

# Bank of Tianjin Co., LTD.\*

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



## 2019 Annual Report



\* *Bank of Tianjin Co., Ltd. is not an authorised 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 authorised 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 6 November 1996 in Tianjin, China with limited liability in accordance with the 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 31 December 2019
“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
Authorised 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	6 November 1996
Business License No. of Corporation	120000000007636
Uniform Social Credit Code	911200001030702984
Finance Permit Institution Number	B0108H212000001

## Company Profile

<b>Listing Place of Stock</b>	The Stock Exchange of Hong Kong Limited
<b>Stock Name</b>	Bank of Tianjin
<b>Stock Code</b>	1578
<b>H Share Registrar</b>	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
<b>Legal Advisor as to PRC Laws</b>	GRANDALL LAW FIRM (TIANJIN)
<b>Legal Advisor as to Hong Kong Laws</b>	Paul Hastings 21-22/F, Bank of China Tower 1 Garden Road Hong Kong
<b>Auditor</b>	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 31 December					
	2019	2018	Year-on-year Change between 2019 and 2018	2017	2016	2015
(Amounts in thousands of RMB unless otherwise stated)						
			Rate of change (%)			
<b>OPERATING RESULTS</b>						
Interest income	32,268,052	27,487,524	17.4	27,894,735	25,202,576	26,656,584
Interest expense	(19,045,250)	(20,781,987)	(8.4)	(19,493,523)	(14,843,351)	(15,977,161)
<b>NET INTEREST INCOME</b>	<b>13,222,802</b>	<b>6,705,537</b>	<b>97.2</b>	<b>8,401,212</b>	<b>10,359,225</b>	<b>10,679,423</b>
Investment income	1,429,901	3,793,253	(62.3)	–	–	–
Fee and commission income	2,308,570	1,881,805	22.7	2,112,839	1,442,473	1,026,900
Fee and commission expense	(42,284)	(344,211)	(87.7)	(79,374)	(40,421)	(31,171)
<b>NET FEE AND COMMISSION INCOME</b>	<b>2,266,286</b>	<b>1,537,594</b>	<b>47.4</b>	<b>2,033,465</b>	<b>1,402,052</b>	<b>995,729</b>
Net trading losses	(210,873)	(145,176)	45.3	(157,018)	(56,748)	153,862
Net gains arising from derecognition of financial assets measured at amortised cost	115,163	132,526	(13.1)	–	–	–
Other income, gains or losses	230,441	114,480	101.3	(134,343)	110,207	92,730
<b>OPERATING INCOME</b>	<b>17,053,720</b>	<b>12,138,214</b>	<b>40.5</b>	<b>10,143,316</b>	<b>11,814,736</b>	<b>11,921,744</b>
Operating expenses	(3,988,677)	(3,447,071)	15.7	(3,102,593)	(3,767,642)	(3,817,123)
Impairment losses under expected credit loss (ECL) model, net of reversals	(7,430,105)	(3,481,867)	113.4	(2,131,853)	(2,352,964)	(1,757,695)
Share of results of associates	(1,693)	8,233	(120.6)	(25,932)	16,244	–



## Summary of Accounting Data and Financial Indicators

	For the year ended 31 December					
	2019	2018	Year-on-year Change between 2019 and 2018	2017	2016	2015
(Amounts in thousands of RMB unless otherwise stated)						
			Rate of change (%)			
PROFIT BEFORE TAX	5,633,245	5,217,509	8.0	4,882,938	5,710,374	6,346,926
Income tax expense	(1,024,584)	(987,422)	3.8	(939,874)	(1,192,470)	(1,414,543)
<b>PROFIT FOR THE YEAR</b>	<b>4,608,661</b>	4,230,087	8.9	3,943,064	4,517,904	4,932,383
Profit for the year attributable to						
Equity holders of the Bank	4,547,971	4,181,248	8.8	3,916,386	4,522,053	4,916,440
Non-controlling interests	60,690	48,839	24.3	26,678	(4,149)	15,943
Earnings per share attributable to equity holders of the Bank (Expressed in RMB Yuan per share)						
-Basic	0.75	0.69	8.7	0.65	0.77	0.96

## Summary of Accounting Data and Financial Indicators

	For the year ended 31 December					
	2019	2018	Year-on-year Change between 2019 and 2018	2017	2016	2015
(Amounts in thousands of RMB unless otherwise stated)						
			Rate of change (%)			
<b>MAJOR INDICATORS OF ASSETS/LIABILITIES</b>						
<b>Total assets</b>	<b>669,401,117</b>	659,339,903	1.5	701,913,589	657,310,107	565,667,731
Of which: loans and advances to customers	<b>281,229,242</b>	276,943,278	1.5	241,637,249	207,854,530	179,570,910
<b>Total liabilities</b>	<b>618,224,334</b>	611,619,166	1.1	657,157,727	615,555,327	532,420,027
Of which: due to customers	<b>350,996,365</b>	342,877,165	2.4	357,857,635	365,470,957	334,691,026
Share capital	<b>6,070,552</b>	6,070,552	–	6,070,552	6,070,552	5,126,048
Equity attributable to equity holders of the Bank	<b>50,394,845</b>	46,999,489	7.2	44,083,453	41,709,929	33,023,651
<b>Total equity</b>	<b>51,176,783</b>	47,720,737	7.2	44,755,862	41,754,780	33,247,704

## Summary of Accounting Data and Financial Indicators

	For the year ended 31 December					
	2019	2018	Year-on-year Change between 2019 and 2018	2017	2016	2015
<b>PROFITABILITY INDICATORS (%)</b>						
Return on average total assets <sup>(1)</sup>	<b>0.69</b>	0.62	0.07	0.58	0.74	0.94
Return on average equity <sup>(2)</sup>	<b>9.32</b>	9.15	0.17	9.12	12.05	15.88
Net interest spread <sup>(3)</sup>	<b>1.88</b>	1.23	0.65	0.81	1.43	1.74
Net interest margin <sup>(4)</sup>	<b>2.21</b>	1.59	0.62	1.25	1.76	2.08
Net fee and commission income to operating income	<b>13.29</b>	12.67	0.62	20.05	11.87	8.35
Cost-to-income ratio <sup>(5)</sup>	<b>22.20</b>	27.18	(4.98)	29.42	27.52	22.49
<b>ASSET QUALITY INDICATORS (%)</b>						
Non-performing loan ratio <sup>(6)</sup>	<b>1.98</b>	1.65	0.33	1.50	1.48	1.34
Allowance coverage ratio <sup>(7)</sup>	<b>220.58</b>	250.37	(29.79)	193.81	193.56	202.84
Allowance to gross loan ratio <sup>(8)</sup>	<b>4.36</b>	4.13	0.23	2.91	2.87	2.73

## Summary of Accounting Data and Financial Indicators

	For the year ended 31 December					
	2019	2018	Year-on-year Change between 2019 and 2018	2017	2016	2015
<b>CAPITAL ADEQUACY RATIO INDICATORS (%)</b>						
<i>Calculated based on Capital Adequacy Measures</i>						
Core capital adequacy ratio <sup>(9)</sup>	N/A	N/A	N/A	N/A	N/A	N/A
Capital adequacy ratio <sup>(10)</sup>	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 <sup>(11)</sup>	10.62	9.83	0.79	8.64	9.48	9.33
Tier-one capital adequacy ratio <sup>(12)</sup>	10.63	9.84	0.79	8.65	9.48	9.33
Capital adequacy ratio <sup>(13)</sup>	15.24	14.53	0.71	10.74	11.88	12.23
Total equity to total assets	7.65	7.24	0.41	6.38	6.35	5.88
<b>OTHER INDICATORS (%)</b>						
Loan-to-deposit ratio <sup>(14)</sup>	85.05	85.59	(0.54)	69.56	58.57	55.93
Liquidity ratio <sup>(15)</sup>	51.38	50.29	1.09	35.41	34.39	43.14
Percentage of loans to the single largest customer <sup>(16)</sup>	4.38	5.02	(0.64)	6.36	7.83	4.50
Percentage of loans to the top ten customers <sup>(17)</sup>	31.76	29.47	2.29	41.55	35.76	28.49

## Summary of Accounting Data and Financial Indicators

*Notes:*

- (1) Calculated by dividing net profit for the year by average balance of total assets at the beginning and the end of the year.
- (2) Calculated by dividing net profit for the year by average balance of total equity at the beginning and the end of the year.
- (3) Calculated as the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities.
- (4) Calculated by dividing net interest income by the daily average balance of total interest-earning assets.
- (5) Calculated by dividing total operating expenses (excluding sundry taxes) by total operating income.
- (6) Calculated by dividing total non-performing loans by gross loans (excluding interests).
- (7) Calculated by dividing total allowance for impairment losses on loans to customers by total non-performing loans.
- (8) Calculated by dividing total allowance for impairment losses on loans to customers by gross loans to customers (excluding interests).
- (9) 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.
- (10) 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.
- (11) Calculated by dividing core tier-one capital, net of core tier-one capital deductions, by risk-weighted assets.
- (12) Calculated by dividing tier-one capital, net of tier-one capital deductions, by risk-weighted assets.
- (13) Calculated by dividing total capital, net of capital deductions, by risk-weighted assets.
- (14) Loan-deposit ratios as of 31 December 2018 and 31 December 2019 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.
- (15) Liquidity ratio is calculated in accordance with the formula promulgated by the China Banking and Insurance Regulatory Commission.
- (16) Calculated by dividing total loans to the single largest customer by net capital.
- (17) Calculated by dividing total loans to the top ten customers by net capital.

## Chairman's Statement



**LI Zongtang**  
Chairman

## Chairman's Statement

2019 marks the 70<sup>th</sup> anniversary of the founding of New China, a key year for building a well-off society in an all-round way, and an important year for Bank of Tianjin to consolidate and examine the effectiveness of the Strategic Development Plan for 2016-2020. The complicated and ever-changing international environment and the new situations and changes, including stricter and more prudent domestic financial supervision, and the accelerated innovation and transformation of the financial industry brought great challenges to the traditional banks. In face of these challenges, Bank of Tianjin has effectively brought into play the operational effectiveness of corporate governance and pushed forward the extensive implementation of the "Strategic Development Plan for 2016-2020". Moreover, the Bank consolidated the dual-track development strategy of "transformation + innovation", and strengthened financial innovation on the basis of actively preventing and resolving various financial risks. We have strengthened IT-based support, spared no effort to enhance brand influence and product competitiveness, and maintained a good momentum of coordinated development in efficiency, quality and scale. As a result of these efforts, various business indicators continued to improve, major regulatory indicators met regulatory requirements, and the Bank achieved outstanding results, setting a record high in annual operating income and pre-provision profit.

Practice is an important criterion for testing suitability of a strategy. Through in-depth practice in 2019, the Bank's operating policies and strategic deployments have been proven effective once again. The Bank was able to withstand market tests and competition as a result of focusing on the real economy, returning to original business, promoting transformation and innovation, strengthening risk prevention and control, and strengthening technological support, which are perfectly in line with current and future development of the Bank. On behalf of Bank of Tianjin, I would like to express my sincere gratitude to all Shareholders, clients and the community for their care and support.

2020 marks the closing year of the Bank's Strategic Development Plan for 2016-2020, also an important transitional year that connects the past, the present, and the future. At the turn of the year, we witnessed the easing of trade frictions between China and the United States, yet we also encountered the sudden outbreak of the novel coronavirus, which had a certain impact on various domestic industries. The Bank successively issued a series of financial support measures to assist in the fight against the epidemic, while reasonably and orderly arranging the resumption of work to ensure the steady progress and implementation of the Bank's overall work. "The Chinese nation has experienced many ordeals in its history, but it has never been overwhelmed. Instead, it has become more and more courageous, growing up and rising up from the hardships." Under the strong leadership of the Party Central Committee with General Secretary Xi Jinping at the core and under the guidance of the Bank's Strategic Development Plan, the Bank will unswervingly build a solid foundation for development, consolidate the transformation, adhere to the path of innovation, and exploit technology. By doing so, the Bank will give back to Shareholders, clients, society and the country with practical actions, solid performance and promising development prospects.



LI Zongtang  
Chairman



## President's Statement



**SUN Liguó**  
President



## President's Statement

Looking back, 2019 was a year of fighting, a year of forging ahead amid difficulties, and a year of achievements for Bank of Tianjin. We pulled together and carried forward in spite of difficulties. Guided by the development concept of “putting quality first and giving priority to performance”, we have unswervingly followed the dual-track development strategy of “transformation + innovation”. We have persevered in carrying out various tasks of the “Ten Major Projects (2.0)” and delivered satisfactory results to shareholders and community in the course of high-quality development.

As of the end of 2019, our total assets amounted to RMB669.40 billion, while our total liabilities amounted to RMB618.22 billion. Operating income for the year was RMB17.05 billion, representing a year-on-year increase of 40.5%. Pre-provision profit totaled RMB13.06 billion, representing a year-on-year increase of 50.2%. Allowance for impairment losses for the year totaled RMB7.43 billion, representing a year-on-year increase of 113.4%. Despite the substantial increase in provisions, our net profit amounted to RMB4.61 billion, representing a year-on-year increase of 8.9%. The capital adequacy ratio was 15.24%. The non-performing loan ratio was 1.98% and the allowance coverage ratio was 220.58%. In the Banker's 2019 Top 1,000 World Banks, Bank of Tianjin ranked 197<sup>th</sup>, its best score in its history. These impressive figures are the results of unremitting efforts and contributions of our staff over the past year, which also demonstrates the perfect integration of the new strategic development plan and the management practice of Bank of Tianjin.

In 2019, amid the vicissitudes in external environment, financial institutions, especially small and medium-sized financial institutions, went through shocking financial turbulences one after another. As a financial institution, Bank of Tianjin also experienced these challenges, but we firmly believe that there are always more solutions than difficulties. In face of difficulties, we just need to keep moving forward with innovation and improvement of our abilities.

This year, we pushed forward the “Four Tailor-made Approaches” on the asset and liability side to reduce inefficient assets and strived to maximise the benefits of resource allocation. We mitigated and reduced risk exposure arising from SOE debts and hidden debts of local governments, and smoothly resolved the debt problems of Bohai Steel Group. The structure of liabilities was reasonably arranged. The proportion of interbank liabilities under supervision dropped from 30.09% as at the beginning of the year to 26.72% as at the end of the year. In addition, the structure of assets and liabilities was significantly optimised.

In 2019, we launched a multi-pronged strategy of unconventional development approach for retail businesses. With the launch of new online competitive products, including “Tian Tian Loan”, “e-loan for taxpayers”, “e-loan for supermarkets” and “Meituan business Loan”, the steady development of personal online loans, and the leading performance in asset quality maintenance, the credit card business has grown exponentially, and the financial and technological integration achieved initial results.

