments at FVTOCI				
Government bonds	–	14,551,375	–	14,551,375
Financial institution bonds	–	19,810,638	–	19,810,638
Corporate bonds	–	4,998,700	10,096,901	15,095,601
Subtotal	–	39,360,713	10,096,901	49,457,614
Rediscounted bills	–	1,927,338	–	1,927,338
Derivative financial assets	–	70,255	–	70,255
Derivative financial liabilities	–	(27,836)	–	(27,836)
Total	–	49,004,931	63,166,994	112,171,925

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55. FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

	As at 31 December, 2017			Total
	Level 1	Level 2	Level 3	
Financial assets held for trading				
Government bonds	–	1,785,329	–	1,785,329
Financial institution bonds	–	1,830,279	–	1,830,279
Corporate bonds	–	2,104,490	–	2,104,490
Subtotal	–	5,720,098	–	5,720,098
Available-for-sale financial assets				
Government bonds	–	9,954,663	–	9,954,663
Financial institution bonds	–	20,938,058	–	20,938,058
Corporate bonds	–	2,215,986	–	2,215,986
Funds	–	3,103,639	–	3,103,639
Subtotal	–	36,212,346	–	36,212,346
Total	–	41,932,444	–	41,932,444

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55. FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

Reconciliation of Level 3 fair value measurements of financial assets

	Investments mandatorily measured at FVTPL	Investments at FVTOCI
Asset		
Balance at January 1, 2018	133,346,727	4,357,982
Total gains		
– in profit/(loss)	398,022	–
– in OCI	–	408,433
Purchases	19,896,064	5,952,000
Disposals and settlements	(100,570,720)	(621,514)
Balance at December 31, 2018	53,070,093	10,096,901

There were no significant transfers between level 1, level 2 and level 3 during the year.

The main valuation technique used by the Group is discounted cash flow model for financial instruments. The main inputs used in discounted cash flow model are contractual cash flows and yield curves reflecting credit risks of counterparties. The fair valuation measurement of these categorised Level 2 or Level 3, depending whether the relevant yield curves are observable (for debt securities traded on China Inter-Bank Bond Market and fair values are provided by China Central Depository & Clearing Co., Ltd.) or not. Level 3 valuations are usually performed by respective business departments which manage the financial instruments. The discount rates used in Level 3 valuations ranges from 3.13% to 8.48%.

Of the total losses for the period included in profit or loss RMB423.4 million relates to unrealised losses arising from financial assets mandatorily measured at Level 3 fair value and held at the end of reporting period. These unrealised losses are included “net trading losses”.

A 100-basis point increase/decrease in the discount rate holding other variables constant will result in a decrease/increase in carrying amount of financial assets measured at Level 3 fair values as at 31 December, 2018, by RMB203.6 million/RMB199.7 million, respectively.

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55. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

	As at 31 December, 2018		As at 31 December, 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans and advances to customers	276,943,278	287,978,279	241,637,249	253,354,732
Debt instruments at amortised costs	184,769,026	185,055,056	–	–
Held-to-maturity investments	–	–	49,123,275	48,445,761
Investments classified as receivables	–	–	272,338,316	271,499,596
Financial liabilities				
Placements from banks	21,555,660	21,730,877	22,719,415	22,749,631
Due to customers	342,877,165	344,736,646	357,857,635	360,750,298
Debt securities issued	159,823,661	160,573,532	118,688,315	117,234,399

The following table gives the information about how the fair values of these financial assets and financial liabilities are determined, in particular, the valuation technique(s) and input(s) used.

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55. FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis *(Continued)*

Financial assets/financial liabilities	Fair value at		Fair value hierarchy	Valuation technique(s) and key input(s)
	As at 31 December, 2018	As at 31 December, 2017		
Loans and advances to customers	287,978,279	253,354,732	Level 3	Discounted cash flows. Future cash flows are estimated base on contractual amounts and discounted at rates using the yield curve with reference to the PBoC benchmark interest rates and credit spread for specific borrowers.
Debt instruments at amortised costs	185,055,056	-	Level 3	Discounted cash flows. Future cash flows are estimated based on contractual amounts, discounted at rates that reflect the credit risk of various counterparties.
Held-to-maturity investments	-	48,445,761	Level 2	See note 1.
Investments classified as receivables	-	271,499,596	Level 3	Discounted cash flows. Future cash flows are estimated based on contractual amounts, discounted at rates that reflect the credit risk of various counterparties.
Placements from banks	21,730,877	22,749,631	Level 3	Discounted cash flows. Future cash flows are estimated based on contractual amounts, discounted at rates with reference to Shanghai Interbank Offered Rate for deposits of similar remaining maturities.
Due to customers	344,736,646	360,750,298	Level 3	Discounted cash flows. Future cash flows are estimated based on contractual amounts and discounted at rates with reference to the PBoC benchmark interest rates for deposits of similar remaining maturities.
Debt securities issued	160,573,532	117,234,399	Level 2	See note 1.

Note 1: Debt securities traded on China Interbank Bond Market are classified into Level 2. Their fair values are provided by China Central Depository & Clearing Co., Ltd. and determined by using discounted cash flow method. Future cash flows are estimated based on contractual amounts, and then discounted at rates that reflect the credit risk of the issuers.

There were no significant transfers between Level 1, Level 2 and Level 3 during the year.

Other financial assets and financial liabilities including balances with central bank, deposits and placements with banks and other financial institutions, financial assets held under resale agreements, borrowing from central bank, deposits from banks and financial assets sold under repurchase agreements mostly have terms within one year. Their carrying values approximate their fair values.

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56. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Bank's subsidiaries as at 31 December, 2018 are set out below:

Name of entity	Place of incorporation/ establishment	Date of incorporation/ establishment	Registered capital as at 31 December, 2018 (In RMB '000)	Proportion of ownership held by the Group		Proportion of voting rights held by the Group		Principal activities
				As at 31 December, 2018 %	2017 %	As at 31 December, 2018 %	2017 %	
Ningxia Yuanzhou Jinhui County Bank Co., Ltd (寧夏原州津匯村鎮銀行有限責任公司)	Ningxia, PRC	July 2016	50,000	51	51	51	51	Banking
Ningxia Tongxin Jinhui County Bank Co., Ltd (寧夏同心津匯村鎮銀行有限責任公司)	Ningxia, PRC	August 2016	50,000	51	51	51	51	Banking
Bank of Tianjin Financial Leasing Co., Ltd (天銀金融租賃股份有限公司)	Tianjin, PRC	October 2016	1,700,000	65.88	65.88	65.88	65.88	Financial Leasing

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57. STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CHANGES IN EQUITY OF THE BANK

STATEMENT OF FINANCIAL POSITION AS AT 31 December, 2018

	As at 31 December	
	2018	2017
ASSETS		
Cash and balances with central bank	62,140,502	57,220,132
Deposits with banks and other financial institutions	3,853,430	7,733,598
Placements with banks and other financial institutions	11,689,596	12,725,007
Derivative financial instruments	70,255	–
Financial assets held for trading	–	5,720,098
Financial assets held under resale agreements	2,555,983	9,356,836
Financial assets at fair value through profit or loss	60,744,554	–
Available-for-sale financial assets	–	36,270,946
Debt instruments at fair value through other comprehensive income	49,457,614	–
Loans and advances to customers	267,387,969	232,189,618
Debt instruments at amortised cost	184,769,026	–
Held-to-maturity investments	–	49,123,275
Investments classified as receivables	–	272,338,316
Deferred tax assets	3,098,125	2,225,179
Other assets	1,840,206	5,683,188
Property and equipment	1,889,308	1,649,864
Interests in associates	212,096	203,863
Investments in subsidiaries	1,180,000	1,180,000
Total assets	650,888,664	693,619,920
LIABILITIES		
Borrowings from central bank	16,986,392	7,500,000
Deposits from banks and other financial institutions	34,389,208	78,710,356
Placements from banks	15,468,916	15,249,415
Derivative financial instruments	27,836	–
Financial assets sold under repurchase agreements	28,362,473	50,696,397
Income tax payable	922,246	627,382
Other liabilities	6,875,079	21,743,232
Due to customers	341,182,831	356,398,536
Debt securities issued	159,823,661	118,688,315
Total liabilities	604,038,642	649,613,633

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57. STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CHANGES IN EQUITY OF THE BANK (Continued)

STATEMENT OF FINANCIAL POSITION AS AT 31 December, 2018 (Continued)

	As at 31 December	
	2018	2017
EQUITY		
Share capital	6,070,552	6,070,552
Capital reserve	10,699,811	10,699,811
Investment revaluation reserve	148,547	(575,715)
Surplus reserve	3,352,480	3,352,331
General reserve	9,062,761	8,340,396
Retained earnings	17,515,871	16,118,912
Total equity	46,850,022	44,006,287
Total equity and liabilities	650,888,664	693,619,920

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57. STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CHANGES IN EQUITY OF THE BANK (Continued)

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER, 2018

	Note	2018						Total
		Share capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	
As at 31 December, 2017		6,070,552	10,699,811	(575,715)	3,352,331	8,340,396	16,118,912	44,006,287
Adjustments of application of accounting policy changes	2	-	-	7,179	-	-	(896,924)	(889,745)
As at 1 January, 2018		6,070,552	10,699,811	(568,536)	3,352,331	8,340,396	15,221,988	43,116,542
Profit for the year		-	-	-	-	-	4,108,947	4,108,947
Other comprehensive income for the year		-	-	717,083	-	-	-	717,083
Appropriation to surplus reserve		-	-	-	149	-	-	149
Appropriation to general reserve		-	-	-	-	722,365	(722,365)	-
Dividend distribution		-	-	-	-	-	(1,092,699)	(1,092,699)
As at 31 December, 2018		6,070,552	10,699,811	148,547	3,352,480	9,062,761	17,515,871	46,850,022

	Note	2017						Total
		Share capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	
As at 1 January, 2017		6,070,552	10,699,811	(215,644)	3,014,661	7,136,619	14,998,245	41,704,244
Profit for the year		-	-	-	-	-	3,876,224	3,876,224
Other comprehensive expense for the year		-	-	(360,071)	-	-	-	(360,071)
Appropriation to surplus reserve		-	-	-	337,670	-	(337,670)	-
Appropriation to general reserve		-	-	-	-	1,203,777	(1,203,777)	-
Dividend distribution		-	-	-	-	-	(1,214,110)	(1,214,110)
As at 31 December, 2017		6,070,552	10,699,811	(575,715)	3,352,331	8,340,396	16,118,912	44,006,287

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58. EVENT AFTER THE REPORTING PERIOD

- (1) The Bank made an announcement on 24 August, 2018, which is about the fact that Bohai Steel Group would not be able to fully repay principal of debts owed to the Bank and therefore it constitutes potential default risk. On 31 January, 2019, the Bank understood that Tianjin High People's Court, together with Tianjin Secondary Intermediary People's Court, ruled and approved bankruptcy and restructuring plan of Bohai Steel Group ("Restructuring Plan"). According to this Restructuring Plan, The Group has made additional impairment during the year ended 31 December, 2018 to cover its credit risk in view of the expectations that the Bank cannot be fully compensated for the principal of debts due from Bohai Steel Group. The Bank is of the view that this Restructuring Plan will not have significant adverse impact the business operation and financial conditions of the Bank.
- (2) On 22 March, 2019, the Board of Directors of the Bank was resolved to make the following profit appropriations of the Bank for the year ended 31 December 2018:
 - (i) No appropriation to the statutory surplus reserve, due to the fact that the balance of such reserve has reached 50% of the share capital (Note 45);
 - (ii) No appropriation to the general reserve, due to the fact that the balance of such reserve has reached 1.5% of the aggregate amount of risk assets (Note 46); and
 - (iii) Cash dividend distribution of RMB1,093 million in aggregate.

The appropriation to the dividend distribution was subject to shareholders' approval.