This year, Bank of Tianjin continued to strengthen comprehensive risk management and achieved phased results in classification of “bad banks”. We mitigated the risks in existing businesses in an orderly manner and firmly holding the bottom line of risks. We maintained a high-handed pressure on accountability and punishment through zero tolerance for violations, thereby achieved the prevention and control target of zero cases in 2019 and thereby maintained zero cases for three consecutive years.

## President's Statement

In 2019, Bank of Tianjin continued to push forward the development of rules and regulations to improve the corporate governance structure and management organisation structure, strengthen the group management concept. The Bank invested the largest resources in the development of IT projects since the Bank was founded. "Phase I Project" was officially put into operation, the digital archives passed the acceptance standards successfully. The continuous consolidation of financial infrastructure provided a solid guarantee for the long-term development across the Bank.

We will keep withstanding the test of times just like we kept moving forward in the right direction with steady steps in 2019. We are very well aware that 2020 is bound to be a more extraordinary year. The outbreak of the epidemic at the beginning of the New Year shook the peaceful lives of every Chinese, disturbed the normal economic order and brought a stream of challenges. However, none of these can change the fundamentals of China's economy and continuously improving development momentum. Such adversities can only spur our nation to grow in strength. I believe that under the strong leadership of the CPC Central Committee with Comrade Xi Jinping at the core, we will win this fight against the epidemic and realise the smooth conclusion of the 13th Five-Year Plan. Difficulties and obstacles will only strengthen Bank of Tianjin team, and we shall certainly keep moving further and further on the road to high-quality development!



**SUN Liguó**  
*President*

## Management Discussion and Analysis

### I ENVIRONMENT AND PROSPECTS

In 2019, despite significantly rising risks and challenges at home and abroad, the PRC's economic fundamentals were good, economic growth remained resilient, and its domestic economy continued to operate within an appropriate range. The country's major development targets were in line with expectation, showing overall stability and steady progress. In particular, key progress has been achieved in the "Three Critical Battles", with significant move towards "Reform and Opening" being made. We continued deepening of the supply-side structural reform, and continued improvement in standard of living, thus sustained healthy economic and social development as well as social stability.

Looking forward to 2020, it is expected that the world economic growth will continue to slow down and remain in a period of deep adjustment following the international financial crisis. Sources of global turbulence and risk will increase noticeably. China is in a period of changing the mode of development, optimising its economic structure, and changing the driving force for growth. Due to the intertwined structural, institutional and cyclical problems, the impact of the "three-phase superposition" has been continuously deepened, and the downward pressure on the economy has increased especially under the impact of COVID-19. However, in general, the basic trend of China's economic stability and long-term improvement has not changed. The domestic economy will adhere to the general tone of maintaining stability while seeking progress and adhering to the new concept of development. It will persist in taking supply-side structural reform as the main line, persist in taking reform and opening up as the driving force, promote high-quality development, resolutely win the "Three Critical Battles", and do a good job in the work of "six stability" in an all-round way. It will promote stable growth, promote reform, adjust the structure, benefit the people's livelihood, prevent risks, maintain stability, and maintain economic operation in a reasonable range. The domestic macroeconomic policy will strengthen counter-cyclical adjustment, continue to implement a proactive fiscal policy and a prudent monetary policy. Fiscal policy will focus on improving quality and efficiency, and strengthen structural adjustment; whereas monetary policy will emphasize flexibility and moderation, and maintain reasonable and adequate liquidity. In the face of the challenges and opportunities, while based on the regional economic development, the Bank will closely abide by the State's 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 coordinated development of the Beijing-Tianjin-Hebei region and actively promote the transformation and paradigm shift in the development of the region. We will continue to uphold the dual-track strategy of "transformation + innovation", consolidate 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

In 2019, we further realised our six core strategic visions of becoming the “mainstream bank in Beijing-Tianjin-Hebei region, dual-track bank, value-driven bank, bank proud of compliance and integrity, bank offering superior experience, bank that cares for employees”. The Bank strictly complied with the requirements of the Hong Kong Listing Rules and the Articles of Association in a manner responsible to all the shareholders. Under the leadership of the Board of Directors, the Board of Supervisors and the senior management, all staff members worked together to push through adversity, and have established the new development concept of “putting quality first and giving priority to performance” solidly through determination on strategic goals. The Bank firmly promoted the dual-track development strategy of “transformation + innovation” and strived to implement each of the measures under the “Ten Major Projects (2.0)”, adhering to its blueprint all along. Our corporate banking business adhered to the “Four Tailor-made Approaches”. A “Corporate Customer Account Management” mechanism was set up across the Bank to strengthen management of group customers and government customers, and thus enhanced the quality and efficiency of the Bank’s corporate banking business while serving the real economy. Our personal banking continued to prioritise boundless connections. With the aim of bringing convenience to people, the Bank has developed a new model which enables it to acquire customers in massive number through utilising financial technologies and product innovation. The Bank promoted the intelligent reformation of its outlets and optimised its personnel layout at its outlets and its business structure, which thoroughly enhanced the service capability of its outlets. The Bank continued to insist on returning to the origins for its financial market business, and it had further optimised its asset portfolio and continued to increase the allocation of assets with high credit rating and standard securities in this regard, achieving enhanced quality and efficiency. The Bank strengthened its initiative debt marketing and optimised its debt structure; it also actively participated in the proprietary and broker transaction of bonds, foreign exchange, derivatives and precious metal in an effort to constantly improve the FICC (Fixed income, Currency & Commodity) product line, which combines investment, financing and trading businesses. The Bank put in great efforts in building it as “the centres for innovation products and initiative debt transactions as well as a channel between other banks and clients” to facilitate quality development of the financial market business. Meanwhile, various initiatives in “Ten Major Projects (2.0)” of the Bank had been implemented, and comprehensive risk management was pushed forward to safeguard the Bank against any systematic risk. The Bank also released and addressed high-risk assets in an orderly manner through comprehensive risk management as well as strictly implemented its credit review and extension and conducting post-loan management. Through splitting from “bad banks” proactively, recovery rate of the Bank was significantly enhanced. The Bank stressed on compliance with laws and regulations with zero non-compliance event recorded for three consecutive years. Taking full advantage of the Bank’s financial technology, overall online loan risk prevention and control was realised for online loans, covering application to post-loan management process. The risk prevention and control ability for the internet loan business was also enhanced. Foundation of the information technology was further solidified through completing “IT Framework Planning Implementation Project (Phase I)” as scheduled as well as further improving our modernised management. We continued our efforts in team building, brand and culture building, infrastructure, further solidifying our development. The Bank ranked 197th in Top 1,000 World Banks 2019 published by the Banker, a UK publication. The Bank was successfully among the 2019 Top 500 Chinese Enterprises, and ranked 170th in the 2019 Top 500 China Service Industry Enterprises, up 2 places from that of the previous year. The Bank has been granted “AAA” rating by China Lianhe Credit Rating Co., Ltd. for three consecutive years.

## Management Discussion and Analysis

In 2019, the Bank materialised an operating income of RMB17.05 billion, representing an increase of 40.5% as compared to 2018. Profit before allowance increased by 50.2% to RMB13.06 billion as compared to 2018. Impairment provisions for the year amounted to RMB7.43 billion, representing an increase of 113.4% as compared to 2018. Net profit reached RMB4.61 billion, representing an increase of 8.9% as compared to 2018. Return on average total assets reached 0.69%, representing an increase of 0.07 percentage point as compared to 2018. Return on average equity reached 9.32%, representing an increase of 0.17 percentage point as compared to 2018. Capital adequacy ratio reached 15.24%, representing an increase of 0.71 percentage point as compared to 2018. Tier-one capital adequacy ratio reached 10.63% with core tier-one capital adequacy ratio reaching 10.62%, both representing an increase of 0.79 percentage point as compared to 2018. Other major regulatory indicators also showed steady increment, suggesting the Bank's transformation and innovative measures during the past two years were effective.

In 2019, the Bank further optimised its asset and liability structure with gradual expansion in size while maintaining its quality. In 2019, we proactively increased our investment in assets as well as expanded our sources of financing, total assets and total liabilities increased by 1.5% and 1.1%, respectively as compared to the same period of last year. As our focus turned back to real instead of virtual assets, our support to real economy further strengthened. The average balance of loans and advances to customers increased by 18.8% as compared to 2018. We continued to squeeze and reduce our investment assets while adjusting the investment portfolio. The average balance of our investment securities and other financial assets decreased by 9.6% as compared to 2018. Among them, the average balance of investment in assets, such as trust beneficiary rights, wealth management products, and asset management plans, decreased by 19.9% as compared to 2018, and the average balance of standard assets such as security investments increased by 3.2% as compared to 2018. In terms of liabilities, the Bank stepped up its marketing effort for deposit-taking business, with the average balance of amount due to customers increased by 0.9% as compared to 2018. Taking full advantage of various financing instruments, we broadened our liability sources, hence further optimising our liability structure and reducing our financing costs. Our ratio of balance of interbank borrowings to balance of total liabilities (measured in accordance with the standards of the PBoC and CBIRC, excluding subsidiaries) decreased from 30.09% as at the end of 2018 to 26.72% as at the end of 2019.

The Bank further strengthened its pricing management while adjusting its asset-liability structure. Average yield of the loans and advances to the Bank's customers reached 6.76%, representing a significant increase of 121 basis points as compared to the same period in 2018. The Bank's net interest margin increased by 62 basis points from 1.59% in 2018 to 2.21% in 2019. Net interest spread increased by 65 basis points from 1.23% in 2018 to 1.88% in 2019. Net interest margin and net interest spread demonstrated a "double increment" for two consecutive years.

In 2020, the Bank will continue to deepen its "transformation + innovation" strategy with a focus on its main businesses, stick to its initial intention of serving the real economy, realise financial innovation, enhance its provision of financial products and financial service, and fully improve its ability to operate and prevent various types of risks. The Bank will also continue to promote "Ten Major Projects (2.0)" with enhanced quality and efficiency, further integrate the synergistic development strategy of Beijing-Tianjin-Hebei region, striving to enhance support for real economy, 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 31 December		Rate of change (%)
	2019	2018	
<i>(Amounts in thousands of RMB, unless otherwise stated)</i>			
Interest income	<b>32,268,052</b>	27,487,524	17.4
Interest expense	<b>(19,045,250)</b>	(20,781,987)	(8.4)
<b>NET INTEREST INCOME</b>	<b>13,222,802</b>	6,705,537	97.2
Investment income	<b>1,429,901</b>	3,793,253	(62.3)
Fee and commission income	<b>2,308,570</b>	1,881,805	22.7
Fee and commission expense	<b>(42,284)</b>	(344,211)	(87.7)
<b>NET FEE AND COMMISSION INCOME</b>	<b>2,266,286</b>	1,537,594	47.4
Net trading losses	<b>(210,873)</b>	(145,176)	45.3
Net gains arising from derecognition of financial assets measured at amortised cost	<b>115,163</b>	132,526	(13.1)
Other income, gains or losses	<b>230,441</b>	114,480	101.3
<b>OPERATING INCOME</b>	<b>17,053,720</b>	12,138,214	40.5
Operating expenses	<b>(3,988,677)</b>	(3,447,071)	15.7
Impairment losses under expected credit loss (ECL) model, net of reversals	<b>(7,430,105)</b>	(3,481,867)	113.4
Share of results of associates	<b>(1,693)</b>	8,233	(120.6)
<b>PROFIT BEFORE TAX</b>	<b>5,633,245</b>	5,217,509	8.0
Income tax expense	<b>(1,024,584)</b>	(987,422)	3.8
<b>PROFIT FOR THE YEAR</b>	<b>4,608,661</b>	4,230,087	8.9

## Management Discussion and Analysis

For the year ended 31 December 2019, the Bank's profit before tax increased by 8.0% from RMB5,217.5 million for the year ended 31 December 2018 to RMB5,633.2 million and the profit for the year increased by 8.9% from RMB4,230.1 million for the year ended 31 December 2018 to RMB4,608.7 million.

### 1 Net Interest Income<sup>(1)</sup>, Net Interest Spread and Net Interest Margin

For the year ended 31 December 2019, the Bank's net interest income amounted to RMB13,222.8 million and net interest income of financial instruments measured at fair value through profit or loss ("FVTPL"), the figure under the item "investment income", amounted to RMB1,429.9 million. The sum of two was RMB14,652.7 million, a growth of 39.6% as compared to the figure as at 31 December 2018 measured in the same standard. The Bank's net interest spread increased from 1.23% for the year ended 31 December 2018 to 1.88% for the year ended 31 December 2019, primarily due to the fact that the average yield of our interest-earning assets increased by 33 percentage points to 5.08%, and the average cost of our interest-bearing liabilities decreased by 32 percentage points to 3.20%. The Bank's net interest margin increased from 1.59% for the year ended 31 December 2018 to 2.21% for the year ended 31 December 2019, because the Bank's net interest income<sup>(1)</sup> increased by 39.6% for the year ended 31 December 2019, while the average balance of our interest-earning assets increased by 0.8% for the year ended 31 December 2019.

*Note:*

(1) Includes net interest income from financial instruments at FVTPL, i.e., the figure under the item "investment income".



## Management Discussion and Analysis

The following tables set forth the average balance of the Bank's 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 years ended 31 December 2018 and 2019.