59. APPROVAL OF THE FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors of the Bank on 22 March, 2019.

Unaudited Supplementary Financial Information

In accordance with the Hong Kong Listing Rules and Banking (Disclosure) Rules, the Group discloses the unaudited supplementary financial information as follows:

LIQUIDITY COVERAGE RATIOS AND LEVERAGE RATIO

(Expressed in percentage)

(1) Liquidity ratios

	As at December 31, 2018	As at December 31, 2017
RMB current assets to RMB current liabilities	50.3%	35.4%
Foreign currency current assets to foreign currency current liabilities	44.6%	40.7%
	Average for the year ended December 31, 2018	2017
RMB current assets to RMB current liabilities	45.72%	36.71%
Foreign currency current assets to foreign currency current liabilities	41.57%	50.51%

(2) Leverage ratio

(Expressed in percentage)

	As at December 31, 2018	As at December 31, 2017
Leverage ratio	6.79%	5.97%

Pursuant to the Leverage Ratio Management of Commercial Bank (Amended) issued by the CBIRC, effective from April 2015, a minimum leverage ratio of 4% is required.

The above liquidity ratios and leverage ratios are calculated in accordance with the formula promulgated by CBIRC.

Unaudited Supplementary Financial Information

CURRENCY CONCENTRATIONS

	US Dollars	Equivalent in Renminbi		Total
		Hong Kong Dollars	Others	
As at December 31, 2018				
Spot assets	11,964,896	285,476	102,153	12,352,525
Spot liabilities	(18,673,439)	(267,624)	(41,274)	(18,982,337)
Net position	(6,708,543)	17,852	60,879	(6,629,812)
As at December 31, 2017				
Spot assets	22,953,011	113,942	320,744	23,387,697
Spot liabilities	(21,677,412)	(7,380)	(291,482)	(21,976,274)
Net position	1,275,599	106,562	29,262	1,411,423

The above information is computed in accordance with the provisions of the CBIRC. The Group has no structural position as at the end of each reporting period.

INTERNATIONAL CLAIMS

The Group is principally engaged in business operations within mainland China, and regards all claims on third parties outside mainland China as cross-border claims.

Cross-border claims mainly include balances with banks.

Cross-border claims have been disclosed by different countries or geographical areas. A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of cross-border claims, after taking into account any risk transfers. Risk transfer is only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

Unaudited Supplementary Financial Information

	As at December 31, 2018	As at December 31, 2017
Deposits with banks		
Asia Pacific excluding mainland China	20,847	126,710
– of which attributed to Hong Kong	10,125	114,482
Europe	308	8,216
North America	449,659	1,072,982
Total	470,814	1,207,908

OVERDUE ASSETS

Loans and advances to customers which have been overdue are set out as follows:

	As at December 31, 2018	As at December 31, 2017
Below 3 months (inclusive)	3,467,476	2,192,423
Between 3 and 6 months (inclusive)	387,057	828,674
Between 6 and 12 months (inclusive)	432,935	1,378,752
Over 12 months	3,612,336	2,400,761
Total	7,899,804	6,800,610
As a percentage of gross loans and advances to customers		
Below 3 months (inclusive)	1.21%	0.88%
Between 3 and 6 months (inclusive)	0.13%	0.33%
Between 6 and 12 months (inclusive)	0.15%	0.56%
Over 12 months	1.25%	0.96%
Total	2.74%	2.73%

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

Unaudited Supplementary Financial Information

Debt instruments measured at amortised cost (2017: investments classified as receivables) which have been overdue are set out as follows:

	As at December 31, 2018	As at December 31, 2017
Below 3 months (inclusive)	–	–
Between 3 and 6 months (inclusive)	140,000	300,000
Between 6 and 12 months (inclusive)	150,000	–
Over 12 months	480,052	744,964
Total	770,052	1,044,964

As a percentage of debt instruments measured at amortised cost (2017: investments classified as receivables)

	As at December 31, 2018	As at December 31, 2017
Below 3 months (inclusive)	–	–
Between 3 and 6 months (inclusive)	0.08%	0.11%
Between 6 and 12 months (inclusive)	0.08%	–
Over 12 months	0.26%	0.27%
Total	0.42%	0.38%

Debt instruments measured at amortised cost (2017: investments classified as receivables) with a specific repayment date are classified as overdue when the principal or interest is overdue.

EXPOSURES TO MAINLAND CHINA NON-BANK ENTITIES

	As at December 31, 2018	As at December 31, 2017
On-balance sheet exposure	276,943,278	241,637,249
Off-balance sheet exposure	80,501,966	65,510,208
Individually assessed allowance for impairment losses	N/A	N/A

DISCLOSURE REQUIREMENTS FOR COMPOSITION OF CAPITAL

In accordance with the disclosures required in Annex 2 – Notice on Enhancing Disclosure Requirements for Composition of Capital (《關於商業銀行資本構成信息披露的監管要求》) of the CBIRC Notice on Issuing Regulatory Documents on Capital Regulation for Commercial Banks (《關於印發商業銀行資本監管配套政策文件的通知》) (Yin Jianfa [2013] No.33) promulgated by the CBRC, the Bank's composition of capital as of December 31, 2018 is disclosed on the official website of the Bank at <http://www.bank-of-tianjin.com.cn/tzzgxEN/Inford/CA/289582.shtml>.

List of Branches

As December 31, 2018, details of the branches of the Bank are set out as below:

No.	Name of Branch	Address	Postcode
1	Bank of Tianjin, Sales Department	No. 5, Youyi Road, Hexi District, Tianjin	300201
2	Bank of Tianjin, First central sub-branch	Kangning Building, Junction of Xikang Road and Hanyang Road, Heping District, Tianjin	300070
3	Bank of Tianjin, Second central sub-branch	Zhonghao International Automobile Building, No. 62, Longchang Road, Hexi District, Tianjin	300201
4	Bank of Tianjin, Third central sub-branch	Area A2, Shengxinyuan, Nanmenwai Street, Nankai District, Tianjin	300100
5	Bank of Tianjin, Fourth central sub-branch	Ground Floor, 1-3/F, Fujian Building, Huaxing Road, Hedong District, Tianjin	300011
6	Bank of Tianjin, Fifth central sub-branch	Ground Floor, Hongji Garden, Shizilin Street, Hebei District, Tianjin	300143
7	Bank of Tianjin, Sixth central sub-branch	No. 187, Qinjian Road, Hongqiao District, Tianjin	300130
8	Bank of Tianjin, Binhai branch	E2ABC, No. 20, Plaza East Road, Binhai Finance Street, the Third Street, Economic and Technology Development District, Tianjin	300457
9	Bank of Tianjin, Tianjin Free-Trade Zone branch	Building 2, Finance Center, No. 158, West 3rd Road, Tianjin Airport Logistics Processing Zone	300308
10	Bank of Tianjin, Beijing branch	Xuanwumen Building, No. 73, Dongheyuan Hutong, Xicheng District, Beijing	100052
11	Bank of Tianjin, Shijiazhuang branch	No. 49, Yuhua East Road, Qiaoxi District, Shijiazhuang, Hebei Province	050000
12	Bank of Tianjin, Shanghai branch	No. 110, Hankou Road, Huangpu District, Shanghai	200002
13	Bank of Tianjin, Jinan branch	1-109, Building 2 & 5, Area 1 Sanjianruifuyuan, No. 20999, Jingshi Road, Shizhong District, Jinan	250001
14	Bank of Tianjin, Chengdu branch	No. 688, Tianfu Avenue Middle, Hi-tech District, Chengdu, Sichuan	610041
15	Bank of Tianjin, Dongying branch	No. 55, Fuqian Street, Dongying District, Dongying	257000
16	Bank of Tianjin, Taian branch	No. 483, Dongyue Street, Taian, Shandong	271000
17	Bank of Tianjin, Yantai branch	No. 16 Hengshan Road, Economic and Technological Development District, Yantai, Shandong Province	264006
18	Bank of Tianjin, Luzhou branch	No. 189, Chunjingxia Road, Jiangyang District, Luzhou, Sichuan Province	646000
19	Bank of Tianjin, Baoding branch	No. 3108, Fuxing Middle Road, Baoding, Hebei Province	071000
20	Bank of Tianjin, Tangshan branch	No. 99, Xinhua West Road, Lubei District, Tangshan, Hebei	063000

List of Branches

No.	Name of Branch	Address	Postcode
21	Bank of Tianjin, Dongli sub-branch	No. 77, Yuejin Road, Dongli District, Tianjin	300300
22	Bank of Tianjin, Yijing Road sub-branch	2/F, Extension No. 3, Yijing Road, Dongli District, Tianjin	300300
23	Bank of Tianjin, Junliang City sub-branch	No. 1-7, Block 29, Junhua Yard, Xinshi Town, Junliang City, Xingnong Road, Dongli District, Tianjin	300301
24	Bank of Tianjin, Huaming sub-branch	No. 11, Hongshun Road, Huaming Industrial Park, Dongli District, Tianjin	300300
25	Bank of Tianjin, Jinnan sub-branch	No. 1, Ground Floor, Building 2, Jingming Garden, east side of Jingu Road and north side of Xianshuigu Hospital, Xianshuigu Town, Jinnan District, Tianjin	300350
26	Bank of Tianjin, Lushui Road sub-branch	No. 15 & 16, Ground Floor Store, Block 10, Baojujiayuan, Southern side of the Wushui Road, Jinnan District, Tianjin	300000
27	Bank of Tianjin, Jingu Road sub-branch	No. 1-3, Ground Floor, Zonglvvuan 4, Gelinxiaocheng, west side of Jingu Road, Shuanggang Town, Jinnan District, Tianjin	300350
28	Bank of Tianjin, Xiqing sub-branch	Junction of Guangming Road and Xinhua Road, Yangliuqing, Xiqing District, Tianjin	300380
29	Bank of Tianjin, Zhangjiawo sub-branch	No. 60, Yutai Road, Xiqing District, Tianjin	300380
30	Bank of Tianjin, Zhongbei Town sub-branch	1-101, 1-102 & 1-103, Huatingjiayuan Public Building, east side of Haiguang Road, Zhongbei Town, Xiqing District, Tianjin	300380
31	Bank of Tianjin, Dasi Town sub-branch	No. 28 & 30, Liuyang Road, Dasi Town, Xiqing District, Tianjin	300385
32	Bank of Tianjin, Changling Road sub-branch	(Ground Floor, No.102, Apartment block) Block A-F, Yueya Garden, Lingkou Village, Liqizhuang Street, Xiqing District, Tianjin	300381
33	Bank of Tianjin, Beichen sub-branch	1185, 1186, 1187, 2170, 3180, Building 1-3, Changying Commercial Plaza, northwest side at the Junction of Jingjin Road and Longzhou Road, Beichen District, Tianjin	300340
34	Bank of Tianjin, Jingjin Road sub-branch	Extension No. 9-10, No. 352, south at the junction of Jingjin Road and Guoyuan North Road, Beichen District, Tianjin	300400
35	Bank of Tianjin, Xinyibai Avenue sub-branch	North side of Xinyibai Avenue, Beichen District, Tianjin	300420
36	Bank of Tianjin, Wuqing sub-branch	No. 143, Quanwang Road, Wuqing District, Tianjin	301799
37	Bank of Tianjin, Jinghu sub-branch	Ground Floor, Scientific Research Service Building, Huidareli Group, Jianing Road, Xiazhuzhuang Street, Wuqing District, Tianjin	301700