	For the year ended 31 December					
	Average balance	2019 Interest income <sup>(7)</sup>	Average yield (%)	Average balance	2018 Interest income <sup>(7)</sup>	Average yield (%)
<i>(Amounts in millions of RMB, except for percentages)</i>						
<b>Interest-earning assets</b>						
Loans and advances to customers	300,548.7	20,311.1	6.76	252,950.2	14,038.3	5.55
Investment securities and other financial assets, including	290,948.6	11,856.5	4.08	321,890.9	15,262.1	4.74
– Trust beneficiary rights, funds, wealth management products and asset management plans	143,651.8	5,864.0	4.08	179,229.7	9,126.2	5.09
– Debt securities investment	147,296.8	5,992.5	4.07	142,661.2	6,135.9	4.30
Amounts due from banks and other financial institutions <sup>(1)</sup>	19,903.4	806.7	4.05	24,552.7	1,013.7	4.13
Deposits with banks and other financial institutions	7,359.2	76.1	1.03	6,481.7	179.9	2.78
Cash and balances with central bank	44,763.3	650.5	1.45	52,357.2	786.8	1.50
<b>Total interest-earning assets (include assets at FVTPL)</b>	<b>663,523.2</b>	<b>33,700.9</b>	<b>5.08</b>	658,232.7	31,280.8	4.75
Allowance for impairment losses	(15,369.6)			(10,984.2)		
Non-interest-earning assets <sup>(2)</sup>	18,931.2			14,267.3		
<b>Total assets</b>	<b>667,084.8</b>	<b>33,700.9</b>	<b>5.05</b>	661,515.8	31,280.8	4.73



## Management Discussion and Analysis

	For the year ended 31 December					
	Average balance	2019 Interest expense <sup>(7)</sup>	Average cost (%)	Average balance	2018 Interest expense <sup>(7)</sup>	Average cost (%)
<i>(Amounts in millions of RMB, except for percentages)</i>						
<b>Interest-bearing liabilities</b>						
Due to customers	338,551.6	10,162.6	3.00	335,610.2	10,037.3	2.99
Deposits from banks and other financial institutions	37,159.7	1,129.0	3.04	49,736.4	2,138.0	4.30
Amounts due to banks and other financial institutions <sup>(3)</sup>	61,594.6	1,827.7	2.97	48,671.7	1,639.9	3.37
Debt securities issued	135,498.4	5,176.6	3.82	142,903.8	6,536.2	4.57
Lease liabilities	1,063.0	52.0	4.89	–	–	–
Borrowings from central bank	20,957.8	700.3	3.34	13,026.8	430.6	3.31
<b>Total interest-bearing liabilities (include liabilities at FVTPL)</b>	<b>594,825.1</b>	<b>19,048.2</b>	<b>3.20</b>	589,948.9	20,782.0	3.52
Non-interest-bearing liabilities <sup>(4)</sup>	20,434.8			24,627.6		
<b>Total liabilities</b>	<b>615,259.9</b>	<b>19,048.2</b>	<b>3.10</b>	614,576.5	20,782.0	3.38
<b>Net interest income</b>		<b>14,652.7</b>			10,498.8	
<b>Net interest spread<sup>(5)</sup></b>			<b>1.88</b>			<b>1.23</b>
<b>Net interest margin<sup>(6)</sup></b>			<b>2.21</b>			<b>1.59</b>

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, deferred tax assets, derivative financial assets, right-of-use assets and interests in associates, etc.
- (3) Consists of financial assets sold under repurchase agreements, financial liabilities held for trading and placements from banks and other financial institutions.
- (4) Consists of interest payables, sundry taxes payable, other payables, provision related to litigation, salaries and benefits payables, dividends payable and derivative financial liabilities, etc.
- (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) Includes net interest income from financial instruments at FVTPL, i.e., the figure under the item “investment income”.

## Management Discussion and Analysis

### 2 Interest Income

For the year ended 31 December 2019, our interest income (including the interest income at FVTPL) increased by 7.7% to RMB33,700.9 million from RMB31,280.8 million for the year ended 31 December 2018, which was primarily attributable to the increase of 0.8% in the average balance of our interest-earning assets from RMB658,232.7 million for the year ended 31 December 2018 to RMB663,523.2 million for the year ended 31 December 2019, and the increase of 33 basis points in the average yield of our interest-earning assets from 4.75% for the year ended 31 December 2018 to 5.08% for the year ended 31 December 2019.

#### *Interest income from loans and advances to customers*

For the year ended 31 December 2019, interest income from our loans and advances to customers increased by 44.7% from RMB14,038.3 million for the year ended 31 December 2018 to RMB20,311.1 million for the year ended 31 December 2019, primarily due to the increase of 18.8% in average balance of our loans and advances to customers from RMB252,950.2 million for the year ended 31 December 2018 to RMB300,548.7 million for the year ended 31 December 2019, and the increase of 121 basis points in the average yield of our loans and advances to customers from 5.55% for the year ended 31 December 2018 to 6.76% for the year ended 31 December 2019. The increase in average balance of our loans and advances to customers primarily reflected the Bank's active adjustment in the asset structure and the increased loans. Increase in the average yield of our loans and advances to customers was primarily due to the Bank's active adjustment in the loan structure and the increase in loans income.

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

For the year ended 31 December 2019, interest income from trust beneficiary rights, funds, wealth management products and asset management plans decreased by 35.7% from RMB9,126.2 million for the year ended 31 December 2018 to RMB5,864.0 million for the year ended 31 December 2019, primarily due to the fact that the average balance of our trust beneficiary rights, funds, wealth management products and asset management plans decreased by 19.9% from RMB179,229.7 million for the year ended 31 December 2018 to RMB143,651.8 million for the year ended 31 December 2019, and the average yield of our trust beneficiary rights, funds, wealth management products and asset management plans decreased by 101 basis points from 5.09% for the year ended 31 December 2018 to 4.08% for the year ended 31 December 2019. The decrease in the average balance of trust beneficiary rights, funds, wealth management products and asset management plans was primarily due to our Bank's active adjustment in the asset structure and continuous reduction in the corresponding scale of assets, while the decrease in the average yield was primarily due to the decrease in market interest rate.

## Management Discussion and Analysis

### *Interest income from debt securities investment*

Interest income from debt securities investment decreased by 2.3% from RMB6,135.9 million for the year ended 31 December 2018 to RMB5,992.5 million for the year ended 31 December 2019, primarily due to the fact that the average yield of our debt securities investment decreased by 23 basis points from 4.30% for the year ended 31 December 2018 to 4.07% for the year ended 31 December 2019. The decrease in the average yield of our debt securities investment was mainly due to the decrease in the average interest rate of debt securities market.

### *Interest income from amounts due from banks and other financial institutions*

Interest income from amounts due from banks and other financial institutions decreased by 20.4% from RMB1,013.7 million for the year ended 31 December 2018 to RMB806.7 million for the year ended 31 December 2019, primarily due to the fact that the average balance of the amounts due from banks and other financial institutions decreased by 18.9% from RMB24,552.7 million for the year ended 31 December 2018 to RMB19,903.4 million for the year ended 31 December 2019. At the same time, the average yield of the amounts due from banks and other financial institutions decreased by 8 basis points from 4.13% for the year ended 31 December 2018 to 4.05% for the year ended 31 December 2019. The decrease in the average balance of the amounts due from banks and other financial institutions was mainly due to our Bank's active adjustment in the asset structure and reduction in the corresponding scale of assets, while the decrease in the average yield of the amounts due from banks and other financial institutions was mainly due to the decrease in market interest rate.

### *Interest income from deposits with banks and other financial institutions*

Interest income from deposits with banks and other financial institutions decreased by 57.7% from RMB179.9 million for the year ended 31 December 2018 to RMB76.1 million for the year ended 31 December 2019, primarily due to the fact that despite the increase of 13.5% in the average balance of deposits with banks and other financial institutions from RMB6,481.7 million for the year ended 31 December 2018 to RMB7,359.2 million for the year ended 31 December 2019 resulted from the corresponding increase in our scale of asset, the decrease of 175 basis points in the average yield of deposits with banks and other financial institutions from 2.78% for the year ended 31 December 2018 to 1.03% for the year ended 31 December 2019 has led to the decrease in interest income from the Bank's deposits with banks and other financial institutions. The increase in the average balance of our deposits with banks and other financial institutions was due to the increase in the corresponding scale of the Bank's assets, while the decrease in the average yield of our deposits with banks and other financial institutions was primarily due to the decrease in market interest rate.

### *Interest income from cash and balances with central bank*

Interest income from cash and balances with central bank decreased by 17.3% from RMB786.8 million for the year ended 31 December 2018 to RMB650.5 million for the year ended 31 December 2019, primarily due to the decrease of 14.5% in the average balance of our cash and balances with central bank from RMB52,357.2 million for the year ended 31 December 2018 to RMB44,763.3 million for the year ended 31 December 2019, and the decrease of 5 basis points in the average yield of our cash and balances with central bank from 1.50% for the year ended 31 December 2018 to 1.45% for the year ended 31 December 2019.

## Management Discussion and Analysis

### 3 Interest Expense

Our interest expense (including the interest expense at FVTPL) decreased by 8.3% from RMB20,782.0 million for the year ended 31 December 2018 to RMB19,048.2 million for the year ended 31 December 2019, primarily due to the decrease of 32 basis points in the average cost of our interest-bearing liabilities from 3.52% for the year ended 31 December 2018 to 3.20% for the year ended 31 December 2019. The decrease in the average cost of our interest-bearing liabilities was primarily due to a decrease in the average cost of our deposits from banks and other financial institutions, amounts due to banks and other financial institutions, and debt securities issued.

#### *Interest expense on due to customers*

Our interest expense on due to customers increased by 1.2% from RMB10,037.3 million for the year ended 31 December 2018 to RMB10,162.6 million for the year ended 31 December 2019, primarily due to the increase of 0.9% in the average balance of due to customers from RMB335,610.2 million for the year ended 31 December 2018 to RMB338,551.6 million for the year ended 31 December 2019, and the increase of 1 basis point in the average cost of due to customers from 2.99% for the year ended 31 December 2018 to 3.00% for the year ended 31 December 2019, remaining essentially stable. The increase in the average balance of due to customers was primarily due to enhancement of client acquisition capability and client loyalty of our Bank. By adhering to our “Four Tailor-made Approaches” and precision marketing tactics, we were more focused on acquiring corporate clients with an emphasis on account planning as well as enhanced quality and efficiency. Consequently, contribution from due to customers area was boosted.

#### *Interest expense on deposits from banks and other financial institutions*

Our interest expense on deposits from banks and other financial institutions decreased by 47.2% from RMB2,138.0 million for the year ended 31 December 2018 to RMB1,129.0 million for the year ended 31 December 2019, primarily due to the decrease of 25.3% in the average balance of the deposits from banks and other financial institutions from RMB49,736.4 million for the year ended 31 December 2018 to RMB37,159.7 million for the year ended 31 December 2019, and the decrease of 126 basis points in the average cost of deposits from banks and other financial institutions from 4.30% for the year ended 31 December 2018 to 3.04% for the year ended 31 December 2019. The decrease in the average balance of the deposits from banks and other financial institutions primarily reflected our Bank’s active adjustment in the liability structure and reduction in the average daily scale of corresponding liabilities, while the decrease in the average cost of the 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 increased by 11.5% from RMB1,639.9 million for the year ended 31 December 2018 to RMB1,827.7 million for the year ended 31 December 2019, primarily due to the increase of 26.6% in the average balance of amounts due to banks and other financial institutions from RMB48,671.7 million for the year ended 31 December 2018 to RMB61,594.6 million for the year ended 31 December 2019, and the effect of which was partially offset by the decrease of 40 basis points in the average cost of our amounts due to banks and other financial institutions from 3.37% for the year ended 31 December 2018 to 2.97% for the year ended 31 December 2019. The increase in the average balance of our amounts due to banks and other financial institutions was primarily due to our Bank's active adjustment in the liability structure and increase in the scale of such liabilities with lower cost, while 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 decreased by 20.8% from RMB6,536.2 million for the year ended 31 December 2018 to RMB5,176.6 million for the year ended 31 December 2019, primarily due to the decrease of 75 basis points in the average cost of our debt securities issued from 4.57% for the year ended 31 December 2018 to 3.82% for the year ended 31 December 2019. The decrease in the average cost of our debt securities issued was primarily due to the decrease in market interest rate.

### *Interest expense on lease liabilities*

For the year ended 31 December 2019, our interest expense on lease liabilities amounted to RMB52.0 million. The average balance of the lease liabilities was RMB1,063.0 million and the average cost of lease liabilities was 4.89%.

### *Interest expense on borrowings from central bank*

Our interest expense on borrowings from central bank increased by 62.6% from RMB430.6 million for the year ended 31 December 2018 to RMB700.3 million for the year ended 31 December 2019, primarily due to the increase of 60.9% in the average balance of borrowings from central bank from RMB13,026.8 million for the year ended 31 December 2018 to RMB20,957.8 million for the year ended 31 December 2019, and the increase of 3 basis points in the average cost of our borrowings from central bank from 3.31% for the year ended 31 December 2018 to 3.34% for the year ended 31 December 2019. The increase in the average balance of our borrowings from central bank was primarily due to a general increase in our borrowings from central bank. The average cost of our borrowings from central bank remained stable.

## Management Discussion and Analysis

### 4 Investment Income

The Bank adopted the IFRS 9 since 1 January 2018. Certain financial assets measured at amortised cost under the original standard was reclassified to financial assets measured at fair value through profit or loss under the new standard, interests arising from the corresponding assets were also reclassified from interest income to investment income for accounting purpose.

Investment income represents gains from investment in financial instruments measured at fair value through profit or loss, including debt securities investment, funds, trust beneficiary rights, wealth management products and asset management plans and expense on financial liabilities held for trading measured at fair value through profit or loss. Investment income for the year ended 31 December 2019 was RMB1,429.9 million, representing a decrease of 62.3% from the investment income of RMB3,793.3 million for the year ended 31 December 2018, which was mainly due to a decrease in the average daily investment measured at fair value through profit or loss as a result of the Bank's proactive asset structure adjustment.

### 5 Net Fee and Commission Income

The following table sets forth the principal components of our net fee and commission income for the years ended 31 December 2018 and 2019.

	For the year ended 31 December			
	2019	2018	Change in amount	Rate of change (%)
<i>(Amounts in millions of RMB, except percentages)</i>				
<b>Fee and commission income</b>				
Wealth management service fees	1,428.0	1,010.5	417.5	41.3
Agency commissions and underwriting service fees	387.4	380.8	6.6	1.7
Settlement and clearing fees	196.0	217.0	(21.0)	(9.7)
Consultancy fees	145.3	139.2	6.1	4.4
Bank card fees	74.7	40.4	34.3	84.9
Acceptance and guarantee commitment fees	73.5	90.1	(16.6)	(18.4)
Others	3.7	3.8	(0.1)	(2.6)
<b>Subtotal</b>	<b>2,308.6</b>	1,881.8	426.8	22.7
Fee and commission expense	(42.3)	(344.2)	301.9	(87.7)
<b>Net fee and commission income</b>	<b>2,266.3</b>	1,537.6	728.7	47.4

Our net fee and commission income increased by 47.4% from RMB1,537.6 million for the year ended 31 December 2018 to RMB2,266.3 million for the year ended 31 December 2019. The increase in our net fee and commission income was primarily due to an increase in wealth management service fees.

## Management Discussion and Analysis

### 6 Net Trading Losses

Net trading losses arise from the realised and unrealised profit and loss of financial assets measured at fair value through profit or loss and the net disposal losses of debt instruments measured at fair value through other comprehensive income. Our net trading losses amounted to RMB210.9 million for the year ended 31 December 2019, while the Bank recorded net trading losses of RMB145.2 million for the year ended 31 December 2018.

### 7 Operating Expenses

The following table sets forth the principal components of our operating expenses for the years ended 31 December 2018 and 2019.

	For the year ended 31 December			
	2019	2018	Change in amount	Rate of change (%)
<i>(Amounts in millions of RMB, except percentages)</i>				
<b>Operating expenses</b>				
Staff costs	<b>2,318.8</b>	1,955.7	363.1	18.6
Sundry taxes	<b>202.1</b>	148.0	54.1	36.6
Other general and administrative expenses	<b>478.2</b>	415.2	63.0	15.2
Office expenses	<b>344.4</b>	299.2	45.2	15.1
Rental and property management expenses	<b>120.6</b>	389.2	(268.6)	(69.0)
Depreciation and amortisation	<b>524.6</b>	239.8	284.8	118.8
<b>Total operating expenses</b>	<b>3,988.7</b>	3,447.1	541.6	15.7
<b>Cost-to-income ratio<sup>(1)</sup></b>	<b>22.2%</b>	27.2%	–	(5.0)

Note:

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

Our operating expenses increased by 15.7% from RMB3,447.1 million for the year ended 31 December 2018 to RMB3,988.7 million for the year ended 31 December 2019. The increase was primarily due to an increase in staff costs.

For the years ended 31 December 2018 and 2019, our cost-to-income ratio (excluding sundry taxes) was 27.2% and 22.2%, respectively.



## Management Discussion and Analysis

### Staff costs

Staff costs are the largest component of our operating expenses, which amounted to RMB2,318.8 million for the year ended 31 December 2019, representing an increase of 18.6% from RMB1,955.7 million for the year ended 31 December 2018.

	For the year ended 31 December			
	2019	2018	Change in amount	Rate of change (%)
<i>(Amounts in millions of RMB, except percentages)</i>				
Salaries, bonuses and allowances	<b>1,657.9</b>	1,322.6	335.3	25.4
Social insurance	<b>279.2</b>	299.1	(19.9)	(6.7)
Housing funds	<b>119.1</b>	116.5	2.6	2.2
Staff welfare	<b>110.4</b>	89.6	20.8	23.2
Labor union fees and staff education expenses	<b>50.0</b>	37.6	12.4	33.0
Contribution to annuity schemes	<b>102.2</b>	90.3	11.9	13.2
<b>Total</b>	<b>2,318.8</b>	1,955.7	363.1	18.6

### Sundry taxes

Sundry taxes amounted to RMB202.1 million for the year ended 31 December 2019, representing an increase of 36.6% from RMB148.0 million for the year ended 31 December 2018. The increase in the sundry taxes was primarily due to a greater increase in the value-added tax payable for the year as compared to last year, leading to an increase in sundry taxes.

### Office expenses and rental and property management expenses

The office expenses and rental and property management expenses amounted to RMB465.0 million for the year ended 31 December 2019, representing a decrease of 32.5% from RMB688.4 million for the year ended 31 December 2018.

### Other general and administrative expenses

Our other general and administrative expenses amounted to RMB478.2 million for the year ended 31 December 2019, representing an increase of 15.2% from RMB415.2 million for the year ended 31 December 2018.

### Depreciation and amortisation

Depreciation and amortisation, including right-of-use assets, amounted to RMB524.6 million for the year ended 31 December 2019, representing an increase of 118.8% from RMB239.8 million for the year ended 31 December 2018.



## Management Discussion and Analysis

### 8 Impairment Losses under ECL Model, Net of Reversals

The following table sets forth the principal components of our impairment losses under ECL model, net of reversals for the periods indicated.

	For the year ended 31 December			
	2019	2018	Change in amount	Rate of change (%)
<i>(Amounts in millions of RMB, except percentages)</i>				
Loans and advances to customers measured at amortised cost	5,083.1	3,857.7	1,225.4	31.8
Credit commitments	109.5	(370.6)	480.1	(129.5)
Financial assets held under resale agreements	78.7	76.6	2.1	2.7
Debt instruments measured at amortised cost	1,925.5	(62.9)	1,988.4	(3,161.2)
Debt instruments at fair value through other comprehensive income	75.9	(13.1)	89.0	(679.4)
Loans and advances to customers at fair value through other comprehensive income	12.1	1.7	10.4	611.8
Deposits with banks and other financial institutions	2.6	(1.6)	4.2	(262.5)
Placements with banks and other financial institutions	61.4	(5.9)	67.3	(1,140.7)
Other assets	81.3	–	81.3	–
<b>Total</b>	<b>7,430.1</b>	<b>3,481.9</b>	<b>3,948.2</b>	<b>113.4</b>

Our impairment losses under ECL model, net of reversals for the year ended 31 December 2019 were RMB7,430.1 million, representing an increase of 113.4% from RMB3,481.9 million for the year ended 31 December 2018, which was primarily due to the fact that while the Bank continued to carry forward the new accounting standards in 2019, we strengthened the overall provision of our assets. The more sufficient impairment provision reflected the scientificity and prudence of our impairment provision.

## 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 31 December			
	2019	2018	Change in amount	Rate of change (%)
	<i>(Amounts in millions of RMB, except percentages)</i>			
Profit before tax	<b>5,633.2</b>	5,217.5	415.7	8.0
Tax calculated at applicable statutory tax rate of 25%	<b>1,408.3</b>	1,304.4	103.9	8.0
Income tax at concessionary rate	<b>(12.6)</b>	(9.3)	(3.3)	35.5
Underprovision of tax in prior years	<b>(12.6)</b>	4.9	(17.5)	(357.1)
Tax effect of expense not deductible for tax purposes	<b>54.7</b>	24.4	30.3	124.2
Tax effect of income not taxable for tax purposes <sup>(1)</sup>	<b>(413.2)</b>	(337.0)	(76.2)	22.6
Income tax expenses	<b>1,024.6</b>	987.4	37.2	3.8

Note:

- (1) The income not taxable for tax purposes mainly represents interest income arising from government bonds and fund dividends. This kind of interest income is tax free under the PRC tax regulations.

Our income tax for the year ended 31 December 2019 was RMB1,024.6 million, representing an increase of 3.8% from RMB987.4 million for the year ended 31 December 2018. The increase was mainly 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 the components of our total assets as at the dates indicated.

	As of 31 December 2019		As of 31 December 2018	
	Amount	% of the total (%)	Amount	% of the total (%)
<i>(Amounts in millions of RMB, except percentages)</i>				
<b>ASSETS</b>				
Gross loans and advances to customers	293,945.7	43.9	288,789.0	43.8
Allowance for impairment losses	(12,716.5)	(1.9)	(11,845.7)	(1.8)
Loans and advances to customers, net	281,229.2	42.0	276,943.3	42.0
Investment securities and other financial assets, net	296,512.8	44.3	294,971.2	44.7
Financial assets held under resale agreements	8,174.2	1.2	2,556.0	0.4
Cash and balances with central bank	59,303.1	8.9	62,313.4	9.5
Deposits with banks and other financial institutions	6,888.5	1.0	4,063.5	0.6
Placements with banks and other financial institutions	5,414.0	0.8	11,187.0	1.7
Derivative financial assets	167.3	0.0	70.3	0.0
Other assets <sup>(1)</sup>	11,712.0	1.8	7,235.2	1.1
<b>TOTAL ASSETS</b>	<b>669,401.1</b>	<b>100.0</b>	<b>659,339.9</b>	<b>100.0</b>

Note:

- (1) Consist primarily of property and equipment, right-of-use assets, deferred tax assets, interests in associates, prepaid expenses, intangible assets and other receivables, etc.

As of 31 December 2019, our total assets amounted to RMB669,401.1 million, representing an increase of 1.5% from RMB659,339.9 million for the year ended 31 December 2018. The increase was primarily due to an increase in loans and advances to customers and financial assets held under resale agreements.

## 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 31 December 2019		As of 31 December 2018	
	Amount	% of the total (%)	Amount	% of the total (%)
<i>(Amounts in millions of RMB, except percentages)</i>				
Corporate loans	148,463.7	50.5	171,739.2	59.5
Personal loans	127,142.3	43.3	106,010.4	36.7
Finance lease receivables	4,865.5	1.7	8,774.3	3.0
Discounted bills	13,474.2	4.5	2,265.1	0.8
<b>Total</b>	<b>293,945.7</b>	<b>100.0</b>	288,789.0	100.0

### Corporate loans

Our corporate loans amounted to RMB148,463.7 million as of 31 December 2019, representing a decrease of 13.6% compared to RMB171,739.2 million as of 31 December 2018.

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

	As of 31 December 2019		As of 31 December 2018	
	Amount	% of the total (%)	Amount	% of the total (%)
<i>(Amounts in millions of RMB, except percentages)</i>				
Short-term loans (one year or less)	58,898.0	39.7	57,224.7	33.3
Medium and long-term loans (over one year)	89,565.7	60.3	114,514.5	66.7
<b>Total corporate loans</b>	<b>148,463.7</b>	<b>100.0</b>	171,739.2	100.0

Short-term loans as a percentage of our corporate loan portfolio increased from 33.3% as of 31 December 2018 to 39.7% as of 31 December 2019 and our medium- and long-term loans as a percentage of our corporate loan portfolio decreased from 66.7% as of 31 December 2018 to 60.3% as of 31 December 2019. The changes in the above percentages of our corporate loan portfolio were primarily due to the fact that the Bank further adjusted and perfected the credit structure.

## Management Discussion and Analysis

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

	As of 31 December 2019		As of 31 December 2018	
	Amount	% of the total (%)	Amount	% of the total (%)
	<i>(Amounts in millions of RMB, except percentages)</i>			
Working capital loans	79,369.4	53.5	102,802.7	59.9
Fixed assets loans	55,467.6	37.4	57,428.8	33.4
Trade finance	8,509.7	5.7	4,880.5	2.8
Others <sup>(1)</sup>	5,117.0	3.4	6,627.2	3.9
<b>Total corporate loans</b>	<b>148,463.7</b>	<b>100.0</b>	171,739.2	100.0

Note:

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

Our working capital loans amounted to RMB79,369.4 million as of 31 December 2019, representing a decrease of 22.8% compared to RMB102,802.7 million as of 31 December 2018, which was primarily due to the fact that the Bank further adjusted and perfected the credit structure.

Our fixed assets loans amounted to RMB55,467.6 million as of 31 December 2019, representing a decrease of 3.4% compared to RMB57,428.8 million as of 31 December 2018, which was basically the same as that of last year.

Our trade finance amounted to RMB4,880.5 million and RMB8,509.7 million as of 31 December 2018 and 31 December 2019, which was mainly due to the increase in financing demands from customers.

Our other corporate loans amounted to RMB6,627.2 million and RMB5,117.0 million as of 31 December 2018 and 31 December 2019.

## Management Discussion and Analysis

### Personal loans

Our personal loans amounted to RMB127,142.3 million as of 31 December 2019, representing an increase of 19.9% as compared to RMB106,010.4 million as of 31 December 2018. This increase was mainly attributable to the growth of personal consumption loans.

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

	As of 31 December 2019		As of 31 December 2018	
	Amount	% of the total (%)	Amount	% of the total (%)
<i>(Amounts in millions of RMB, except percentages)</i>				
Personal consumption loans	<b>91,660.2</b>	<b>72.1</b>	77,896.2	73.6
Residential mortgage loans	<b>22,352.2</b>	<b>17.6</b>	22,928.9	21.6
Personal business loans	<b>11,382.9</b>	<b>8.9</b>	4,496.6	4.2
Credit card overdrafts	<b>1,747.0</b>	<b>1.4</b>	688.7	0.6
<b>Total personal loans</b>	<b>127,142.3</b>	<b>100.0</b>	106,010.4	100.0

Our personal consumption loans amounted to RMB91,660.2 million as of 31 December 2019, representing an increase of 17.7% compared to RMB77,896.2 million as of 31 December 2018. The increase in our personal consumption loans was primarily due to the fact that our internet personal loan business has experienced continuous expansion of the business scale. Meanwhile, under an obvious combination of effects of growing domestic economy and transition from old to new growth drivers, consumption needs were boosted and has led to high customer demand.

Our residential mortgage loans amounted to RMB22,352.2 million as of 31 December 2019, representing a decrease of 2.5% compared to RMB22,928.9 million as of 31 December 2018. The decrease in our residential mortgage loans was primarily due to the slowing speed of growth in our residential mortgage loans since the implementation of regulatory policies on the property market which brought a more rational demand for housing and gradually stabilised transactions of properties. Meanwhile, the balance of our residential mortgage loans is large, and there are lots of cases of repayment on time and early repayment.

Our personal business loans amounted to RMB11,382.9 million as of 31 December 2019, representing an increase of 153.1% compared to RMB4,496.6 million as of 31 December 2018. The increase in our personal business loans was primarily due to our effective implementation of the dual-track strategy of "transformation + innovation". By combining our online and offline business, we actively expanded online service channels, launched and developed online loan products such as "e-loans for taxpayers" (銀稅e貸) and "e-loans for supermarkets" (商超e貸) targeting individuals and broadened our pools for potential customers online while strengthening our independent risk control and review mechanism. As such, our business scale and client base in this sector realised a significant growth.

## Management Discussion and Analysis

Our credit card overdrafts amounted to RMB688.7 million and RMB1,747.0 million as of 31 December 2018 and 31 December 2019. The increase in the amount of credit card overdrafts is mainly due to the Bank's active implementation of the dual-track strategy of "transformation + innovation" in 2019. Through the development of co-branded card with internet platforms, such as "Meituan Dianping", the Bank can use the resources of the cooperation platform to attract customers and open up online card issuance channels to quickly increase the scale of credit card issuance. At the same time, the Bank also actively expanded its credit card instalment payment business in multi-domain such as car parking, education, decoration, medical beauty and other areas of consumption, to effectively enhance the scale of credit card assets.

### *Finance lease receivables*

Our finance lease receivables decreased by 44.5% to RMB4,865.5 million as of 31 December 2019 from RMB8,774.3 million as of 31 December 2018, primarily due to our strategic adjustment in 2019 to reduce finance lease, leading to a decrease in finance lease receivables at the end of 2019 as compared with that at the end of 2018.

### *Discounted bills*

Discounted bills represented an important component of our portfolio of loans and advances to customers. Our discounted bills increased by 494.9% to RMB13,474.2 million as of 31 December 2019 from RMB2,265.1 million as of 31 December 2018, primarily as a result of the Bank's active adjustment in the asset structure which increased the scale of this business.

### *Investment securities and other financial assets*

As of 31 December 2019, the balance of our investment securities and other financial assets amounted to RMB296,512.8 million, representing an increase of 0.5% compared to RMB294,971.2 million as of 31 December 2018, which remained essentially stable.