List of Branches

No.	Name of Branch	Address	Postcode
38	Bank of Tianjin, Huangzhuang sub-branch	Ground Floor, Building 74, Commercial Street, Junction of Weiyi Road and Jingba Road, Huangzhuang Street, Wuqing District, Tianjin	301700
39	Bank of Tianjin, Yongyangxi Road sub-branch	Ground Floor, No. 12-2, Shengshixinyuan, Southern side of Yongyangxi Road, Xincheng, Wuqing District, Tianjin	301799
40	Bank of Tianjin, Baodi sub-branch	No. 52, Nancheng Road, Baodi District, Tianjin	301800
41	Bank of Tianjin, Kaiyuan Road sub-branch	2-113, 2-114, 2-115, 2-213, 2-214, Huifeng Building 2, south side of Nanhuan Road, Baodi District, Tianjin	301800
42	Bank of Tianjin, Jiuyuan sub-branch	South side of Jiuyuan Road, Jiuyuan Industrial Park, Baodi District, Tianjin (Ground Floor, 1/F, Service Building, Jingjinxincheng Industrial Park)	301802
43	Bank of Tianjin, Tianbao Industrial Park sub-branch	North side of Tongtang Road and east side of Tianbao Road, Economic Development Zone, Baodi District, Tianjin (Ground Floor, East Building, No. 6, Nanhuan Road)	301800
44	Bank of Tianjin, Jizhou sub-branch	8-102, Qixing Garden, West of Guangming Road North, Jizhou District, Tianjin	301900
45	Bank of Tianjin, Renmin West Avenue sub-branch	No. 2-188, No. 2-188A, 2-204, Jinding Building, north side of Renmin West Avenue West, Jizhou District, Tianjin	301900
46	Bank of Tianjin, Zhouhewan sub-branch	Extension No. 8, No. 5, Qingchi West Street, Zhouhewan, Xincheng, Jizhou District, Tianjin	301900
47	Bank of Tianjin, Jinghai sub-branch	105 & 106, Building 7, Jinxiujiayuan (location of original Jinghai County Party Committee), Jinghai District, Tianjin	301600
48	Bank of Tianjin, Dongfanghong Road sub-branch	Commercial Area B, Haixinyuan, Dongfanghong Road, Jinghai District, Tianjin	301600
49	Bank of Tianjin, Ninghe sub-branch	No. 66, Guangming Road, Lutai Town, Ninghe District, Tianjin	301500
50	Bank of Tianjin, Panzhuang sub-branch	Panzhuang Village, Panzhuang Town, Ninghe District, Tianjin	301508
51	Bank of Tianjin, Rongsheng sub-branch	No. 179 & 181, Chengdu Road, Heping District, Tianjin	300070
52	Bank of Tianjin, Kaifeng sub-branch	No. 11, Nanma Road, Heping District, Tianjin	300022
53	Bank of Tianjin, Jianye sub-branch	No. 33, Qixiangtai Road, Heping District, Tianjin	300070
54	Bank of Tianjin, Baoli sub-branch	Block B, No. 18, Guizhou Road, Heping District, Tianjin	300051
55	Bank of Tianjin, Hongtong sub-branch	No. 75, Yingkou Road, Heping District, Tianjin	300040

List of Branches

No.	Name of Branch	Address	Postcode
56	Bank of Tianjin, Laolian sub-branch	No. 95, Jianshe Road, Heping District, Tianjin	300041
57	Bank of Tianjin, Xiangsheng sub-branch	Ground Floor, Block B, Building 5, Changshou Apartment, Rongye Street, Heping District, Tianjin	300021
58	Bank of Tianjin, Jinsheng sub-branch	No. 32, Xinxing Road, Heping District, Tianjin	300070
59	Bank of Tianjin, Jingong sub-branch	No. 72, Jiefang North Road, Heping District, Tianjin	300041
60	Bank of Tianjin, Shiye sub-branch	No. 157, Dagu North Road, Heping District, Tianjin	300040
61	Bank of Tianjin, Huafeng sub-branch	No. 74, Jianshe Road, Heping District, Tianjin	300040
62	Bank of Tianjin, Dali Road sub-branch	No. 86, Dali Road, Heping District, Tianjin	300050
63	Bank of Tianjin, Baoding Road sub-branch	No. 01, Ground Floor, 1/F & No. 01, Ground Floor, 2/F, Tower A, Xinhua Building, No. 33-39, Baoding Road, Heping District, Tianjin	300040
64	Bank of Tianjin, Jianshe Road sub-branch	No. 82, Jianshe Road, Heping District, Tianjin	300042
65	Bank of Tianjin, Jinmao Plaza sub-branch	5-5 & 5-6, Jinmao Plaza, Northwest side at the junction of Qingshan Street and Fuan Street, Heping District, Tianjin	300041
66	Bank of Tianjin, Haihe East Road sub-branch	No. 52, Haihe East Road, Hebei District, Tianjin	300010
67	Bank of Tianjin, Jinhe sub-branch	No. 676, Dagu South Road, Hexi District, Tianjin	300200
68	Bank of Tianjin, Ruide sub-branch	Ground Floor, Taidayuan, No. 68, Jiulong Road, Hexi District, Tianjin	300204
69	Bank of Tianjin, Jinxi sub-branch	No. 28, Xiamen Road, Hexi District, Tianjin	300203
70	Bank of Tianjin, Jincai sub-branch	Donglou Bridge, Dagu South Road, Hexi District, Tianjin	300200
71	Bank of Tianjin, Xilian sub-branch	Ground Floor, Tianjin Library, Tianjin Culture Center, Pingjiang Road, Hexi District, Tianjin	300201
72	Bank of Tianjin, Chentang Park sub-branch	106 Chentang Science and Technology Business Service Center, No. 20, Dongting Road, Hexi District, Tianjin	300220
73	Bank of Tianjin, Rongcheng sub-branch	No. 75, Heiniucheng Road, Hexi District, Tianjin	300061
74	Bank of Tianjin, Shaoxing Road sub-branch	No. 105, Ground Floor Store, Senmiao Apartment, Pingshan Road, Hexi District, Tianjin	300074
75	Bank of Tianjin, Donghai sub-branch	No. 33, Huanhu Middle Road, Hexi District, Tianjin	300060

List of Branches

No.	Name of Branch	Address	Postcode
76	Bank of Tianjin, Yinlian sub-branch	No. 26 & 28, Shuangshui Road, Hexi District, Tianjin	300222
77	Bank of Tianjin, Xietong sub-branch	No. 10, Nanjing Road, Hexi District, Tianjin	300042
78	Bank of Tianjin, Huiyuan sub-branch	South Ground Floor, Building 1, Huaxiafuyu Plaza, Jiefang South Road, Hexi District, Tianjin	300202
79	Bank of Tianjin, Jinhua sub-branch	Extension No. 14, No. 16, Heiniucheng Road, Hexi District, Tianjin	300210
80	Bank of Tianjin, Tianma sub-branch	No. 12, Xiyuan Street, Youyi Road, Hexi District, Tianjin	300061
81	Bank of Tianjin, Jiefang South Road sub-branch	No. 473, Jiefang South Road, Hexi District, Tianjin (Ground Floor of Bohai Sea International Commerce Block)	300221
82	Bank of Tianjin, Tanjiang Road sub-branch	Unit 17, Ground Floor, Chuanshuiyuan Estate (Public Building III), Suijiang Street, Hexi District, Tianjin	300221
83	Bank of Tianjin, Dagu South Road sub-branch	No. 04-05, Ground Floor, Building 1, Liuyuan Apartment, Dagu South Road, Hexi District, Tianjin	300222
84	Bank of Tianjin, Zhujiang Road sub-branch	Junction of Zhujiang Road and Xueyuan Road, Hexi District, Tianjin	300222
85	Bank of Tianjin, Limin Road sub-branch	Ground Floor, Zhuhaili Community, Limin Road, Hexi District, Tianjin	300200
86	Bank of Tianjin, South and North Avenue sub-branch	Door 1, Ground Floor, Building 2, Meining Apartment, South and North Avenue, Hexi District, Tianjin	300210
87	Bank of Tianjin, Guhai Road sub-branch	No. 423, Jiefang South Road, Hexi District, Tianjin	300210
88	Bank of Tianjin, Meijiang Road sub-branch	No. 35 & 37, Meijiang Road, Hexi District, Tianjin	300221
89	Bank of Tianjin, Qixiangtai Road sub-branch	Extension No. 11, No. 89, Fenghuangcheng, Junction of Qixiangtai Road and Pingquan Road, Hexi District, Tianjin	300074
90	Bank of Tianjin, Heiniucheng Road sub-branch	202-203, Extension No. 1, Lidabolan, Heiniucheng Road, Hexi District, Tianjin	300381
91	Bank of Tianjin, Keji sub-branch	No. 6, Meiyuan Road, Huayuan Industrial Park, Nankai District, Tianjin	300384
92	Bank of Tianjin, Jinhui sub-branch	No. 248, Baidi Road, Nankai District, Tianjin	300192
93	Bank of Tianjin, Xingke sub-branch	No. 200, Anshan West Road, 1895 Tianjin University Architecture and Creation Building, Nankai District, Tianjin	300073
94	Bank of Tianjin, Xinyuan sub-branch	No. 23, Changjiang Road, Nankai District, Tianjin	300190
95	Bank of Tianjin, Wanhua sub-branch	No. 148, Yingshui Road, Huayuan Industrial Park, New Industrial Park, Tianjin	300384

List of Branches

No.	Name of Branch	Address	Postcode
96	Bank of Tianjin, Yinshan sub-branch	Ground Floor, Xingtai Apartment, No. 66, Nanfeng Road, Nankai District, Tianjin	300192
97	Bank of Tianjin, Jinshan sub-branch	102-103, No. 1289, Nanma Road, Nankai District, Tianjin	300100
98	Bank of Tianjin, Changkang sub-branch	Extension No. 18, No. 628, Changjiang Road, Nankai District, Tianjin	300111
99	Bank of Tianjin, Rongyuan sub-branch	No. 467, Huanghe Road, Nankai District, Tianjin	300110
100	Bank of Tianjin, Xingnan sub-branch	No. 14, 16 & 18, Huaianhuan Road, Nankai District, Tianjin	300193
101	Bank of Tianjin, Lingbin Road sub-branch	No. 96-98, Lingbin Road, Nankai District, Tianjin	300381
102	Bank of Tianjin, Xianyang Road sub-branch	Ground Floor, Door 3, Building 9, Jialingbeili, Xianyang Road, Nankai District, Tianjin	300122
103	Bank of Tianjin, Shuishang Gongyuan Road sub-branch	No. 46, Shuishang Gongyuan West Road, Nankai District, Tianjin	300191
104	Bank of Tianjin, Weijin South Road sub-branch	No. 70, Weijin South Road, Nankai District, Tianjin	300381
105	Bank of Tianjin, Kemao Street sub-branch	No. 428, Anshan West Road, Nankai District, Tianjin	300193
106	Bank of Tianjin, Tianda 1st sub-branch	Siji Village, Tianjin University, Nankai District, Tianjin	300072
107	Bank of Tianjin, Guangkaiwuma Road sub-branch	No. 294, Huanghe Road, Nankai District, Tianjin	300110
108	Bank of Tianjin, Haitai Road sub-branch	1/F, Door 4, Block F, Haitai Green Industry Base, Haitai Development 6th Road, High-tech Industrial Park, Tianjin	300384
109	Bank of Tianjin, Shuishang Gongyuan East Road sub-branch	Building 7, Yangguang Apartment, Nankai District, Tianjin	300381
110	Bank of Tianjin, Xima Road sub-branch	No. 140 & 142, Nankaisanma Road, Nankai District, Tianjin	300101
111	Bank of Tianjin, Huanghe Road sub-branch	Extension No. 10 & 11, No. 65, Xianyang Road, Nankai District, Tianjin	300111
112	Bank of Tianjin, Yuanyin Road sub-branch	Ground Floor, Building 8, Yuanyinbeili, Yuanyin Road, Wangdingdi, Nankai District, Tianjin	300191
113	Bank of Tianjin, Chengjiang Road sub-branch	Ground Floor, Building 16, Huaningbeili, Chengjiang Road, Nankai District, Tianjin	300190
114	Bank of Tianjin, Nankaierwei Road sub-branch	No. 43, Huanghe Road, Nankai District, Tianjin	300102