## Management Discussion and Analysis

The following table sets forth the components of our investment securities and other financial assets as of 31 December 2018 and 31 December 2019.

	As of 31 December 2019		As of 31 December 2018	
	Amount	% of the total (%)	Amount	% of the total (%)
<i>(Amounts in millions of RMB, except percentages)</i>				
<b>Debt securities</b>				
Debt securities measured at amortised cost	106,863.9	36.0	93,271.7	31.6
Debt securities measured at fair value through other comprehensive income	46,994.0	15.8	49,457.6	16.8
Debt securities measured at fair value through profit or loss	1,973.9	0.7	1,854.1	0.6
Allowance for impairment losses	(276.7)	(0.1)	(153.7)	(0.1)
<b>Subtotal</b>	<b>155,555.1</b>	<b>52.4</b>	144,429.7	48.9
<b>Funds</b>	<b>23,306.2</b>	<b>7.9</b>	5,900.9	2.0
<b>Wealth management products issued by other financial institutions</b>	<b>–</b>	<b>–</b>	1,039.3	0.4
<b>Trust beneficiary rights and assets management plans, net</b>				
Asset management plans	69,919.1	23.6	85,869.9	29.2
Trust beneficiary rights	49,437.3	16.7	59,309.4	20.1
Allowance for impairment losses	(3,157.1)	(1.1)	(1,636.6)	(0.6)
<b>Subtotal</b>	<b>116,199.3</b>	<b>39.2</b>	143,542.7	48.7
<b>Equity investments</b>				
Equity investments measured at fair value through profit or loss	58.6	0.0	58.6	0.0
Equity investments measured at fair value through other comprehensive income	1,393.6	0.5	–	–
<b>Subtotal</b>	<b>1,452.2</b>	<b>0.5</b>	58.6	0.0
<b>Total investment securities and other financial assets, net</b>	<b>296,512.8</b>	<b>100.0</b>	294,971.2	100.0



## Management Discussion and Analysis

### Debt securities

The following table sets forth the components of our debt securities as of 31 December 2018 and 31 December 2019.

	As of 31 December 2019		As of 31 December 2018	
	Amount	% of the total (%)	Amount	% of the total (%)
<i>(Amounts in millions of RMB, except percentages)</i>				
PRC government bonds	48,770.4	31.3	46,281.7	32.0
Debt securities issued by PRC policy banks	52,342.6	33.6	41,891.6	29.0
Debt securities issued by PRC corporate issuers	30,659.1	19.7	29,257.5	20.2
Debt securities issued by PRC banks and other financial institutions	1,902.0	1.2	1,548.5	1.1
Asset-backed securities	22,157.7	14.2	25,604.1	17.7
<b>Total</b>	<b>155,831.8</b>	<b>100.0</b>	144,583.4	100.0

Our holding of debt securities issued by the PRC government increased by 5.4% from RMB46,281.7 million as of 31 December 2018 to RMB48,770.4 million as of 31 December 2019, which remained essentially stable.

Our holding of debt securities issued by the PRC policy banks increased by 24.9% from RMB41,891.6 million as of 31 December 2018 to RMB52,342.6 million as of 31 December 2019, primarily due to the fact that the Bank proactively increased the scale of deployment of such assets with high liquidity.

Our holding of debt securities issued by PRC corporate issuers increased by 4.8% from RMB29,257.5 million as of 31 December 2018 to RMB30,659.1 million as of 31 December 2019, which remained essentially stable.

Our holding of debt securities issued by PRC banks and other financial institutions increased by 22.8% from RMB1,548.5 million as of 31 December 2018 to RMB1,902.0 million as of 31 December 2019, which reflected the fact that the Bank adjusted the asset structure and properly increased the scale of deployment of such assets.

Our holding of asset-backed securities decreased by 13.5% from RMB25,604.1 million as of 31 December 2018 to RMB22,157.7 million as of 31 December 2019, primarily due to the fact that a larger portion of our holding matured.

## Management Discussion and Analysis

### *Distribution of investment securities and other financial assets by investment intention*

The following table sets forth the distribution of our investment securities and other financial assets by our investment intention as of 31 December 2018 and 31 December 2019.

	As of 31 December 2019		As of 31 December 2018	
	Amount	% of the total (%)	Amount	% of the total (%)
<i>(Amounts in millions of RMB, except percentages)</i>				
Debt instruments measured at amortised cost	188,580.6	63.6	184,769.0	62.6
Financial assets measured at fair value through other comprehensive income	48,387.6	16.3	49,457.6	16.8
Financial assets measured at fair value through profit or loss	59,544.6	20.1	60,744.6	20.6
<b>Total</b>	<b>296,512.8</b>	<b>100.0</b>	294,971.2	100.0

## Management Discussion and Analysis

### Financial assets held under resale agreements

The table below sets forth the distribution of our financial assets held under resale agreements by collateral type as of 31 December 2018 and 31 December 2019.

	As of 31 December 2019		As of 31 December 2018	
	Amount	% of the total (%)	Amount	% of the total (%)
<i>(Amounts in millions of RMB, except percentages)</i>				
<b>Analysed by collateral type:</b>				
Bonds	7,574.0	88.4	1,877.1	65.4
Bills	993.5	11.6	993.5	34.6
<b>Gross amount</b>	<b>8,567.5</b>	<b>100.0</b>	2,870.6	100.0
Allowance for impairment losses	(393.3)		(314.6)	
<b>Net amount</b>	<b>8,174.2</b>		2,556.0	

Our financial assets held under resale agreements amounted to RMB8,174.2 million as of 31 December 2019, representing an increase of 219.8% compared to RMB2,556.0 million as of 31 December 2018, primarily due to the Bank's increase in provision of short-term funds.

### Other components of our assets

Other components of our assets primarily consist of (i) cash and balances 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 balances with central bank amounted to RMB5,303.1 million as of 31 December 2019, representing a decrease of 4.8% compared to RMB6,313.4 million as of 31 December 2018.

Deposits with banks and other financial institutions amounted to RMB6,888.5 million as of 31 December 2019, representing an increase of 69.5% compared to RMB4,063.5 million as of 31 December 2018. The increase was primarily due to an increase in our deposits in other institutions.

Our placements with banks and other financial institutions amounted to RMB5,414.0 million as of 31 December 2019, representing a decrease of 51.6% compared to RMB11,187.0 million as of 31 December 2018. The decrease was primarily due to the Bank's active adjustment in the asset structure which reduced the scale of this business.

Our derivative financial assets amounted to RMB167.3 million as of 31 December 2019, representing an increase of 138.0% compared to RMB70.3 million as of 31 December 2018, primarily due to the increase in our transaction volume of derivative financial instruments for the year and the increase in unrealised gains from the valuation of such derivative financial instruments because of market fluctuation.

## Management Discussion and Analysis

Our other assets consist primarily of property and equipment, right-of-use assets, deferred tax assets, repossessed assets, interests in associates, prepaid expenses, intangible assets and other receivables, etc. Our other assets increased by 61.9% from RMB7,235.2 million as of 31 December 2018 to RMB11,712.0 million as of 31 December 2019, primarily due to the increase in deferred tax assets.

### *Pledge of assets*

As of 31 December 2019, the details of pledge of our assets are set out in note 53 and 54.1 to the annual consolidated financial statements in this report.

## 2 Liabilities

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

	As of 31 December 2019		As of 31 December 2018	
	Amount	% of the total (%)	Amount	% of the total (%)
<i>(Amounts in millions of RMB, except percentages)</i>				
Due to customers	350,996.4	56.8	342,877.2	56.1
Debt securities issued	120,669.7	19.5	159,823.7	26.1
Deposits from banks and other financial institutions	45,385.1	7.3	33,728.2	5.5
Financial assets sold under repurchase agreements	32,994.0	5.3	28,362.5	4.6
Placements from banks and other financial institutions	21,198.6	3.4	21,555.7	3.5
Financial liabilities held for trading	412.2	0.1	–	–
Borrowings from central bank	36,629.4	5.9	17,001.4	2.8
Income tax payable	1,693.5	0.3	970.3	0.2
Derivative financial liabilities	39.8	0.0	27.8	0.0
Other liabilities <sup>(1)</sup>	8,205.6	1.4	7,272.4	1.2
<b>TOTAL LIABILITIES</b>	<b>618,224.3</b>	<b>100.0</b>	611,619.2	100.0

Note:

- (1) Consist primarily of lease liabilities, other payables, settlement payable, salaries and benefits payables, dividends payable, provision related to litigation, and sundry taxes payable, etc.

As of 31 December 2019, our total liabilities were RMB618,224.3 million, representing an increase of 1.1% compared to RMB611,619.2 million as of 31 December 2018.

## Management Discussion and Analysis

### Due to customers

As of 31 December 2019, our due to customers amounted to RMB350,996.4 million, representing an increase of 2.4% compared to RMB342,877.2 million as of 31 December 2018.

The following table sets forth our due to customers by product type and maturity profile of deposits as of 31 December 2018 and 31 December 2019.

	As of 31 December 2019		As of 31 December 2018	
	Amount	% of the total (%)	Amount	% of the total (%)
<i>(Amounts in millions of RMB, except percentages)</i>				
<b>Corporate deposits</b>				
Demand	180,184.0	51.3	177,579.0	51.8
Time <sup>(1)</sup>	79,839.0	22.7	79,203.6	23.1
Subtotal	260,023.0	74.0	256,782.6	74.9
<b>Personal deposits</b>				
Demand	21,692.8	6.2	17,718.1	5.2
Time <sup>(1)</sup>	51,473.9	14.7	51,514.2	15.0
Subtotal	73,166.7	20.9	69,232.3	20.2
Others <sup>(2)</sup>	17,806.7	5.1	16,862.3	4.9
<b>Total due to customers</b>	<b>350,996.4</b>	<b>100.0</b>	<b>342,877.2</b>	<b>100.0</b>

### Notes:

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

## Management Discussion and Analysis

Our corporate deposits increased by 1.3% from RMB256,782.6 million as of 31 December 2018 to RMB260,023.0 million as of 31 December 2019. The increase in our corporate deposits was primarily due to enhancement of client acquisition capability and client loyalty of our Bank. By adhering to our “Four Tailor-made Approaches” and precision marketing tactics, we were more focused on acquiring corporate clients with an emphasis on account planning as well as enhanced quality and efficiency. Consequently, contribution from due to customers area was boosted.

Our personal deposits increased by 5.7% from RMB69,232.3 million as of 31 December 2018 to RMB73,166.7 million as of 31 December 2019. The increase in our personal deposits was primarily due to the Bank’s continuous commitment to the innovation of retail financial products and the expansion of our scope of service based on modern information technology. The Bank also comprehensively improved the intelligence level of its business outlets to further enhance its service efficiency. At the meantime, the Bank adhered to the business strategy of attracting new capital inflows through the sale of wealth products, and achieved continuous growth of personal integrated financial assets.

### *Debt securities issued*

As of 31 December 2019, our debt securities issued amounted to RMB120,669.7 million, representing a decrease of 24.5% from RMB159,823.7 million as of 31 December 2018. The decrease in our debt securities issued was primarily because we extended to more financing channels to get other fund support.

### *Deposits from banks and other financial institutions*

As of 31 December 2019, our deposits from banks and other financial institutions amounted to RMB45,385.1 million, representing an increase of 34.6% from RMB33,728.2 million as of 31 December 2018. The increase in our deposits from banks and other financial institutions primarily reflected the adjustment in our liability structure which increased the scale of this business.

### *Financial assets sold under repurchase agreements*

As of 31 December 2019, our financial assets sold under repurchase agreements amounted to RMB32,994.0 million, representing an increase of 16.3% from RMB28,362.5 million as of 31 December 2018. The increase in our financial assets sold under repurchase agreements was primarily due to the adjustment in our liability structure which increased the scale of this business.

## Management Discussion and Analysis

### *Placements from banks and other financial institutions*

As of 31 December 2019, our placements from banks and other financial institutions amounted to RMB21,198.6 million, representing a decrease of 1.7% from RMB21,555.7 million as of 31 December 2018, which remained essentially stable.

### *Financial liabilities held for trading*

As of 31 December 2019, our financial liabilities held for trading amounted to RMB412.2 million.

### *Borrowings from central bank*

As of 31 December 2019, our borrowings from central bank amounted to RMB36,629.4 million, representing an increase of 115.4% from RMB17,001.4 million as of 31 December 2018. The increase in our borrowings from central bank was primarily due to a general increase in our borrowings from central bank.

### *Income tax payable*

As of 31 December 2019, our income tax payable amounted to RMB1,693.5 million, representing an increase of 74.5% from RMB970.3 million as of 31 December 2018.

### *Derivative financial liabilities*

As of 31 December 2019, our derivative financial liabilities amounted to RMB39.8 million, representing an increase of 43.2% from RMB27.8 million as of 31 December 2018.

### *Other liabilities*

Our other liabilities mainly include lease liabilities, other payables, settlement payable, salaries and benefits payable, dividends payable, provision related to litigation and sundry taxes payable, etc. Our other liabilities increased by 12.8% from RMB7,272.4 million as of 31 December 2018 to RMB8,205.6 million as of 31 December 2019, which was primarily due to the adoption of the new accounting standard, IFRS 16, which led to an increase in lease liabilities.

### *Contingent liabilities*

As of 31 December 2019, details of the Bank's contingent liabilities are set out in note 51 to the annual consolidated financial statements in this report.

## 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 31 December 2019		As of 31 December 2018	
	Amount	% of the total (%)	Amount	% of the total (%)
<i>(Amounts in millions of RMB, except percentages)</i>				
<b>EQUITY</b>				
Share capital	6,070.6	11.9	6,070.6	12.7
Capital reserve	10,731.1	21.0	10,731.1	22.5
Investment revaluation reserve	88.6	0.2	148.5	0.3
Surplus reserve	3,352.5	6.5	3,352.5	7.0
General reserve	9,198.3	18.0	9,133.1	19.2
Retained earnings	20,953.8	40.9	17,563.7	36.8
Equity attributable to equity holders of the Bank	50,394.9	98.5	46,999.5	98.5
Non-controlling interests	781.9	1.5	721.2	1.5
<b>TOTAL EQUITY</b>	<b>51,176.8</b>	<b>100.0</b>	47,720.7	100.0

As of 31 December 2019, our shareholders' equity amounted to RMB51,176.8 million, representing an increase of 7.2% compared to RMB47,720.7 million as of 31 December 2018. Equity attributable to equity holders of the Bank was RMB50,394.9 million as of 31 December 2019, representing an increase of 7.2% compared to RMB46,999.5 million as of 31 December 2018. The increase in the shareholders' equity for the year ended 31 December 2019 was mainly due to an increase in our net profit.



## Management Discussion and Analysis

### V ANALYSIS OF OFF-BALANCE SHEET ITEMS

The following table sets forth the contractual amounts of our credit commitments as of 31 December 2018 and 31 December 2019.

	<b>As of 31 December 2019</b>	As of 31 December 2018
	<i>(Amounts in millions of RMB)</i>	
Acceptances	<b>32,085.8</b>	27,623.5
Undrawn corporate loans limit	<b>23,471.6</b>	36,682.9
Letters of credit	<b>8,642.5</b>	11,415.7
Undrawn credit card limit	<b>6,924.5</b>	2,172.2
Letters of guarantee	<b>1,248.6</b>	2,607.7
<b>Total</b>	<b>72,373.0</b>	80,502.0

## Management Discussion and Analysis

### VI ANALYSIS

#### Distribution of loans by five-category loan classification

The following table sets forth the distribution of our loan portfolio by the five-category loan classification as of 31 December 2018 and 31 December 2019.

	As of 31 December 2019		As of 31 December 2018	
	Amount	% of the total <sup>(1)</sup> (%)	Amount	% of the total <sup>(1)</sup> (%)
<i>(Amounts in millions of RMB, except percentages)</i>				
Normal	274,802.4	93.49	270,754.5	93.75
Special mention	13,378.2	4.55	13,303.5	4.61
<b>Subtotal</b>	<b>288,180.6</b>	<b>98.04</b>	284,058.0	98.36
Substandard	3,130.8	1.07	2,507.9	0.87
Doubtful	2,071.1	0.70	1,437.5	0.50
Loss	563.2	0.19	785.6	0.27
<b>Subtotal</b>	<b>5,765.1</b>	<b>1.96</b>	4,731.0	1.64
<b>Total loans and advances to customers</b>	<b>293,945.7</b>	<b>100.00</b>	288,789.0	100.00

As of 31 December 2019, according to the five-category loan classification, the normal loans amounted to RMB274,802.4 million, accounted for 93.49% of all the loans of the Bank, representing an increase of RMB4,047.9 million as compared to that as of 31 December 2018. Loans classified as special mention were RMB13,378.2 million, accounted for 4.55% of all loans, representing an increase of RMB74.7 million as compared to that as of 31 December 2018. The non-performing loans were RMB5,765.1 million, representing an increase of RMB1,034.1 million as compared to that as of 31 December 2018 with a non-performing loan ratio<sup>(1)</sup> of 1.96%, representing an increase of 0.32 percentage point as compared to that as of 31 December 2018, primarily due to the weakened repayment ability of individual corporate customers and individual customers.

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 31 December 2019		As of 31 December 2018	
	Amount	% of the total (%)	Amount	% of the total (%)
<i>(Amounts in millions of RMB, except percentages)</i>				
Real estate	35,254.4	23.1	35,834.1	19.9
Manufacturing	26,373.2	17.2	35,687.3	19.9
Wholesale and retail	23,834.4	15.5	30,253.6	16.8
Leasing and business services	22,454.9	14.6	24,462.8	13.6
Construction	17,205.7	11.2	19,975.5	11.1
Water, environment and public facilities management	13,145.1	8.6	15,657.8	8.7
Transportation, storage and postal services	3,608.9	2.4	4,591.5	2.5
Electricity, heat, gas and water production and supply	2,952.5	1.9	3,249.8	1.8
Finance	2,662.6	1.7	3,696.4	2.0
Resident services, repair and other services	1,822.0	1.2	2,167.9	1.2
Accommodation and catering	742.7	0.5	974.3	0.5
Cultural, sports and entertainment	671.4	0.4	914.3	0.5
Mining	657.8	0.4	611.8	0.3
Agriculture, forestry, animal husbandry and fishery	610.5	0.4	728.1	0.4
Information transmission, software and information technology services	609.3	0.4	763.1	0.4
Scientific research and technical services	272.7	0.2	437.5	0.2
Health and social services	257.3	0.2	238.4	0.1
Public administration, social security and social organisation	153.4	0.1	214.0	0.1
Education	40.4	0.0	55.3	0.0
<b>Total corporate loans<sup>(1)</sup></b>	<b>153,329.2</b>	<b>100.0</b>	<b>180,513.5</b>	<b>100.0</b>

Note:

(1) Consist of finance lease receivables.

## Management Discussion and Analysis

In 2019, the Bank actively supported the development of the real economy with its loans structure further optimised. As of 31 December 2019, 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 31 December 2019 and 31 December 2018, the balance of loans provided to the corporate customers in these five industries were RMB125,122.6 million and RMB146,213.3 million, respectively, accounting for 81.6% and 81.3% 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 31 December 2019			As of 31 December 2018		
	Amount	% of the total (%)	NPL ratio <sup>(1)</sup> (%)	Amount	% of the total (%)	NPL ratio <sup>(1)</sup> (%)
<i>(Amounts in millions of RMB, except percentages)</i>						
Manufacturing	1,834.3	42.5	6.96	1,929.6	47.6	5.41
Wholesale and retail	1,768.1	41.0	7.42	1,435.3	35.5	4.74
Construction	251.6	5.8	1.46	130.8	3.2	0.65
Mining	209.9	4.9	31.91	305.4	7.5	49.92
Accommodation and catering	74.5	1.7	10.03	62.5	1.5	6.41
Real estate	61.2	1.4	0.17	61.2	1.5	0.17
Transportation, storage and postal services	47.8	1.1	1.32	58.1	1.4	1.27
Information transmission, software and information technology services	46.9	1.1	7.70	34.0	0.8	4.46
Agriculture, forestry, animal husbandry and fishery	10.7	0.2	1.75	25.7	0.6	3.53
Scientific research and technical services	12.0	0.3	4.40	14.7	0.4	3.36
<b>Total non-performing corporate loans<sup>(2)</sup></b>	<b>4,317.0</b>	<b>100.0</b>	<b>2.82</b>	4,057.3	100.0	2.25

Notes:

- (1) Calculated by dividing non-performing loans to corporate customers in each industry by gross loans to corporate customers (interests included) in that industry.
- (2) Consist of finance lease receivables.

## 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 5.41% and 6.96% as of 31 December 2018 and 31 December 2019, respectively. As of 31 December 2018 and 31 December 2019, non-performing corporate loans to borrowers in this industry accounted for 47.6% and 42.5% of our total non-performing 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 our corporate loans to borrowers in the manufacturing industry.

The non-performing loan ratios for our corporate loans in the wholesale and retail industry were 4.74% and 7.42% as of 31 December 2018 and 31 December 2019, respectively. As of 31 December 2018 and 31 December 2019, non-performing corporate loans to borrowers in this industry accounted for 35.5% and 41.0% of our total non-performing corporate loans, respectively. The increase of our non-performing loan ratio for our corporate loans to borrowers in the wholesale and retail industry was primarily due to the weakened repayment ability of individual corporate customers.

The non-performing loan ratios for our corporate loans in the construction industry were 0.65% and 1.46% as of 31 December 2018 and 31 December 2019, respectively. As of 31 December 2018 and 31 December 2019, non-performing corporate loans to borrowers in this industry accounted for 3.2% and 5.8% of our total non-performing corporate loans, respectively. The increase in our non-performing loan ratio for our corporate loans to borrowers in the construction industry was primarily due to the weakened repayment ability of individual corporate customers.

The non-performing loan ratios for our corporate loans in the mining industry were 49.92% and 31.91% as of 31 December 2018 and 31 December 2019, respectively. As of 31 December 2018 and 31 December 2019, non-performing corporate loans to borrowers in this industry accounted for 7.5% and 4.9% of our total non-performing corporate loans, respectively. The decrease in our non-performing loan ratio for our corporate loans to borrowers in the mining industry primarily reflected our increased efforts to recover non-performing loans.

The non-performing loan ratios for our corporate loans in the accommodation and catering industry were 6.41% and 10.03% as of 31 December 2018 and 31 December 2019, respectively. As of 31 December 2018 and 31 December 2019, non-performing corporate loans to borrowers in this industry accounted for 1.5% and 1.7% of our total non-performing corporate loans, respectively. The increase in our non-performing loan ratio for our corporate loans to borrowers in the accommodation and catering industry primarily reflected the weakened repayment ability of individual corporate customers.

## Management Discussion and Analysis

### Distribution of Non-Performing Loans by Product Type

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

	As of 31 December 2019			As of 31 December 2018		
	Amount	% of the total (%)	NPL ratio <sup>(1)</sup> (%)	Amount	% of the total (%)	NPL ratio <sup>(1)</sup> (%)
<i>(Amounts in millions of RMB, except percentages)</i>						
<b>Corporate loans<sup>(2)</sup></b>						
Working capital loans	3,903.7	67.7	4.92	3,545.5	74.9	3.45
Fixed asset loans	62.5	1.1	0.11	62.5	1.3	0.11
Trade finance	22.9	0.4	0.27	23.6	0.5	0.48
Others <sup>(3)</sup>	327.9	5.7	6.41	425.7	9.0	6.42
<b>Subtotal</b>	<b>4,317.0</b>	<b>74.9</b>	<b>2.82</b>	4,057.3	85.7	2.25
<b>Discounted bills</b>	<b>28.6</b>	<b>0.5</b>	<b>0.21</b>	59.9	1.3	2.64
<b>Subtotal</b>	<b>28.6</b>	<b>0.5</b>	<b>0.21</b>	59.9	1.3	2.64
<b>Personal loans</b>						
Personal consumption loans	885.3	15.3	0.97	134.2	2.8	0.17
Personal business loans	448.7	7.8	3.94	393.2	8.3	8.74
Residential mortgage loans	55.7	1.0	0.25	46.1	1.0	0.20
Credit card overdrafts	29.8	0.5	1.72	40.3	0.9	5.86
<b>Subtotal</b>	<b>1,419.5</b>	<b>24.6</b>	<b>1.12</b>	613.8	13.0	0.58
<b>Total non-performing loans</b>	<b>5,765.1</b>	<b>100.0</b>	<b>1.96</b>	4,731.0	100.0	1.64

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) Consist 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 2.25% as of 31 December 2018 to 2.82% as of 31 December 2019, with a 6.4% increase in our non-performing corporate loans from RMB4,057.3 million to RMB4,317.0 million. The increase in our non-performing corporate loans was primarily due to the weakened repayment ability of individual corporate customers.

The non-performing loan ratio for our personal loans increased from 0.58% as of 31 December 2018 to 1.12% as of 31 December 2019, with a 131.3% increase in our non-performing personal loans from RMB613.8 million as of 31 December 2018 to RMB1,419.5 million as of 31 December 2019. The increase in the non-performing loan ratio for our personal loans was primarily due to the weakened repayment ability of individual customers. The increase in our non-performing personal loan balances from 31 December 2018 was primarily due to the weakened repayment ability of individual customers.

The non-performing loan ratio for our discounted bills decreased from 2.64% as of 31 December 2018 to 0.21% as of 31 December 2019 and our non-performing loans for discounted bills decreased from RMB59.9 million as of 31 December 2018 to RMB28.6 million as of 31 December 2019. The decrease in the non-performing loan ratio for our discounted bills was primarily due to our increased efforts to recover the business.

### Distribution of non-performing loans by geographical region

The following table sets forth the distribution of our non-performing loans by geographical region as of 31 December 2018 and 31 December 2019.

	As of 31 December 2019			As of 31 December 2018		
	Amount	% of the total (%)	NPL ratio <sup>(1)</sup> (%)	Amount	% of the total (%)	NPL ratio <sup>(1)</sup> (%)
	<i>(Amounts in millions of RMB, except percentages)</i>					
Tianjin	1,585.5	27.4	1.36	1,247.7	26.3	1.13
Beijing	397.0	6.9	1.60	194.4	4.1	0.94
Shandong Province	891.0	15.5	2.61	940.5	19.9	2.80
Shanghai	1,039.1	18.0	1.44	546.9	11.6	0.76
Hebei Province	1,663.5	28.9	7.20	1,768.2	37.4	6.29
Sichuan Province	178.2	3.1	0.81	33.3	0.7	0.14
Ningxia	10.8	0.2	1.17	-	-	-
<b>Total non-performing loans</b>	<b>5,765.1</b>	<b>100.0</b>	<b>1.96</b>	<b>4,731.0</b>	<b>100.0</b>	<b>1.64</b>

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 the distribution of our loans and advances to customers by type of collateral as of 31 December 2018 and 31 December 2019.

	As of 31 December 2019		As of 31 December 2018	
	Amount	% of the total (%)	Amount	% of the total (%)
<i>(Amounts in millions of RMB, except percentages)</i>				
Unsecured loan	109,527.3	37.3	88,108.6	30.5
Guaranteed loan	97,674.7	33.2	108,737.2	37.7
Collateralised loans <sup>(1)</sup>	68,449.1	23.3	71,681.3	24.8
Pledged loans <sup>(1)</sup>	18,294.6	6.2	20,261.9	7.0
<b>Total loans and advances to customers</b>	<b>293,945.7</b>	<b>100.0</b>	288,789.0	100.0

Note:

- (1) Represent the total amount of loans (interests included) 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 31 December 2019, the Bank's total loans to its largest single borrower accounted for 4.38% of its regulatory capital while total loans to its top ten customers accounted for 31.76% of its regulatory capital, which were in compliance with regulatory requirements.

#### a. Indicators of concentration

Major regulatory indicators	Regulatory standard	As of 31 December 2019	As of 31 December 2018
Loan concentration ratio for the largest single customer (%)	<=10	4.38	5.02
Loan concentration ratio for the top ten customers (%)	<=50	31.76	29.47

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 top ten single borrowers, all of which were classified as normal at that date.

	Industry	As of 31 December 2019			Classification
		Amount	% of the total loans (%)	% of regulatory capital <sup>(1)</sup> (%)	
<i>(Amounts in millions of RMB, except percentages)</i>					
Borrower A	Manufacturing	3,154.0	1.08	4.38	Normal
Borrower B	Construction	2,998.6	1.03	4.16	Normal
Borrower C	Manufacturing	2,450.0	0.83	3.40	Normal
Borrower D	Manufacturing	2,302.1	0.78	3.19	Normal
Borrower E	Real estate	2,285.1	0.78	3.17	Normal
Borrower F	Real estate	2,103.5	0.72	2.92	Normal
Borrower G	Construction	1,950.0	0.66	2.71	Normal
Borrower H	Leasing and business services	1,940.0	0.66	2.69	Normal
Borrower I	Leasing and business services	1,895.0	0.64	2.63	Normal
Borrower J	Real estate	1,807.0	0.61	2.51	Normal
<b>Total</b>		<b>22,885.3</b>	<b>7.79</b>	<b>31.76</b>	

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 31 December 2019, the loan balance of the largest single borrower of the Bank was RMB3,154.0 million, accounting for 1.08% of the total amount of loans of the Bank, and the total amount of loans of the top ten single borrowers was RMB22,885.3 million, representing 7.79% of the total amount of loans of the Bank.