List of Branches

No.	Name of Branch	Address	Postcode
115	Bank of Tianjin, Haihe Education Park (Beiyang Zone) Sub-branch	No.104, Xinyuan South Road, Tianjin University, Haihe Education Park, Tianjin	300350
116	Bank of Tianjin, Donglian sub-branch	Tianshan Road, Wanxin Village, Hedong District, Tianjin	300162
117	Bank of Tianjin, Dongxin sub-branch	Extension No. 1, No. 2, No. 40, Jintang Road, Hedong District, Tianjin	300182
118	Bank of Tianjin, Dongyin sub-branch	Extension No. 3, No. 80, Jintang Road, Hedong District, Tianjin	300170
119	Bank of Tianjin, Hedong sub-branch	101 & 102, Yitingyuan, Liuwei Road, Hedong District, Tianjin	300012
120	Bank of Tianjin, Jiahua sub-branch	No. 17-5, Jiahuali, Chenglinzhuang Road, Hedong District, Tianjin	300161
121	Bank of Tianjin, Weiguo Road sub-branch	No. 163, Weiguo Road, Hedong District, Tianjin	300250
122	Bank of Tianjin, Daqiao Road sub-branch	Outpatient hall, the 3rd Central Hospital, No. 83, Jintang Road, Hedong District, Tianjin	300170
123	Bank of Tianjin, Chengguang Road sub-branch	No. 71, Taixing South Road, Hedong District, Tianjin	300162
124	Bank of Tianjin, Zhongxin North Road sub-branch	No. 41, Zhongxin North Road, Hedong District, Tianjin	300181
125	Bank of Tianjin, Dongxing Road sub-branch	No. 4, Ground Floor, Building 13, Dieqiao Apartment, Hedong District, Tianjin	300170
126	Bank of Tianjin, Jintang Road sub-branch	Ground Floor, No. 2, Door 1, Building 2, Youainanli, Zhongshanmen, Jintang Road, Hedong District, Tianjin	300180
127	Bank of Tianjin, Taixing South Road sub-branch	Ground Floor, No. 3, Building 1, Jinwan Apartment, No. 100, Chenglinzhuang Road, Hedong District, Tianjin	300160
128	Bank of Tianjin, Changzhou Road sub-branch	No. 22, Changzhou Road, Hedong District, Tianjin	300250
129	Bank of Tianjin, Bada Road sub-branch	No. 23, Minzu Road, Hebei District, Tianjin	300010
130	Bank of Tianjin, Xingbei sub-branch	Ground Floor, Building 1, Huiyingli Community, No. 10, Zengchan Road, Hebei District, Tianjin	300250
131	Bank of Tianjin, Zhenbei sub-branch	Building 2, Shuyuanli, Zhongshan North Road, Hebei District, Tianjin	300241

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No.	Name of Branch	Address	Postcode
132	Bank of Tianjin, Zhongbei sub-branch	1-2/F, Ground Floor, Building 2, Yuyang Apartment, Junction of Zhongshan Road and Yuewei Road, Hebei District, Tianjin	300140
133	Bank of Tianjin, Jincheng sub-branch	Ground Floor, Fangjingmingju, Junction of Jinzhonghe Street and Zengchan Road, Hebei District, Tianjin	300150
134	Bank of Tianjin, Yuying Road sub-branch	Ground Floor, Training Building, Rolling Stock Plant, Nankou Road, Hebei District, Tianjin	300230
135	Bank of Tianjin, Wuhao Road sub-branch	Ground Floor, No. 17, Cuihuali, Junction of Wuhao Road and Zhenli Road, Hebei District, Tianjin	300150
136	Bank of Tianjin, Zhongshan Road sub-branch	Ground Floor, Zerenli Building, Zhongshan Road, Hebei District, Tianjin	300142
137	Bank of Tianjin, Beiningwan sub-branch	No. 179, No. 177-183 (odd No.), Yingxian Road, Hebei District, Tianjin	300402
138	Bank of Tianjin, Yuguan Road sub-branch	1/F, No. 376, Yuguan Road, Hebei District, Tianjin	300232
139	Bank of Tianjin, Tiedong Road sub-branch	No. 61-63(A6), Block 10, Beimingxinyuan, Southeast of the intersection of Tiedong Road and Yibai Road, Hebei District, Tianjin	300412
140	Bank of Tianjin, Hongxin sub-branch	No. 84, Xiqing Road, Hongqiao District, Tianjin	300122
141	Bank of Tianjin, Hongyin sub-branch	Room 101, Gate 61, Xiangju Apartment, Guangrong Road, Hongqiao District, Tianjin	300130
142	Bank of Tianjin, Guanyinhao sub-branch	No. 5, Dongma Road, Nankai District, Tianjin	300090
143	Bank of Tianjin, Xiangtan Road sub-branch	No. 11, Xiangtan Road, Hongqiao District, Tianjin	300133
144	Bank of Tianjin, Jieyuan Road sub-branch	Ground Floor, 7-102, Minghuali, Jieyuan Road, Hongqiao District, Tianjin	300121
145	Bank of Tianjin, Fuxing Road sub-branch	Ground Floor, No. 16, Kanghuali, Fuxing Road, Hongqiao District, Tianjin	300121
146	Bank of Tianjin, Development Area sub-branch	No. 76, Dongting Road, Economic Development Zone, Tianjin	300457
147	Bank of Tianjin, Dagang sub-branch	No. 75, Yingbin Street, Dagang District, Tianjin	300270
148	Bank of Tianjin, Haibin sub-branch	No. 2048, Shanghai Road, Tanggu District, Tianjin	300450
149	Bank of Tianjin, Hangzhou Road sub-branch	No. 8, Zhongxin North Road, Tanggu District, Tianjin	300451

List of Branches

No.	Name of Branch	Address	Postcode
150	Bank of Tianjin, Tianbao sub-branch	Room 101 & 201, Block B, No. 27, the Second Street, Economic and Technology Development District, Tianjin	300457
151	Bank of Tianjin, Binhai Hi-tech Zone sub-branch	No. 188, Rixin Road, Binhai Science Park, Binhai Hi-tech Zone, No. 13888, Jinhan Road, Tianjin	300301
152	Bank of Tianjin, Hangu sub-branch	No. 77, Xinkai Middle Road, Hangu, Binhai New Area, Tianjin	300480
153	Bank of Tianjin, Tanggu sub-branch	No. 289, 295 & 301, Yingkou Road, Tanggu District, Tianjin	300450
154	Bank of Tianjin, Sino-Singapore Eco-city sub-branch	2-1-101 & 201, Tianhexinlehui, No. 276, Hexu Road, SinoSingapore Tianjin Eco-city, Binhai New Area, Tianjin	300467
155	Bank of Tianjin, Heping Road sub-branch	No. 9, Heping Road, Tanggu District, Tianjin	300450
156	Bank of Tianjin, Oil North Road sub-branch	No. 79, Dongyan Road, Tanggu District, Tianjin	300452
157	Bank of Tianjin, the Third Avenue sub-branch	No. 31-6, Building 1, No. 31, the Third Avenue, Tianjin Economic- Technological Development Area	300457
158	Bank of Tianjin, Xingfu Road sub-branch	East No. 1, No. 666, Xingfu Avenue, Dagangyoutian, Dagang District, Tianjin	300280
159	Bank of Tianjin, Yingxin Street sub-branch	No. 114, Yingxin Street, Dagang District, Tianjin	300270
160	Bank of Tianjin, Shengli Road sub-branch	Binhai House Trading Center, Dagang District, Junction of Guangming Avenue and Chuangye Road, Dagangyoutian, Tianjin	300280
161	Bank of Tianjin, Xuri Road sub-branch	West side of 1/F, Block B, Commercial Building, Fuyuan Garden, Xuri Road, Dagang, Binhai New Area, Tianjin (West of Haijing 7th Road and north of Xuri Road, Gangdongxincheng, Dagang)	300450
162	Bank of Tianjin, Baoshan Road sub-branch	No. 3807, Tangguxin North Road, Binhai New Area, Tianjin	300451
163	Bank of Tianjin, Chunguang Road sub-branch	No. 617, Xingfujiayuan, Chunguang Road, Tanggu District, Tianjin	300456
164	Bank of Tianjin, Hebei Road sub-branch	No. 25, Hebei Road, Tanggu District, Tianjin	300451
165	Bank of Tianjin, Road No. 3 sub-branch	Door 2, Building 24, Ziyunyuan, No. 3462, Xingang Road No. 3, Tanggu District, Tianjin	300456
166	Bank of Tianjin, Station North Road sub-branch	No. 830 & 836, Station North Road, Tanggu District, Tianjin	300451

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No.	Name of Branch	Address	Postcode
167	Bank of Tianjin, Jinzhou Road sub-branch	No. 1024, Jinzhou Road, Tanggu District, Tianjin	300451
168	Bank of Tianjin, the Second Street sub-branch	No. H3-103, 203, G/H Area, TEDA MSD, No. 61, the Second Street, Tianjin Economic-Technological Development Area	300457
169	Bank of Tianjin, Hebin Road sub-branch	No. 228, Hebin Road, Binhai New Village, Bohai Oil, Tanggu District, Tianjin	300452
170	Bank of Tianjin, Hekou Road sub-branch	No. 2-37, Hekou Road, Tanggu District, Tianjin	300452
171	Bank of Tianjin, Yuanyang City sub-branch	No. 138, Yuanyang Central Road, Tanggu, Binhai New Area, Tianjin	300450
172	Bank of Tianjin, Zhejiang Road sub-branch	Ground Floor, Door 1, Building 7, Huianli, Tanggu District, Tianjin	300450
173	Bank of Tianjin, Gangkou Road sub-branch	No. 25, Xingangerhao Road, Tanggu District, Tianjin	300450
174	Bank of Tianjin, Guangzhou Road sub-branch	No. 1156, Fuzhou Road, Tanggu, Binhai New Area, Tianjin	300450
175	Bank of Tianjin, Huanghai Road sub-branch	No. 21-9, the Second Street, Development District, Tianjin	300457
176	Bank of Tianjin, Beijing Chaowai sub-branch	No. 0185, Ground Floor & No. 1133 Office, Chaowai SOHO, B6 Chaowai Street, Chaoyang District, Beijing	100020
177	Bank of Tianjin, Beijing Sanyuanqiao sub-branch	Ground Floor, No. 101, 1/F and Office, No. 601, 6/F, Block A, Shenyuan Center, No. B2, East Sanhuan North Road, Chaoyang District, Beijing	100027
178	Bank of Tianjin, Beijing Xinxingqiao sub-branch	Ground Floor, No. 21 and Office, 10/F, Fuxing Road, Haidian District, Beijing	100036
179	Bank of Tianjin, Beijing Zhongguancun sub-branch	Ground Floor, 1-E & 1-F, Yuanzhongyuelai, No. 15, Haidian Middle Street, Haidian District, Beijing	100080
180	Bank of Tianjin, Beijing Finance Street sub-branch	Building A33, Erlong Road, Xicheng District, Beijing	100032
181	Bank of Tianjin, Beijing Fengtai sub-branch	Unit 01, F1 and F2, Commercial Building, No. 232 West Shiliuzhuang Street, Fengtai District, Beijing	100070
182	Bank of Tianjin, Beijing Xizhimen sub-branch	No. 52, North Street, Xizhimen, Haidian District, Beijing	100082
183	Bank of Tianjin, Beijing Dongcheng sub-branch	Ground Floor, No. 8, Chaoyangmennei Street, Dongcheng District, Beijing	100010

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No.	Name of Branch	Address	Postcode
184	Bank of Tianjin, Beijing Guangqumen sub-branch	101-02, 1/F, Floor 3, Guangqujiayuan, Dongcheng District, Beijing	100022
185	Bank of Tianjin, Beijing Dongzhimen sub-branch	101, 1/F & 201, 2/F, Building 1, No. 46, Dongzhimenwai Street, Dongcheng District, Beijing	100027
186	Bank of Tianjin, Beijing Hangtianqiao sub-branch	North side of 1-2, 1/F and 2-5010 & 2-5011, 5/F, No. 100, Xisanhuan North Road, Haidian District, Beijing	100037
187	Bank of Tianjin, Beijing Fangshan sub-branch	101, 1/F & 201, 2/F, south side of Building 1 & 2, Zhengtongxili Community, Liangxiang Region, Fangshan District, Beijing	102488
188	Bank of Tianjin, Beijing Tongzhou sub-branch	East Side, 1/F, 8-1-3, No. 61 & North Side, 8-1-9, 2/F, No. 59, Xinhua West Road, Tongzhou District, Beijing	101199
189	Bank of Tianjin, Beijing Daxing sub-branch	North Side, 3-2, No. 32 & 2/F, 3-3, No. 32, Xingye Avenue (Section 3), Daxing District, Beijing	102699
190	Bank of Tianjin, Beijing Shunyi sub-branch	Unit 103 and Unit 203, F1 and F2, No. 1 Building, No.1 Court, Zhanqian Street, Shunyi District, Beijing	101300
191	Bank of Tianjin, Beijing Changping sub-branch	West side of 1/F and Northwest side of 2/F, Building 2, No. 12, Longshui Road, Changping District, Beijing	102200
192	Bank of Tianjin, Shanghai Lujiazui sub-branch	Room 101 & 1201, China Shipbuilding Tower, No. 1, Pudong Avenue, Pudong New Area, Shanghai	200120
193	Bank of Tianjin, Shanghai Zhabei sub-branch	Unit 01, 1/F, Henghui International Building, No. 556, 558 & 560, Hengfeng Road and Unit 02, 5/F, Henghui International Building, No. 568, Hengfeng Road, Zhabei District, Shanghai	200072
194	Bank of Tianjin, Shanghai Xuhui sub-branch	1 & 3/F, No. 2119, Xietu Road, Xuhui District, Shanghai	200032
195	Bank of Tianjin, Shanghai Hongkou sub-branch	Room 101, No. 843, Room 102, No. 845-847 & Room 103-104, No. 851, Room 604-606, No. 1, Lane 839, Dalian Road, Hongkou District, Shanghai	200086
196	Bank of Tianjin, Shanghai Luwan sub- branch	Room 101, 102, 103, 1/F & Room 201-207, 2/F, Building 1, No. 622, Shunchang Road, Huangpu District, Shanghai	200025
197	Bank of Tianjin, Shanghai Changning sub-branch	Part of west side of 1/F, No. 2111, Yanan West Road, Changning District, Shanghai	200051
198	Bank of Tianjin, Shanghai Jing'an sub-branch	Street Front Shop, 1-2/F, No. 1056, Changde Road, Jing'an District, Shanghai	200040
199	Bank of Tianjin, Shanghai Minhang sub-branch	1/F, No. 1058, Caobao Road, Minhang District, Shanghai	201101
200	Bank of Tianjin, Shanghai Putuo sub-branch	1 & 2/F, No. 108, Guangxin Road, Putuo District, Shanghai	200061

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No.	Name of Branch	Address	Postcode
201	Bank of Tianjin, Shanghai Fushan sub-branch	Room 1A, 1/F, No. 450, Fushan Road, Pudong New Area, Shanghai	200122
202	Bank of Tianjin, Jinan Licheng sub-branch	Building 27, No. 47, Huayuan Road, Licheng District, Jinan	250199
203	Bank of Tianjin, Jinan Lixia sub-branch	Yanjie Building, No. 14958, Courtyard 14966, Jingshi Road, Jinan	250014
204	Bank of Tianjin, Jinan Huaiyin sub-branch	Building 1 & 2, east side, Ground Floor, Shunchengyuan Community, No. 24916, Jingshi Road, Huaiyin District, Jinan	250022
205	Bank of Tianjin, Jinan Shizhong sub-branch	3F, No. 2666, Shop B2-002, No. 2688, Erhuannan Road, Shizhong District, Jinan City	250022
206	Bank of Tianjin, Jinan Tianqiao sub-branch	No. 965, 975 & 985, Minghu West Road, Jinan	250000
207	Bank of Tianjin, Jinan Hi-tech District sub-branch	No. 5006, Aoti Middle Road, Hi-tech District, Jinan	250101
208	Bank of Tianjin, Jinan Quancheng sub-branch	Jiefangge Business Center, No. 187, Heihuquan North Road, Lixia District, Jinan	250001
209	Bank of Tianjin, Jinan Changqing sub-branch	No. S1-A14, 2345 Ziwei Road, Science and Technology Park, College Town, Changqing District, Jinan	250399
210	Bank of Tianjin, Jinan Zhangqiu sub-branch	Shop 104, Building 16, Qilujianqiao Community, No. 35, Mingshuishuangshan Street, Zhangqiu District, Jinan	250299
211	Bank of Tianjin, Jinan Dianliu sub-branch	No. 5006-9, Erhuan East Road, Lixia District, Jinan City	250014
212	Bank of Tianjin, Jinan Binhe sub-branch	Room 101, 1201 Partial, 1202 & 1203, Block A, Binhe Business Center, No. 8888 Qinghe North Road, Tianqiao District, Jinan	250033
213	Bank of Tianjin, Dongying Xicheng sub-branch	Jindu Tower, No. 680-1, Yellow River Road, Dongying District, Dongying City	257061
214	Bank of Tianjin, Chengdu Jingjiang sub-branch	No. 318 & 328, Tongying Street, Jinjiang District, Chengdu, Sichuan	610065
215	Bank of Tianjin, Chengdu Qingyang sub-branch	No. 53 & Attachment No. 1-2, No. 53, Jinyang Road, Qingyang District, Chengdu, Sichuan	610072
216	Bank of Tianjin, Chengdu Wuhou sub-branch	No. 1, 1/F, Building 1, No. 518, Lidu Road, Wuhou District, Chengdu, Sichuan	610047
217	Bank of Tianjin, Chengdu Renbei sub-branch	No. 1-3, 6-13 & 15, 1/F, Building 1, No. 1, Section 3, Renmin Middle Road, Qingyang District, Chengdu, Sichuan	610014

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No.	Name of Branch	Address	Postcode
218	Bank of Tianjin, Chengdu Chenghua sub-branch	No. 69, 71, 73, 75; No. 204 of Building 1, No. 67, Fuqing Road (Section 2), Chenghua District, Chengdu, Sichuan	610057
219	Bank of Tianjin, Chengdu Binjiang sub-branch	No. 10, Binjiang West Road, Jinjiang District, Chengdu, Sichuan Province	610021
220	Bank of Tianjin, Baoding Zhuozhou sub-branch	No. 293, Fanyang Middle Road, Zhuozhou, Hebei Province	072750
221	Bank of Tianjin, Tangshan Qianan sub-branch	103, Building 1, Junfuyuan, Huiquan Street, Qianan, Hebei	064000
222	Bank of Tianjin, Tangshan Caofeidian sub-branch	No. 198 & 200, Jianshe Avenue, Caofeidian District, Tangshan, Hebei	063299
223	Bank of Tianjin, Tangshan Fenghuangxincheng sub-branch	No. 131 & 133, Xingyuan Road, Lubei District, Tangshan, Hebei	063000
224	Bank of Tianjin, Tangshan Hi-tech District sub-branch	No. 110, Jianshe North Road, Hi-tech Development Zone, Tangshan, Hebei	063020
225	Bank of Tianjin, Tangshan Fengnan sub-branch	No. 82, 84 & 86, Jiaoyu Street, Fengnan District, Tangshan, Hebei	063000
226	Bank of Tianjin, Tangshan Laoting sub-branch	No. 8, Dazhao Road, Laoting County, Tangshan, Hebei	063000
227	Bank of Tianjin, Tangshan Xinhua sub-branch	No. 517, Yuhua West Road, Lubei District, Tangshan, Hebei	063000
228	Bank of Tianjin, Tangshan Square sub-branch	No. 38, Wenhua Road, Lubei District, Tangshan, Hebei	063099
239	Bank of Tianjin, Tangshan Zunhua sub-branch	No. 1 & 2, Ground Floor, Kaiyuanjiezu, Wenbai Road, Zunhua, Hebei	064200
230	Bank of Tianjin, Small Business Financial Services Center	2/F, No. 86, Dali Road, Heping District, Tianjin	300050

Appendix I

As of the end of the Reporting Period, the particulars of the Bank's substantial shareholders¹ and their controlling shareholders, de facto controllers², related parties³, persons acting in concert⁴ and the ultimate beneficiaries⁵ were set out as follows:

No.	Name of Shareholder	Relation with the Bank
1	Tianjin Port Free Trade Zone Investment Co., Ltd.	The Bank's substantial shareholder
2	State-owned Assets Administration Authority of Tianjin Port Free Trade Zone	De facto controller of Tianjin Port Free Trade Zone Investment Co., Ltd.
3	Tianjin Port Free Trade Zone Investment Holdings Co., Ltd.	Controlling shareholder and ultimate beneficiary of Tianjin Port Free Trade Zone Investment Co., Ltd.
4	Tianjin Tianbao Binhai Investment Service Co., Ltd.	Related party of Tianjin Port Free Trade Zone Investment Co., Ltd.
5	Tianjin Aviation Industry Development CO., Ltd	Related party of Tianjin Port Free Trade Zone Investment Co., Ltd.
6	Airbus (Tianjin) Tooling and Fixture Co., Ltd.	Related party of Tianjin Port Free Trade Zone Investment Co., Ltd.
7	Stis (Tianjin) Spray Service Co., Ltd.	Related party of Tianjin Port Free Trade Zone Investment Co., Ltd.
8	Tianjin T&B Chuangyuan Real Estate Development Co., Ltd	Related party of Tianjin Port Free Trade Zone Investment Co., Ltd.
9	Tianjin T&B Holding Co., Ltd	Related party of Tianjin Port Free Trade Zone Investment Co., Ltd.

Notes:

- For the purpose of this table and the table below of related-party transactions between the Bank and its shareholders, a substantial shareholder represents a shareholder who holds or controls more than 5% of the shares or voting rights of the Bank or who holds less than 5% of total capital or total shares, which exerts a significant impact on the operation and management of the Bank. The "significant impact" above includes but not limited to appointing directors, supervisors or senior management to the Bank, affecting through an agreement or in other ways, the decision-making of finance, operation and management of the Bank, and other circumstances affirmed by the CBIRC or its agencies.
- For the purpose of this table and the table below of related-party transactions between the Bank and its shareholders, a controlling shareholder represents a shareholder whose capital contribution occupies more than 50% of the total capital of a limited liability company, or a shareholder whose shares occupy more than 50% of the total issued share capital of a joint stock company; or a shareholder the proportion of whose capital contribution or shares is less than 50% but the voting right attached to its capital contribution or the shares is significant to the extent that such shareholder may exert significant influence over the shareholders' general meeting or the resolution of the shareholders' general meeting, according to article 216 of the Company Law of the PRC.
- For the purpose of this table and the table below of related-party transactions between the Bank and its shareholders, if a party has the power to control, jointly control or exercise significant influence over another party, or where two or more parties are subject to common control, joint control or significant influence from another party, they are considered to be related parties, according to the Accounting Standard for Business Enterprises 36 "Related Party Disclosures". However, state-owned enterprises do not have related relationships solely as a result of being controlled by the State.
- For the purpose of this table and the table below of related-party transactions between the Bank and its shareholders, acting in concert refers to an act or a fact that investors and other investors jointly enlarge the proportion of the shares with voting rights in a company by way of agreement or other arrangements. The investors who agree to act in concert are persons acting in concert.
- For the purpose of this table and the table below of related-party transactions between the Bank and its shareholders, an ultimate beneficiary represents a person who is actually entitled to the return on equity of a commercial bank.