## Management Discussion and Analysis

### Aging schedule of loans past due

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

Past due	As of 31 December 2019		As of 31 December 2018	
	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	3,689,078	1.25	3,467,476	1.21
Past due 90 days to 1 year	1,902,002	0.65	819,992	0.28
Past due 1 to 3 years	2,018,500	0.69	2,742,350	0.95
Past due more than 3 years	1,767,617	0.60	869,986	0.30
<b>Total</b>	<b>9,377,197</b>	<b>3.19</b>	<b>7,899,804</b>	<b>2.74</b>

### Changes to allowance for impairment losses of loans

The allowance for impairment losses of loans increased by 7.4% to RMB12,716.4 million as of 31 December 2019 from RMB11,845.7 million as of 31 December 2018. The increase was mainly due to the general increase in the Bank's provisions for assets.

	As of 31 December 2019		As of 31 December 2018	
	Amount	NPL ratio <sup>(2)</sup> (%)	Amount	NPL ratio <sup>(2)</sup> (%)
<i>(Amounts in millions of RMB, except percentages)</i>				
<b>Beginning of the year</b>	<b>11,845.7</b>	<b>1.64</b>	7,966.5	1.50
Net provisions for the year <sup>(1)</sup>	5,083.1		3,857.7	
Reversal interest revenue	(111.3)		(105.5)	
Write-off and transfers	(4,172.0)		(14.2)	
Recovery	70.9		141.2	
<b>End of the year</b>	<b>12,716.4</b>	<b>1.96</b>	11,845.7	1.64

Notes:

- (1) Represent the net amount of allowance for impairment losses recognised 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 categorise 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 31 December			
	2019		2018	
	Amount	% of the total (%)	Amount	% of the total (%)
	<i>(Amounts in millions of RMB, except percentages)</i>			
Tianjin	8,933.2	52.4	6,637.4	54.7
Shanghai	2,915.1	17.1	1,125.6	9.3
Beijing	1,887.4	11.1	1,494.9	12.3
Shandong Province	1,245.1	7.3	1,164.4	9.6
Sichuan Province	1,233.0	7.2	925.5	7.6
Hebei Province	724.5	4.2	695.4	5.7
Ningxia	115.4	0.7	95.0	0.8
<b>Total</b>	<b>17,053.7</b>	<b>100.0</b>	12,138.2	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 31 December			
	2019		2018	
	Amount	% of the total (%)	Amount	% of the total (%)
	<i>(Amounts in millions of RMB, except percentages)</i>			
Corporate banking	6,455.7	37.9	7,118.1	58.6
Personal banking	6,335.8	37.2	2,274.7	18.7
Treasury operations	4,228.9	24.7	2,629.6	21.7
Other <sup>(1)</sup>	33.3	0.2	115.8	1.0
<b>Total</b>	<b>17,053.7</b>	<b>100.0</b>	12,138.2	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 1 January 2013) promulgated by the China Banking and Insurance Regulatory Commission. As of 31 December 2018, our Bank's capital adequacy ratio met the regulatory requirements under such regulations. As of 31 December 2019, the capital adequacy ratio was 15.24%, 0.71 percentage point higher than that as of 31 December 2018 and tier-one capital adequacy ratio and core tier-one capital adequacy ratio was 10.63% and 10.62%, respectively as of 31 December 2019, both were 0.79 percentage point higher than those as of 31 December 2018. The increase in our capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio is primarily due to the increase in endogenous capital driven by the increment in profit.

## Management Discussion and Analysis

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

	<b>As of</b> <b>31 December 2019</b>	As of 31 December 2018
	<i>(Amounts in millions of RMB, except percentages)</i>	
<b>Core capital</b>		
– Share capital	<b>6,070.6</b>	6,070.6
– Capital reserve and investment revaluation reserve	<b>10,819.7</b>	10,879.6
– Surplus reserve	<b>3,352.5</b>	3,352.5
– General reserve	<b>9,198.3</b>	9,133.1
– Retained earnings	<b>20,953.8</b>	17,563.6
– Non-controlling interests that may be included	<b>206.9</b>	271.4
<b>Total core capital</b>	<b>50,601.8</b>	47,270.8
<b>Core tier-one capital</b>	<b>50,601.8</b>	47,270.8
<b>Core tier-one capital deductible items</b>	<b>(396.5)</b>	(346.2)
<b>Net core tier-one capital</b>	<b>50,205.3</b>	46,924.6
<b>Net tier-one capital</b>	<b>50,232.9</b>	46,960.8
<b>Tier-two capital</b>		
– Net tier-two capital instruments and related premiums	<b>16,260.0</b>	16,680.0
– Surplus allowance for impairment losses on loans	<b>5,516.5</b>	5,616.1
– Non-controlling interests that may be included	<b>55.2</b>	72.4
<b>Total tier-two capital</b>	<b>21,831.7</b>	22,368.5
<b>Net capital</b>	<b>72,064.6</b>	69,329.3
<b>Total risk-weighted assets</b>	<b>472,772.3</b>	477,241.1
<b>Core tier-one capital adequacy ratio</b> <i>(expressed in percentage)</i>	<b>10.62</b>	9.83
<b>Tier-one capital adequacy ratio</b> <i>(expressed in percentage)</i>	<b>10.63</b>	9.84
<b>Capital adequacy ratio</b> <i>(expressed in percentage)</i>	<b>15.24</b>	14.53

As of 31 December 2019, the Bank's leverage ratio was 7.12%.

## Management Discussion and Analysis

	<b>As of</b> <b>31 December 2019</b>	As of 31 December 2018
Leverage ratio	<b>7.12%</b>	6.79%

Pursuant to the Leverage Ratio Management of Commercial Bank (Amended) issued by the 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 2019, the Bank 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 maintain 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 authorisation 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 authorisation and credit review and extension management system.

The Bank implements a centralised 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 centralised credit extension management and reviewed by review authorities or reviewers with corresponding authorisation 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 categorisation system and adopting specific procedures to manage relevant risks, improving our capacity to process credit risk management by utilising 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 the 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 continues to perfect our operational risk management system. We have formulated implementation rules for three main operational risk management tools, namely self-assessment on operational risk and control, key risk index and operational risk incidents collection. The Bank regularly carries out self-assessment on risk identification and control, key risk index monitoring and collects information on operational risk loss. The Bank has formulated 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. The Bank also issued the Negative List for Business Risk Prevention and Control to clarify on the dos and don'ts. Our Bank has made the effort to carry out various inspection procedures which are carrying forward, stereoscopic and multi-dimensional. We have placed emphasis on our accountability and reporting system. In addition, we have established a risk warning system and organised special training on operational risk management. Our Bank has organised and carried out case-based educative activities to increase risk prevention and control efforts.

### 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 organisation 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 centralised 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 centralised 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 operational, legal and reputational risks. Our Bank continuously improves IT risk management, formulates and revises IT risk management-related policies and sets up IT management system to improve IT application capability and ensure system, internet, and information security. We have also effectively reduced potential risks by enhancing management and increasing IT investment.

Our Bank has formulated IT 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》), Administrative Measures for IT Risk Management of Bank of Tianjin (《天津銀行信息科技風險管理辦法》), IT Risk Management Strategies of Bank of Tianjin (《天津銀行信息科技風險管理策略》), Administrative Measures for Risk Management of Sub-contracting IT Work of Bank of Tianjin (《天津銀行信息科技外包風險管理辦法》) and Administrative Measures for IT Risk Monitoring Evaluation of Bank of Tianjin (《天津銀行信息科技風險監測評估管理辦法》). Meanwhile, our Bank has carried out continuity disaster drills, comprehensive business impact analysis and business continuity management training for major business systems.



## Management Discussion and Analysis

### X BUSINESS REVIEW

#### Corporate Banking Business

In 2019, as to our corporate banking business, we were more focused to implement the doctrine of our “Four Tailor-made Approaches” that supports national key strategic infrastructure, “introduced new clients” from emerging industries and small and micro enterprises in key regions, established “one-to-one” planning mechanism for corporate clients’ accounts to form stronger relationship with existing customers, stabilised performance level through “retaining existing customers”, improved quality and efficiency by “maintaining relationship with customers”, “reduced” high-consumption, highly-polluted enterprises and clients with high-risk profile through strengthening the ability to identify and control risks. By leveraging and managing with the “Four Tailor-made Approaches”, the Bank was able to achieve higher quality and efficiency through supporting the economic development of service entities while driving the transformation and development of the Company’s business.

For the year ended 31 December 2019, our operating income from corporate banking business amounted to RMB6,455.7 million, accounting for 37.9% of the total operating income over the same period, representing a decrease of 9.3% as compared to the same period last year.

As of 31 December 2019, the balance of our corporate loans (excluding discounted bills and finance leases receivable) amounted to RMB148,463.7 million, representing a decrease of 13.6% as compared to that of 31 December 2018. As of 31 December 2019, our total corporate deposits amounted to RMB260,023.0 million, representing an increase of 1.3% as compared to that of 31 December 2018.

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 for internal management. 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 projects and service loans reached RMB8.14 billion.

In 2019, according to the requirements of the dual-track strategy of “transformation + innovation”, and combined with the actual situation of the Bank, our transaction banking business constantly adjusted the application structure of transaction banking products based on market needs. We have replaced high-risk businesses with light-asset-consuming products; launched featured business and conducted joint marketing of business in the free trade zone; implemented “project-based” marketing of the supply chain, and through product innovation to achieve business growth. For the year ended 31 December 2019, the intermediary business income of our transaction banking business amounted to RMB205.5 million, representing an increase of 7.3%.

## Management Discussion and Analysis

### Personal Banking Business

For the year ended 31 December 2019, the Bank adhered to strategy of “ultra-unconventional development approach for retail business” and fully implemented “boundless connections” strategy in a more pertinent manner and deploy accordingly. The Bank vigorously and efficiently pushed forward various work measures. Its major operating indicators showed high-quality and ultra-unconventional development. In respect of customer development, the Bank highly focused on the “3-kilometer radius” of its business outlets and instructed its branches to create scenarios to facilitate inter-branch exchanges and acquire a large number of customers for retail business. Over 90 scenario-based consumption payment covering education, medical care, travel, fitness, foods, supermarket and trading centers were created. In respect of channel services, the Bank insisted on focusing on customers, continued to streamline business processing procedures to offer more convenient financial service experience for its wide range of customers. The Bank significantly improved its financial technologies and comprehensively raised the intelligent levels of its business outlets. Currently, a smaller business outlet and a comprehensive business outlet have fully commenced business operation. In addition, in respect of market environment and product features, the Bank continued to optimise its cooperation model with corporations, enterprises or institutions such as Tianjin Federation of Trade Union and Social Security Bureau to keep upgrading the functions and rights attached to the unique debit cards such as the Tianjin Trade Union Membership Card and social security cards. The Bank actively sought financial innovations that serve and are closely relevant to the lives of the general public, offering comprehensive and all-rounded services to individual financial customers.

For the year ended 31 December 2019, the operating income from our personal banking business amounted to RMB6,335.8 million, accounting for 37.2% of our total operating income over the same period and representing an increase of 178.5% as compared to the same period of last year.

As of 31 December 2019, the balance of our personal loans reached RMB127,142.3 million, accounting for 43.3% of our total loans to customers. As of 31 December 2019, our personal consumption loans, residential mortgage loans, personal business loans and credit card overdrafts amounted to RMB91,660.2 million, RMB22,352.2 million, RMB11,382.9 million and RMB1,747.0 million, respectively, and accounted for 72.1%, 17.6%, 8.9% and 1.4%, respectively, of our total personal loans. As of the same date, our total personal deposits amounted to RMB73,166.7 million, representing an increase of 5.7% as compared to that of 31 December 2018.

Our Bank continued to expand our credit card product offering and enrich product features. As of 31 December 2019, our Bank issued 579,325 credit cards. The Bank continued to promote the development of credit card business, strengthened product innovation and carried out co-branded credit card business through cooperation with Internet platforms such as “Meituan Dianping” to realise acquisition of customers through internet channel diversion, online application and automated approval and processing functions for our Bank’s credit cards, greatly improving the working efficiency of credit card approval and customer application experience. Meanwhile, by virtue of the featured rights and interests of Meituan co-branded credit card products such as “privilege of fresh taste (嘗鮮特權)”, “daily discounts of \$6 for gourmet (美食天天減6元)” and “monthly 50% off for movies (電影月月享5折)” which are distinctive from other credit card products while effectively attracting customer attention and application, Bank of Tianjin has built the brand image of its credit cards in Tianjin and Hebei Province, etc. In 2019, the scale of both card issuance as well as assets and income reached record highs, with asset quality reaching the best level in the past five years, and remarkable achievement in the transformation, innovation and development of credit card business.

## Management Discussion and Analysis

### Small and Micro Inclusive Financial Services

As of 31 December 2019, our inclusive loans to small and micro enterprises amounted to RMB11,934.5 million, representing an increase of 72.7% as compared to 31 December 2018. Number of clients for inclusive loans to small and micro enterprises grew by 398.7% to 396,810.

In 2019, the Bank focused on technology empowerment in the small and micro inclusive finance areas, and continued to implement the “dual-track” strategy for online and offline businesses by using the Internet and related electronic channels for in-depth cultivation and customer groups penetration into small and micro inclusive finance customer bases. In the first half of the year, our Bank launched the first self-operated fully on-line inclusive finance product, the “e-loans for taxpayers” (銀稅e貸), which offered to owners of small and micro enterprises who pay taxes according to laws for their operation entities’ daily fund transactions under our business line of on-line personal business loans. With its fully on-line financing model which combines “Big Data + Tax + Finance”, our e-loans for taxpayers facilitated a virtuous circle which “secures credit by tax payment and helps tax payment on credit”. In addition, to further strengthen the effort of “bank-business cooperation” (銀商合作), our Bank also launched another fully on-line inclusive finance self-operated loan product, the “e-loans for supermarket” (商超e貸), which is offered to supermarkets that hold exclusive retail licenses for specific scenarios, with customer order information as the core to carry out intelligent “portrait” of customers through dynamic updates and continuous tracking to realise online processes such as “application – approval – signing contract – lending – repayment – post-loan management – post-loan warning”, and due to “low thresholds, easy handling, scenarios matching and loop-back use”, the product quickly provided supermarket operators with funding supports and achieved the purpose of providing credit products to inclusive “long-tail customer groups”.