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No.	Name of Shareholder	Relation with the Bank
10	Tianjin Tianbao Thermal Electricity Company Limited	Related party of Tianjin Port Free Trade Zone Investment Co., Ltd.
11	Tianjin Tianbao Energy Co., Ltd.	Related party of Tianjin Port Free Trade Zone Investment Co., Ltd.
12	Tianjin Baorun International Trading Electrical Engineering Co., Ltd.	Related party of Tianjin Port Free Trade Zone Investment Co., Ltd.
13	Tianjin Tianbao International Logistics Group Co., Ltd.	Related party of Tianjin Port Free Trade Zone Investment Co., Ltd.
14	Tianjin Port Free Trade Zone Tianbao Customs Broker Co., Ltd.	Related party of Tianjin Port Free Trade Zone Investment Co., Ltd.
15	Tianjin Tianbao Century Trade Development Co. Ltd.	Related party of Tianjin Port Free Trade Zone Investment Co., Ltd.
16	Tianjin Port Free Trade Zone International Trade Services Co. Ltd.	Related party of Tianjin Port Free Trade Zone Investment Co., Ltd.
17	Tianjin Free Trade Zone International Commodity Exhibition Center Co., Ltd.	Related party of Tianjin Port Free Trade Zone Investment Co., Ltd.
18	Tianjin Port Free Trade Zone Wanda Customs Brokers Co., Ltd.	Related party of Tianjin Port Free Trade Zone Investment Co., Ltd.
19	Tianjin Tianbao Science and Technology Development Co., Ltd.	Related party of Tianjin Port Free Trade Zone Investment Co., Ltd.
20	Tianjin Free Trade Zone Import Vehicle Inspection Co., Ltd.	Related party of Tianjin Port Free Trade Zone Investment Co., Ltd.
21	Tianjin Tianbao Yongli Logistics Co., Ltd.	Related party of Tianjin Port Free Trade Zone Investment Co., Ltd.
22	Tianjin Tianbao Baixiang Asset Management Co., Ltd.	Related party of Tianjin Port Free Trade Zone Investment Co., Ltd.
23	Tianjin Tianbao Blum Asset Management Co., Ltd.	Related party of Tianjin Port Free Trade Zone Investment Co., Ltd.
24	Tianjin Tianbao Hongxin Logistics Center Co., Ltd.	Related party of Tianjin Port Free Trade Zone Investment Co., Ltd.
25	Tianjin Tianbao Municipal Co., Ltd.	Related party of Tianjin Port Free Trade Zone Investment Co., Ltd.
26	Tianjin Airport International Logistics Co., Ltd.	Related party of Tianjin Port Free Trade Zone Investment Co., Ltd.
27	Tianjin Tianbao Infrastructure Co., Ltd.	Related party of Tianjin Port Free Trade Zone Investment Co., Ltd.
28	Tianjin Zhongtian Aviation Industry Investment Co., Ltd.	Related party of Tianjin Port Free Trade Zone Investment Co., Ltd.
29	Tianjin Binhai Kaiyuan Real Estate Development Co., Ltd.	Related party of Tianjin Port Free Trade Zone Investment Co., Ltd.
30	Tianjin Jiachuang Property Service Co., Ltd.	Related party of Tianjin Port Free Trade Zone Investment Co., Ltd.

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No.	Name of Shareholder	Relation with the Bank
31	Tianjin Tianbao Real Estate Development Co., Ltd.	Related party of Tianjin Port Free Trade Zone Investment Co., Ltd.
32	Tianjin Tianbao Fuyuan Real Estate Development Co., Ltd.	Related party of Tianjin Port Free Trade Zone Investment Co., Ltd.
33	Tianjin Baili Construction Engineering Co., Ltd.	Related party of Tianjin Port Free Trade Zone Investment Co., Ltd.
34	Tianjin Tianbao Construction Development Co., Ltd.	Related party of Tianjin Port Free Trade Zone Investment Co., Ltd.
35	Tianjin Tianbao Real Estate Co., Ltd.	Related party of Tianjin Port Free Trade Zone Investment Co., Ltd.
36	Tianjin Airport International Automobile Park Development Co., Ltd.	Related party of Tianjin Port Free Trade Zone Investment Co., Ltd.
37	Tianjin Konggang Zhonghui Automobile Sales Co., Ltd.	Related party of Tianjin Port Free Trade Zone Investment Co., Ltd.
38	Tianjin Airport Automotive Testing Co., Ltd.	Related party of Tianjin Port Free Trade Zone Investment Co., Ltd.
39	Tianjin Meihao Automobile Sales Co., Ltd.	Related party of Tianjin Port Free Trade Zone Investment Co., Ltd.
40	Tianjin Konggang Jinguang Automobile Sales & Service Co., Ltd.	Related party of Tianjin Port Free Trade Zone Investment Co., Ltd.
41	Tianjin Tianjian Auto Testing Service Co., Ltd.	Related party of Tianjin Port Free Trade Zone Investment Co., Ltd.
42	Tianjin Tianbao Asset Management Co., Ltd.	Related party of Tianjin Port Free Trade Zone Investment Co., Ltd.
43	Home Target (Tianjin) Logistics Base Co., Ltd.	Related party of Tianjin Port Free Trade Zone Investment Co., Ltd.
44	Tianjin Tianbao Technology Service Co., Ltd.	Related party of Tianjin Port Free Trade Zone Investment Co., Ltd.
45	Tianjin Tianbao Port Investment Development Co., Ltd.	Related party of Tianjin Port Free Trade Zone Investment Co., Ltd.
46	Tianjin Tianbao Lingang Real Estate Development Co., Ltd.	Related party of Tianjin Port Free Trade Zone Investment Co., Ltd.
47	Tianjin Tianbao Equity Investment Fund Management Co., Ltd.	Related party of Tianjin Port Free Trade Zone Investment Co., Ltd.
48	Tianjin Tianbao Jiaye Investment Co., Ltd.	Related party of Tianjin Port Free Trade Zone Investment Co., Ltd.
49	Tianjin Tianbao Jiashun Investment Co., Ltd.	Related party of Tianjin Port Free Trade Zone Investment Co., Ltd.
50	Tianjin Tianbao Jiayuan Investment Co., Ltd.	Related party of Tianjin Port Free Trade Zone Investment Co., Ltd.
51	Tianjin Binhai New Area Tianbao Small Loan Co., Ltd.	Related party of Tianjin Port Free Trade Zone Investment Co., Ltd.

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No.	Name of Shareholder	Relation with the Bank
52	Tianjin Tianbao Leasing Co., Ltd.	Related party of Tianjin Port Free Trade Zone Investment Co., Ltd.
53	Hong Kong Baoxin Operating Limited	Related party of Tianjin Port Free Trade Zone Investment Co., Ltd.
54	Tianjin Tianbao Finance Co., Ltd.	Related party of Tianjin Port Free Trade Zone Investment Co., Ltd.
55	Tianjin Tianbao Financial Management Co., Ltd.	Related party of Tianjin Port Free Trade Zone Investment Co., Ltd.
56	Tianjin Tianbao Commercial Factoring Co., Ltd.	Related party of Tianjin Port Free Trade Zone Investment Co., Ltd.
57	Tianjin Aviation Logistics Development Co., Ltd.	Related party of Tianjin Port Free Trade Zone Investment Co., Ltd.
58	T&B Holdings Hong Kong Co. Limited	Related party of Tianjin Port Free Trade Zone Investment Co., Ltd.
59	Hong Kong Bao Chuang Investment Limited	Related party of Tianjin Port Free Trade Zone Investment Co., Ltd.
60	Australia and New Zealand Banking Group Limited	The Bank's substantial shareholder
61	Chongqing Lianping ANZ Rural Bank Company Limited	Related party of Australia and New Zealand Banking Group Limited
62	Tianjin Pharmaceutical Holdings Ltd.	The Bank's substantial shareholder
63	Tianjin Bohai State-owned Assets Management Co., Ltd.	Controlling shareholder and ultimate beneficiary of Tianjin Pharmaceutical Holdings Ltd.
64	State-owned Assets Supervision and Administration Commission of Tianjin Municipal People's Government	De facto controller of Tianjin Pharmaceutical Holdings Ltd.; controlling shareholder of Tianjin Bohai Chemical Group Co., Ltd.; controlling shareholder, de facto controller and ultimate beneficiary of Tianjin Jinrong Investment Service Group Co., Ltd.
65	Tianjin Pharmaceutical Group Finance Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
66	Tianjin Taihe Pharmaceutical Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
67	Tianjin Baiao Pharmaceutical Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
68	Jinyao Ruida (Xuchang) Biotechnology Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
69	Tianjin Pharmaceutical Group Jinyitang Chain Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
70	Tianjin Pharmaceutical Group Daming Glasses Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
71	Tianjin Pharmaceutical Group Hongze Pharmaceutical Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
72	Tianjin Medical Equipment Factory Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
73	Tianjin Kang Dun Bao Medical Polyurethane Technology Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
74	Tianjin EMIX Medical Equipment Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.

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No.	Name of Shareholder	Relation with the Bank
75	Tianjin Hebei Pharmaceutical Factory	Related party of Tianjin Pharmaceutical Holdings Ltd.
76	Tianjin Hospital Equipment Factory	Related party of Tianjin Pharmaceutical Holdings Ltd.
77	Tianjin Jinyi Real Estate Development and Construction Company	Related party of Tianjin Pharmaceutical Holdings Ltd.
78	Tianjin Yongjin Real Estate Development Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
79	Tianjin Jinyi Investment Guarantee Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
80	Tianjin Paipu Daye Equipment Technology Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
81	Tianjin Pharmaceutical Group Labor Service Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
82	Tianjin Pharmaceutical Design Institute	Related party of Tianjin Pharmaceutical Holdings Ltd.
83	Hebei Dezelong Pharmaceutical Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
84	Tianjin Maida Medical Technology Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
85	Tianjin Maida Medical Equipment Trading Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
86	Tianjin Puguang Medical Manufacture Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
87	Tianjin Zhi Yong Sheng Medical Equipment Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
88	Tianjin Zhong Jian Ai He Medical Technology Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
89	Tianjin Genetic Biotek Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
90	Tianjin Hanaco Medical Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
91	Tianjin Binjiang Jinyao Plaza Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
92	Tianjin Super Garden Hotel Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
93	Tianjin Pharmaceutical Company	Related party of Tianjin Pharmaceutical Holdings Ltd.
94	China Medical Device Industry Tianjin Supply Station	Related party of Tianjin Pharmaceutical Holdings Ltd.
95	Tianjin Taiping Xinhua Medical Equipment Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
96	Tianjin Jinyao Pharmaceutical Development Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
97	Tianjin Taiping Bai Shi Kang Medical Equipment Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
98	Tianjin Taiping Medical International Trade Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
99	Bozhou Tianquan Investment Development Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
100	Tianjin Pharmaceutical Holdings Pacific Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
101	Tianjin Taiping Zhenhua Large Pharmacy Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
102	Tianjin Herbal Medicine Group Jixian Company	Related party of Tianjin Pharmaceutical Holdings Ltd.
103	Tianjin Herbal Medicine Group Ninghe River Company	Related party of Tianjin Pharmaceutical Holdings Ltd.
104	Tianjin Taipinglong Medical Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
105	Tianjin Herbal Medicine Group Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
106	Tianjin Medical Instrument Research Institute	Related party of Tianjin Pharmaceutical Holdings Ltd.
107	Tianjin Zhongxin Pharmaceutical Group Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
108	Tianjin Xinfeng Pharmaceutical Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
109	Chengdu Zhongxin Pharmaceutical Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.

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No.	Name of Shareholder	Relation with the Bank
110	Chengdu Zhongxin Pharmaceutical Chain Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
111	Chengdu Zhongxin Pharmaceutical Zigong Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
112	Zigong Zhongxin Pharmaceutical Chain Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
113	Tianjin Longshunrong Development Pharmaceutical Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
114	Tianjin Longshunrong Health Products Marketing Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
115	Zhongxin Pharmaceutical Tangshan Xinhua Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
116	Tianjin Darentang Jingwanhong Pharmaceutical Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
117	Tianjin Jinwanhong Pharmacy Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
118	Tianjingu Pharmaceutical Liquor Trading Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
119	Tianjin Zhongxin Pharmaceutical Group Bohai Rim Pharmaceutical Corporation Limited	Related party of Tianjin Pharmaceutical Holdings Ltd.
120	Tianjin Zhongxin Pharmaceutical Binhai Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
121	Beijing Zhongxin Medicine Valley Pharmaceutical Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
122	Tianjin Xinlong Pharmaceutical Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
123	Tianjin Zhongxin Pharmaceutical Group Guowei Pharmaceutical Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
124	Tianjin Zhongxin Chuyun Trading Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
125	Tianjin Zhongxin Pharmaceutical Group Xuzhi Pharmaceutical Technology Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
126	Tianjin Zhongxin Pharmaceutical Group Darentang Zhongxing Pharmacy Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
127	Tianjin Zhongxin Pharmaceutical Group Darentang Zhonghui Pharmacy Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
128	Zhejiang Zhongxin Chuangrui Investment Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
129	Tianjin Darentang (Bozhou) Chinese Herbal Pieces Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd. Related party of Tianjin Pharmaceutical Holdings Ltd.
130	Tianjin Kingyork Group Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
131	Tianjin Pharmaceutical Group Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
132	Tianjin Tianyao Pharmaceuticals Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
133	Tianjin Tianfa Pharmaceutical Import and Export Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
134	Tianjin Sanlong Chemical Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
135	Tianjin Jinyao Group Tianyao Sales Company Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
136	Tianjin Wanning Health Care Products Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
137	Tianjin Jinyao Group Tianyao International Trade Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
138	Tianjin Jinyao Mmino Acid Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.

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No.	Name of Shareholder	Relation with the Bank
139	Tianjin Tian' an Pharmaceuticals Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
140	Tianjin Shuangyan Hotel Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
141	Tianjin Yaolian Trading Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
142	Tianjin Pharmaceuticals Research Organization Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
143	Tianjin Jinyao Group Hubei Tianyao Pharmaceutical Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
144	Tianjin Jinyao Biotechnology Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
145	Tianjin Jinyao Logistics Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
146	Tianjin Gesibao Pharmaceutical Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
147	Tianjin Pharmaceutical Technology Development Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
148	Tianjin Tianyao Investments Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
149	Tianjin Pharmaceutical Zhongjiankangda Medical Instrument Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
150	Tianjin Haoda Medical Instrument Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
151	Tianjin Renli Orthopedic Instrument Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
152	Tianjin Pharmaceutical Air Cleanliness Test Center Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
153	Tianjin Zhengtong Medical Purification Equipment Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
154	Tianjin Jinhao Pharmaceutical Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
155	Tianjin Lisheng Pharmaceutical Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
156	Tianjin Biochemical and Pharmaceutical Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
157	The Central Pharmaceutical Co., Ltd. Tianjin	Related party of Tianjin Pharmaceutical Holdings Ltd.
158	Tianjin Xinguan Pharmaceutical Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
159	Tianjin Institute of Pharmaceutical Research	Related party of Tianjin Pharmaceutical Holdings Ltd.
160	TIPR Pharmaceutical Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
161	Tianjin Hengbida Chemical Synthesis Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
162	Tianjin Institute of Pharmaceutical Research New Drug Evaluation Co., Ltd	Related party of Tianjin Pharmaceutical Holdings Ltd.
163	Tianjin Taipu Pharmaceutical Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
164	Tianjin Tailian Global Biotech Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
165	Tianjin Press of Chinese Herbal Medicines	Related party of Tianjin Pharmaceutical Holdings Ltd.
166	Tianjin Taipu Pharmaceutical Industrial Productivity Promotion Center Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
167	Tianjin Kanghong Pharmaceutical Technology Development Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.

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No.	Name of Shareholder	Relation with the Bank
168	Tianjin Kanghong Trade Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
169	Hainan Li'ou Pharmaceutical Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
170	Tianjin Taipu Pharmaceutical Technology Development Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
171	Tianjin Taipu Pharmaceutical Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
172	Tianjin Taipu Huya Medical and Pharmaceutical Intellectual Right Transfer Reserve Center Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
173	Tianjin Yiyao Printing Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
174	Tianjin Yixuanlin Advertising Production Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
175	The U.S. Great Sacred Trade & Technology Co., Ltd	Related party of Tianjin Pharmaceutical Holdings Ltd.
176	Tianjin Pharmaceutical (Hong Kong) Co., Ltd	Related party of Tianjin Pharmaceutical Holdings Ltd.
177	Tianjin Tianyao Pharmaceutical (Asia) Co., Ltd	Related party of Tianjin Pharmaceutical Holdings Ltd.
178	Tianjin Pharmaceutical (Singapore) International Investment Pte. Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
179	Jinyao Development Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
180	China Tech Investments Limited	Related party of Tianjin Pharmaceutical Holdings Ltd.
181	Tianjin Pharmaceutical Holdings International Holdings Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
182	Tianjin Pharmaceutical Holdings Gencom Pharmacy Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
183	Tianjin Vocational College of Bioengineering	Related party of Tianjin Pharmaceutical Holdings Ltd.
184	Tianjin Jinyi Real Estate Development Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
185	MEDA Co., Ltd	Related party of Tianjin Pharmaceutical Holdings Ltd.
186	Tianjin Pharmaceutical Holdings Sales Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
187	Tianjin Pharmaceutical Journal	Related party of Tianjin Pharmaceutical Holdings Ltd.
188	Tianjin Kingyork Pharmaceutical Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
189	Tianjin Xinnuo Pharmaceutical Co., Ltd.	Related party of Tianjin Pharmaceutical Holdings Ltd.
190	Tianjin Hebei Daren Hospital	Related party of Tianjin Pharmaceutical Holdings Ltd.
191	Tianjin Bohai Chemical Group Co., Ltd.	The Bank's substantial shareholder
192	Tianjin Bohai Chemical Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
193	Tianjin Dagu Chemical Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
194	Tianjin Dagu Trade Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
195	Tianjin Dagu Chemical Investment and Development Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
196	Tianjin Dagu Fine Chemical Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
197	Tianjin Dagu Logistics Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
198	Tianjin Dagu Property Management Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.

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No.	Name of Shareholder	Relation with the Bank
199	Tianjin Dagu Electrical and Mechanical Equipment Installation Engineering Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
200	Tianjin Botian Chemical Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
201	Tianjin Botian Construction Installation and Maintenance Engineering Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
202	Tianjin Port Free Trade Zone Tiangong International Trade Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
203	Tianjin Botian Tiangong Chemical Trade Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
204	Tianjin Bohua Zhongtai Security Technology Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
205	Tianjin Bo Tian Zhicheng Electrical Installation Limited Liability Company	Related party of Tianjin Bohai Chemical Group Co., Ltd.
206	Tianjin Bohua Yongli Chemical Industry Co., Ltd	Related party of Tianjin Bohai Chemical Group Co., Ltd.
207	Tianjin Bohai Yongli Alkali Industry Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
208	Tianjin Yongli Thermal Power Co., Ltd	Related party of Tianjin Bohai Chemical Group Co., Ltd.
209	Tianjin Yongli Food Additive Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
210	Tianjin Binhai New Area Yongli Heating Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
211	Tianjin Bohua Yongli Logistics Co., Ltd	Related party of Tianjin Bohai Chemical Group Co., Ltd.
212	Tianjin Bohua Yongli Thermal Power Co., Ltd	Related party of Tianjin Bohai Chemical Group Co., Ltd.
213	Tianjin Tanggu Yongli Engineering Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
214	Tianjin Red Triangle International Trading Co., Ltd	Related party of Tianjin Bohai Chemical Group Co., Ltd.
215	Tianjin Bohai Dongfanghong Chemical Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
216	Tianjin Changlu Haijing Group Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
217	Tianjin Haiguang Pharmaceutical Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
218	Tianjin Haijing Huili Industrial Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
219	Tianjin Bohua Haijing Construction and Development Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
220	Tianjin Zhongyan Haijing Investment Consultation Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
221	Tianjin Port Free Trade Zone Haihui International Trade Development Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
222	Tianjin Three Gorges Economic Development Corporation	Related party of Tianjin Bohai Chemical Group Co., Ltd.
223	Tianjin Haijing Xinli Fiber Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
224	Tianjin Haijing Plastic Products Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
225	Tianjin Development Zone Integrity Property Management Limited	Related party of Tianjin Bohai Chemical Group Co., Ltd.

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No.	Name of Shareholder	Relation with the Bank
226	Shandong Feicheng Haijing Salinization Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
227	Tianjin Hailida Chemical Industry Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
228	Textile Economic Zone Haijing Municipal Sanitation Greening Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
229	Tianjin SEG Haijing Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
230	Tianjin Changlu Hangu Saltern Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
231	Tianjin Changlu Salinization Engineering Design Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
232	Tianjin Changlu Hangu Salt Field Engineering Company	Related party of Tianjin Bohai Chemical Group Co., Ltd.
233	Tianjin Han Salt International Trade Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
234	Tianjin Bohai Fine Chemical Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
235	Tianjin Bohua Zhonghe Chemical Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
236	Tianjin Jingye Fine Chemical Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
237	Tianjin Lisheng Chemical Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
238	Tianjin Synthetic Material Industry Research Institute Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
239	Tianjin Yihua Chemical Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
240	Tianjin Bohua Fine Chemical Equipment Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
241	Tianjin DEK Chemical Company Ltd	Related party of Tianjin Bohai Chemical Group Co., Ltd.
242	Tianjin Bohai Fine Property Service Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
243	TianJin YanHai Chemical Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
244	Tianjin Composite Resin Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
245	Tianjin Rui Ou Wei Chemical Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
246	Tianjin Haishan Chemical Technology Development Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
247	Tianjin Yiyou Real Estate Services Ltd	Related party of Tianjin Bohai Chemical Group Co., Ltd.
248	Tianjin Bohai Fine Chemical Trading Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
249	Tianjin Bohua Rubber Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
250	Tianjin United Tire & Rubber International Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
251	Tianjin 729 Sports Equipment Development Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
252	Tianjin 729 Sports Equipment Sales Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
253	Tianjin Bohai Tianli Tire & Rubber Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
254	Tianjin Dolphins Transportation Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
255	Tianjin Rubber Industry Research Institute Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
256	Tianjin Tianxiang Industrial Import & Export Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
257	Tianjin Dolphin Chemical Equipment Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
258	Tianjin Dolphin Carbon Black Development Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.

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No.	Name of Shareholder	Relation with the Bank
259	NEW UT INC	Related party of Tianjin Bohai Chemical Group Co., Ltd.
260	Tianjin Shuang'An Safety Rubber Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
261	Tianjin Shuang'An Protective Supplies Limited Liability Company	Related party of Tianjin Bohai Chemical Group Co., Ltd.
262	Tianjin Boxiang Industrial Import and Export Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
263	Tianjin Bohua Asset Management Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
264	Tianjin Bohai Chemical Raw Materials Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
265	Tianjin Qinfa Chemical Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
266	Tianjin Chemical Reagent Institute	Related party of Tianjin Bohai Chemical Group Co., Ltd.
267	Tianjin Tiantai Fine Chemicals Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
268	Tianjin Inorganic Chemical Industry Institute Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
269	Tianjin Chemical Reagent Supply and Marketing Company	Related party of Tianjin Bohai Chemical Group Co., Ltd.
270	BCIG Environmental Remediation Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
271	Tianjin Tianqing Chemical Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
272	Tianjin Bohua Engineering Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
273	Tianjin Bohua Engineering Construction Supervision Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
274	Tianjin Bohua Property Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
275	Tianjin Bohai Property Trading Company	Related party of Tianjin Bohai Chemical Group Co., Ltd.
276	Tianjin Dinghua Investment Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
277	Tianjin Dinghua Development Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
278	Bohai Chemical (HK) Company Limited	Related party of Tianjin Bohai Chemical Group Co., Ltd.
279	LM ENERGY LIMITED	Related party of Tianjin Bohai Chemical Group Co., Ltd.
280	Tianjin Chemical Supply and Marketing Corporation	Related party of Tianjin Bohai Chemical Group Co., Ltd.
281	Tianjin Bohai Chemical Group Supply and Marketing Company	Related party of Tianjin Bohai Chemical Group Co., Ltd.
282	Tianjin Bohua Salt Distribution Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
283	Tianjin Bohai Group Finance Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
284	Tianjin Bohua Petrochemical Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
285	Tianjin Bohai Chemical Industries Import & Export Corporation	Related party of Tianjin Bohai Chemical Group Co., Ltd.
286	Tianjin Bohai TEDA Investment Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
287	Tianjin Bohai Chemical Group Industrial Limited	Related party of Tianjin Bohai Chemical Group Co., Ltd.
288	Tianjin Bohua Property Management Company	Related party of Tianjin Bohai Chemical Group Co., Ltd.
289	Tianjin Bohua Chemical Development Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
290	Tianjin Zhanglu Salt Industry Group Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.

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No.	Name of Shareholder	Relation with the Bank
291	Tianjin World Wide Magnetic Stripe Group Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
292	Tianjin People's Printing Plant	Related party of Tianjin Bohai Chemical Group Co., Ltd.
293	Tianjin Guangze Light Industrial Trading Company	Related party of Tianjin Bohai Chemical Group Co., Ltd.
294	Tianjin Paper Plant Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
295	Yushu Gaoke (Tianjin) Enterprise Limited	Related party of Tianjin Bohai Chemical Group Co., Ltd.
296	Tianjin Qianyulin Paper Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
297	Tianjin Wanhua Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
298	Tianjin Huazheng Packaging Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
299	Tianjin Jintianhua Commerce Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
300	Tianjin Huaxinying Polyester Technology Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
301	Tianjin Wanhua Electronic Apparatus Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
302	Tianjin World Wide Magnetic Stripe Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
303	Tianjin World Wide Innovative Paper Net Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
304	Tianjin World Wide Special Silk Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
305	Tianjin World Wide Magnetic Stripe Commerce Development Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
306	Tianjin World Wide Cailun Paper Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
307	Storage Service Department of Tianjin People's Printing Plant	Related party of Tianjin Bohai Chemical Group Co., Ltd.
308	Commerce Department of Tianjin World Wide	Related party of Tianjin Bohai Chemical Group Co., Ltd.
309	Tianjin World Wide Magnetic Stripe Marketing Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
310	Tianjin World Wide Chemical Technology Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
311	Inner Mongolia Zhanglu Mining Investment Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
312	Reception of Tianjin Zhanglu Salt Industry Headquarter	Related party of Tianjin Bohai Chemical Group Co., Ltd.
313	Tianjin Zhanglu Jiexin Investment and Development Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
314	Shiyan Tianci Stone Art Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
315	Tianjin Zhanglu Huaxin Chemical Engineering Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
316	Zhanglu Jiexin Hong Kong Investment Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
317	Tianjin Zhanglu Jiexin Import and Export Trading Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
318	Tianjin Zhanglu Jiecheng International Trading Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
319	Tianjin Zhanglu Technology Development Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
320	Tianjin Zhanglu Real Estate Development Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
321	Tianjin Zhanglu Quyang Real Estate Development Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
322	Gucheng County Zhanglu Real Estate Development Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.

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No.	Name of Shareholder	Relation with the Bank
323	Tianjin Zhanglu New Material Research Institute Co., Ltd.	Related party of Tianjin Bohai Chemical Group Co., Ltd.
324	CSSC International Holding Company Limited	The Bank's substantial shareholder
325	China State Shipbuilding Corporation Limited	Controlling shareholder and de facto controller of CSSC International Holding Company Limited
326	State-owned Assets Supervision and Administration Commission of the State Council	Ultimate beneficiary of CSSC International Holding Company Limited
327	CSSC (Hong Kong) Shipping Company Limited	Related party of CSSC International Holding Company Limited
328	Fortune Eris Holding Company Limited	Related party of CSSC International Holding Company Limited
329	Hong Kong Fair Limited	Related party of CSSC International Holding Company Limited
330	Zhongqiao Shipping Limited	Related party of CSSC International Holding Company Limited
331	New Pearl River Shipping Limited	Related party of CSSC International Holding Company Limited
332	CSSC Financial Leasing (Shanghai) Co., Ltd.	Related party of CSSC International Holding Company Limited
333	CSSC Financial Leasing (Tianjin) Co., Ltd.	Related party of CSSC International Holding Company Limited
334	CSSC Capital 2015 Limited	Related party of CSSC International Holding Company Limited
335	CHA Great Worldwide Holding Company	Related party of CSSC International Holding Company Limited
336	CHC Holding Company Group Limited	Related party of CSSC International Holding Company Limited
337	Lianhuashan Holding Company Limited	Related party of CSSC International Holding Company Limited
338	Fortune 2014 Holding Company Limited	Related party of CSSC International Holding Company Limited
339	Fortune Jupiter Holding Company Limited	Related party of CSSC International Holding Company Limited
340	Fortune Moon Holding Company Limited	Related party of CSSC International Holding Company Limited
341	Putuoshan Holding Company Limited	Related party of CSSC International Holding Company Limited
342	Fortune Mars Holding Company Limited	Related party of CSSC International Holding Company Limited
343	Fortune Mercury Holding Company Limited	Related party of CSSC International Holding Company Limited
344	Fortune Saturn Holding Company Limited	Related party of CSSC International Holding Company Limited

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No.	Name of Shareholder	Relation with the Bank
345	Fortune Venus Holding Company Limited	Related party of CSSC International Holding Company Limited
346	Fortune Zeus Holding Company Limited	Related party of CSSC International Holding Company Limited
347	Fortune Poseidon Holding Company Limited	Related party of CSSC International Holding Company Limited
348	Fortune Eos Holding Company Limited	Related party of CSSC International Holding Company Limited
349	Fortune Haumea Holding Company Limited	Related party of CSSC International Holding Company Limited
350	Fortune Aquarius Holding Company Limited	Related party of CSSC International Holding Company Limited
351	Fortune Pisces Holding Company Limited	Related party of CSSC International Holding Company Limited
352	Fortune Tianxia Holding Company Limited	Related party of CSSC International Holding Company Limited
353	Fortune Jessica Investments Company Limited	Related party of CSSC International Holding Company Limited
354	Fortune East Sea Holding Company Limited	Related party of CSSC International Holding Company Limited
355	Fortune Aspiration Investments Company Limited	Related party of CSSC International Holding Company Limited
356	Fortune Pluto Holding Company Limited	Related party of CSSC International Holding Company Limited
357	Fortune Neptune Holding Company Limited	Related party of CSSC International Holding Company Limited
358	Fortune Uranus Holding Company Limited	Related party of CSSC International Holding Company Limited
359	SWS JU2000E Holdco Limited	Related party of CSSC International Holding Company Limited
360	Fortune Ceres Holding Company Limited	Related party of CSSC International Holding Company Limited
361	Fortune Makemake Holding Company Limited	Related party of CSSC International Holding Company Limited
362	Fortune Capricorn Holding Company Limited	Related party of CSSC International Holding Company Limited
363	Fortune Aries Holding Company Limited	Related party of CSSC International Holding Company Limited
364	Fortune Baltic Holding Company Limited	Related party of CSSC International Holding Company Limited
365	Fortune CD Aurora Holding Company Limited	Related party of CSSC International Holding Company Limited

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No.	Name of Shareholder	Relation with the Bank
366	Fortune Victoria Peak Holding Company	Related party of CSSC International Holding Company Limited
367	Fortune Evolution Investments Company Limited	Related party of CSSC International Holding Company Limited
368	Tianjin Jinrong Investment Service Group Co., Ltd.	The Bank's substantial shareholder
369	Tianjin Jinrong Asset Management Co., Ltd.	Related party of Tianjin Jinrong Investment Service Group Co., Ltd.
370	Tianjin Jinrong Guojin Investment Co., Ltd.	Related party of Tianjin Jinrong Investment Service Group Co., Ltd.
371	Tianjin Jinrong Guoxin Capital Management Co., Ltd.	Related party of Tianjin Jinrong Investment Service Group Co., Ltd.
372	Tianjin Science and Technology Investment Group Co., Ltd.	Related party of Tianjin Jinrong Investment Service Group Co., Ltd.
373	Tianjin Jintou Jinying International Trade Co., Ltd.	Related party of Tianjin Jinrong Investment Service Group Co., Ltd.
374	Tianjin Jinyi Investment Limited	Related party of Tianjin Jinrong Investment Service Group Co., Ltd.
375	Huashuo High-Tech Investment & Development Co., Ltd. of Tianjin Investment Group	Related party of Tianjin Jinrong Investment Service Group Co., Ltd.
376	Tianjin Jinxin Real Estate Construction & Development Corporation	Related party of Tianjin Jinrong Investment Service Group Co., Ltd.
377	Tianjin Jintou Leasing Co., Ltd.	Related party of Tianjin Jinrong Investment Service Group Co., Ltd.
378	Tianjin Jinrong Investment Co., Ltd.	Related party of Tianjin Jinrong Investment Service Group Co., Ltd.
379	Tianjin Jintou Jinsha Real Estate Development Co., Ltd.	Related party of Tianjin Jinrong Investment Service Group Co., Ltd.
380	Jintou Futures Brokerage Co., Ltd.	Related party of Tianjin Jinrong Investment Service Group Co., Ltd.
381	Tianjin Jinrong Guohengjinfu Group Co., Ltd.	Related party of Tianjin Jinrong Investment Service Group Co., Ltd.
382	Xinyuan Financing Leasing (Tianjin) Co., Ltd.	Related party of Tianjin Jinrong Investment Service Group Co., Ltd.
383	Tianjin Herongjiusheng Electrical Equipment Engineering Co., Ltd.	Related party of Tianjin Jinrong Investment Service Group Co., Ltd.
384	Tianjin Herong Asset Management Co., Ltd.	Related party of Tianjin Jinrong Investment Service Group Co., Ltd.
385	Tianjin Jinsha Investment Co., Ltd.	Related party of Tianjin Jinrong Investment Service Group Co., Ltd.
386	Tianjin Jinrong Shuangchuang Equity Investment Fund Co., Ltd.	Related party of Tianjin Jinrong Investment Service Group Co., Ltd.
387	Tianjin International Technology Consultation Co., Ltd.	Related party of Tianjin Jinrong Investment Service Group Co., Ltd.

Appendix II

LIST OF RELATED-PARTY TRANSACTIONS BETWEEN THE BANK AND ITS SHAREHOLDERS

The below table sets forth the related-party transactions between the Bank and its substantial shareholders and their controlling shareholders, de facto controllers, related parties, persons acting in concert and ultimate beneficiaries during the Reporting Period:

Unit: RMB

Name of Related Party	Relationship	Currency	Remaining		Type of Business	Type of Related Party Transaction
			Closing Balance	Transaction		
Tianjin Port Free Trade Zone Investment Holdings Co., Ltd.	Controlling shareholder and ultimate beneficiary of substantial shareholder	RMB	290,000,000.00		General working capital loan	General related-party transaction
Xinyuan Financing Leasing (Tianjin) Co., Ltd.	Related party of substantial shareholder	RMB	200,000,000.00		General working capital loan	General related-party transaction
Tianjin Bohua Yongli Chemical Industry Co., Ltd.	Related party of substantial shareholder	RMB	745,000,000.00		General working capital loan	General related-party transaction
Tianjin Botian Chemical Co., Ltd.	Related party of substantial shareholder	RMB	250,000,000.00		General working capital loan	General related-party transaction
Tianjin Jintou Leasing Co., Ltd.	Related party of substantial shareholder	RMB	28,500,000.00		General working capital loan	General related-party transaction
Tianjin Zhanglu Jixin Import and Export Trading Co., Ltd.	Related party of substantial shareholder	RMB	5,000,000.00		General working capital loan	General related-party transaction
Tianjin Zhanglu Salt Industry Group Co., Ltd.	Related party of substantial shareholder	RMB	600,000,000.00		General working capital loan	General related-party transaction
Tianjin Zhanglu Jixin Investment and Development Co., Ltd.	Related party of substantial shareholder	RMB	350,000,000.00		General working capital loan	General related-party transaction

Notes:

1. The above data does not include related-party transactions that have been approved but not yet transacted.
2. Remaining balance of the above related-party transactions represent 3.67% of the net capital of the Bank as at the end of last quarter.
3. The above related-party transactions are conducted in accordance with commercial principals and on terms no better than similar transactions with non-related party.



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