Furthermore, 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 31 December 2019, our Bank established a total of 8 county banks in poor counties with small economic size and inadequate financial services in Xinjiang and Ningxia, and Jizhou District, Tianjin as well. Among them, Ningxia Yuanzhou Village Bank (寧夏原州村鎮銀行), our consolidated subsidiary, recorded operating income of RMB59.8 million and net profit of RMB33.2 million in 2019, representing an increase of 5.3% and an increase of 14.1% year-on-year, respectively. Ningxia Tongxin Village Bank (寧夏同心村鎮銀行), our another consolidated subsidiary, recorded operating income of RMB55.7 million and net profit of RMB41.1 million in 2019, representing an increase of 45.8% and an increase of 92.1% year-on-year, respectively. As of 31 December 2019, our inclusive agriculture-related loan balance amounted to RMB1,950.0 million, among which, the agriculture-related loan balance in Tianjin reached RMB723.2 million, representing an increase of 768.8% as compared to that of 31 December 2018.

In addition, the Bank developed the financial leasing business through establishing Bank of Tianjin Financial Leasing Co., Ltd., which commenced its business operation in October 2016. For the year ended 31 December 2019, total assets and net profit of Bank of Tianjin Financial Leasing Co., Ltd. amounted to RMB8,134.7 million and RMB71.1 million, respectively.

## Management Discussion and Analysis

### Treasury Operations Business

In 2019, the Bank further optimised its asset structure by enhancing allocation of assets such as high credit rating and standardised bonds to improve quality and efficiency; strengthening marketing of initiative debts to optimise the debt structure; actively engaging in self-operation and trading on behalf of clients of bonds, foreign exchange, derivatives and precious metals, and constantly improving the FICC (Fixed income, Currency & Commodity) product business system that integrates investment and financing and trading business to put great effort in building it as centres for innovation products, initiative debt transactions as well as a channel between other banks and clients to promote the high quality development of financial market business.

As of 31 December 2019, our operating income in treasury operations business was RMB4,228.9 million, accounting for 24.7% of the Bank's total operating income, representing an increase of 60.8% as compared to the same period of last year.

As of 31 December 2019, the Bank processed business qualifications such as a member of Ministry of Finance book-entry treasury bond underwriting syndicates, local bond underwriting syndicates in Tianjin, Shanghai, Beijing, Hebei, Shandong, and financial debt underwriting syndicates of the three major policy banks (China Development Bank, China Export-Import Bank and Agricultural Development Bank of China), the license for hedging derivatives trading, qualifications of core dealer of CRMW instruments, issuing institution of CRMW and issuing institution of credit-linked notes, and business qualifications for interbank gold price asking transactions through the Shanghai Gold Exchange. During 2019, the Bank obtained several business qualifications including qualification as online interbank depository participant and qualification for standard bond forward business. During the year, our branch in Shanghai acquired membership of China Foreign Exchange Trade System for inter-bank forex trading in Shanghai Free-Trade Zone (上海自貿區), laying a solid foundation for exploration into and development of our new business.

During 2019, the Bank was awarded "Top 300 Banks in Interbank Local Currency Market Transactions in 2019", "Active Trader in Interbank Local Currency Market in 2019", "Top 100 Banks in Interbank RMB Foreign Exchange Market in 2019", "Top 100 Outstanding Self-operated Traders in Settlement in 2019" granted by the China Central Depository & Clearing Co., Ltd., the "Most Potential Award" in 2019 Agricultural Development Bank of China Outstanding Underwriter for Financial Bonds and several other awards; our Bank was a member of book-entry treasury bond underwriting syndicates with the third and the fifth highest treasury spot trading volume in the first half of 2019 and in 2019 respectively, with rising brand image in the market.

#### *Money Market Transactions*

For the year ended 31 December 2019, by expanding our aggregate transaction scale in the money market, our Bank responded to the changing money market while maintaining our liquidity and enhancing our influence in the money market.

Firstly, we actively engaged in money market transactions. In 2019, our local and forex transaction volume grew by 33.2% and 148.8% year-on-year, respectively. While satisfying our requirement for liquidity, our Bank significantly increased participation in the market. In 2019, we were listed among the monthly list of "Active Dealers of X-Repo" of National Interbank Funding Centre of China successively, and were granted the "Best Progress Award" among the list of "X-Repo Elites" in May 2019.

Secondly, we broadened our liability sources. We broadened our liability sources through combined application of various money market tools such as negotiable certificates of deposit, bond repurchase, interbank funding, medium-term lending facility (MLF) and national treasury time deposit in commercial banks.

## Management Discussion and Analysis

### *Fixed Income Business*

Firstly, we actively developed bond underwriting and distribution business through the model of joint action of primary and secondary markets as well as cross action of innovative business such as bond lending. With continuous leverage on the strength and customer resources of 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 and other regions, there were obvious enhancement in underwriting volume and rankings of our Bank's interest rate debt primary market in 2019. In 2019, the Bank recorded accumulated underwriting amount of treasury bonds, local government bonds and policy bank bonds amounting to RMB87.15 billion, a year-on-year increase of 51.1% which has further expanded our Bank's source of non-interests income.

Secondly, we engaged further in bond transactions and became more active in the market while promoting business transformation. In 2019, our scale in spot trading grew by 400% year-by-year, while our scale in medium-term bond (spot) ranked 6th, and our Bank was honored to be listed in the monthly lists of "X-Bond Active Institutions" as well as "X-Lending Active Institutions" of National Interbank Funding Centre of China for several times, signifying our growth in influence in market trading.

Thirdly, we strengthened market analysis and enhanced profitability of trading. We actively responded to market and policy change and fully used the window period of bond market adjustment to seize market opportunities for active bond trading to earn the spreads, and proactively modified our bond portfolio to rationalise weighting of bonds with different maturities for achieving higher gains while effectively reducing market risks.

Fourthly, we continued to optimise our investment portfolio with an appropriate allocation of credit bonds. During 2019, our Bank kept on allocating funds among high-grade credit bonds and asset-backed securities to increase our income level while actively supporting people's livelihood as well as national and local economic construction and development, providing practical services and feasible support to the real economy.

Fifthly, we accelerated asset circulation by promoting transformation of the Bank's business from "asset-holding oriented" to "asset-transaction oriented", so as to enrich the income source of the Bank's intermediate business and effectively enhance the level of the Bank's ROA and ROE.

### *Forex and Precious Metal Transactions*

Since 2019, in order to effectively avoid market risks caused by fluctuations in exchange rates and gold prices, the Bank has further accelerated the establishment of counterparties in financial derivatives transactions, consolidated the foundation for inter-bank cooperation, and continued to expand the scale of business transactions such as foreign exchange derivatives and precious metals. Throughout 2019, our total volume of foreign exchange transactions amounted to approximately RMB1.03 trillion, and our gold inquiry transaction volume was approximately 4.45 tonnes. We innovatively promoted London Gold and other international precious metal trading services and continued to consolidate and enhance the capabilities and standards of our Bank's foreign exchange and precious metal business, laying the foundation for practically promoting financial market business transformation.

## Management Discussion and Analysis

### *Treasury Business Conducted on Behalf of Customers*

For the year ended 31 December 2019, the wealth management business of our Bank grew steadily because our Bank accelerated the product transformation towards the net worth type, innovated new products, optimised asset allocation, adjusted its customer base, and consequently maintained its leading position in terms of profitability in the industry.

Firstly, we accelerated the product transformation towards the net worth type. In 2019, 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. On the basis of continuous improvement in the net worth product system, our Bank has launched various types of net worth products such as the closed net worth type and the cash management type. By the end of the year, the stock of net worth wealth management products reached RMB54,939.5 million, representing an increase in its proportion to the overall figure to 50% from 4% at the beginning of the year.

Secondly, we optimised asset allocation and enhanced value gains. According to the overall policy of our Bank, i.e., “Four Tailor-made Approaches” and “Improvement in both Quality and Efficiency”, our Bank’s wealth management business has strengthened the management of existing assets, reduced a batch of poor-quality and low-yield assets, and enhanced quality and efficiency through ways including adjustment of asset structure, optimisation of major asset allocation and increase in trade profits. With the overall downward trend in market interest rates, the static yield of the asset portfolio rose against the trend, directly boosting the profitability of our Bank’s wealth management business.

Thirdly, we sought for optimisation of customer profile. Based on the regulatory guideline for asset management business, i.e. “restoring to real economy”, and our Bank’s strategic positioning of ultra-unconventional development approach for retail business, we strive to be a leading city commercial bank by seeking for optimisation of customer profile in wealth management business. Through concerted efforts, our Bank’s customer profile in wealth management products was significantly optimised. As of 31 December 2019, the proportion of our basic core wealth management customers increased to 81% from 70% at the beginning of the year. In particular, the size of our existing wealth management business for individuals reached RMB86,305.6 million and its proportion to the overall figure also increased to 78% from 68% at the beginning of the year.

As of 31 December 2019, the total outstanding amount of wealth management products issued by us was RMB110,445.1 million, representing a decrease of 10% year-on-year. For the year ended 31 December 2019, the net fee and commission income from the wealth management products issued by us amounted to RMB1,428.0 million, representing an increase of 41.3% year-on-year.

### *Investment Banking Business*

In 2019, the Bank’s investment banking business continued to adhere to the direction of returning to the origins of finance and fulfilling the original intention of serving the real economy. It closely followed the guidance on strategic planning, and implemented the Bank’s dual-track strategy of “transformation + innovation” to achieve stable and high-quality business development, so as to become a crucial driver of the Bank’s product and asset allocation. The Bank persisted in providing “financing + smart integration” integrated financial services, which better satisfied customer’s demand for financial services, and we fully fulfilled the mission and responsibility as the market lead underwriter among banks with continuing improving services to the real economy. After obtaining the business qualification of Category A lead underwriter of non-finance corporate debt financing instruments, the Bank was allowed to commence lead underwriting business of non-finance corporate debt financing instruments in the area where our branches in Beijing, Shanghai, Tianjin, Hebei, Sichuan and Shandong, etc. are located. In 2019, our investment banking segment had underwritten corporate bonds such as non-finance corporate debt financing instruments and debt financing plan of RMB11,952.9 million. We have been awarded the “Beginner’s Award for the 2019 Debt Financing Plan” by the Beijing Financial Assets Exchange.

### *International Business*

For the year ended 31 December 2019, our Bank’s international settlement volume amounted to US\$6,801.1 million.



## Changes in Share Capital and Information on Shareholders

### I. CHANGES IN SHARES OF THE BANK

#### Share Capital

As of 31 December 2019, 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

	1 January 2019		Changes during the Reporting Period	31 December 2019	
	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	–	–	–	–	–
<b>Total</b>	<b>6,070,551,822</b>	<b>100.00%</b>	<b>–</b>	<b>6,070,551,822</b>	<b>100.00%</b>

## 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 the beginning of the Reporting Period	Total number of shares held at the end of the Reporting Period	Shareholding percentage held at the 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) <sup>(1)</sup>	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)	117,378,125	117,378,125	1.93
7	Tianjin Ningfu Investment Co., Ltd. (天津市寧福投資有限公司)	0	114,278,299	1.88
8	Tianjin Wenhua Tianhai Industrial Co., Ltd. (天津文華天海實業有限公司) <sup>(2)</sup>	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	2,629,607,226	2,743,885,525	45.20

**Notes:**

- (1) Tianjin Hengchangyuan Industrial Co., Ltd. (天津恒昌圓實業有限公司) pledged its 103,168,053 Shares to New Times Trust Co., Ltd. (新時代信託股份有限公司).
- (2) Tianjin Wenhua Tianhai Industrial Co., Ltd. (天津文華天海實業有限公司) pledged its 52,415,276 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 31 December 2019, the Bank had a total of 7,312 Shareholders.

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

As at 31 December 2019, pursuant to the register entered by the Bank under Section 336 of the SFO, and to the best knowledge of the Bank, the following persons (other than the Bank's Directors, Supervisors and chief executives) 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) <sup>(1)</sup>	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) <sup>(1)</sup>	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) <sup>(2)</sup>	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) <sup>(3)</sup>	Beneficial owner Interest of a controlled corporation	Domestic Shares	489,857,052	8.07	11.38
Tianjin Pharmaceutical Holdings Ltd. (天津市醫藥集團有限公司) <sup>(4)</sup>	Beneficial owner 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) <sup>(4)</sup>	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) <sup>(4)</sup>	Interest of a controlled corporation	Domestic Shares	489,107,183	8.06	11.36
CSSC International Holding Company Limited <sup>(5)</sup>	Beneficial owner	H Shares	303,193,000	4.99	17.18

## Changes in Share Capital and Information on Shareholders

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
China State Shipbuilding Corporation Limited (中國船舶工業集團有限公司) <sup>(5)</sup>	Interest of a controlled corporation	H Shares	303,193,000	4.99	17.18
BL Capital Holdings Ltd <sup>(6)</sup>	Beneficial owner	H Shares	106,993,500	1.76	6.06
HNA Capital (Hong Kong) Holdings Co., Ltd <sup>(6)</sup>	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) <sup>(6)</sup>	Interest of a controlled corporation	H Shares	106,993,500	1.76	6.06

### 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, was incorporated in the State of Victoria, Australia on 14 July 1977, and is listed on the Australian Securities Exchange (Stock Code: ANZ) and the 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.

## Changes in Share Capital and Information on Shareholders

- (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.

### IV. 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.

### V. SUBSTANTIAL SHAREHOLDERS PRESCRIBED UNDER THE INTERIM MEASURES FOR EQUITY MANAGEMENT OF COMMERCIAL BANKS

Details regarding the definitions of the Bank's substantial shareholders and their controlling shareholders, de facto controllers, related parties, persons acting in concert and ultimate beneficiaries are set out in the relevant regulations under the Interim Measures for Equity Management of Commercial Banks issued by the CBIRC. Pursuant to the Interim Measures for Equity Management of Commercial Banks, a commercial bank shall manage its substantial shareholders and their controlling shareholders, de facto controllers, related parties, persons acting in concert and ultimate beneficiaries as its own related parties under the transparency principle.

As of the end of the Reporting Period, substantial Shareholders of the Bank were set out as follows:

Name of Shareholder	Shareholding Percentage	Industry
Tianjin Port Free Trade Zone Investment Co., Ltd.	15.92%	Leasing and business services
Australia and New Zealand Banking Group Limited	11.95%	Finance
Tianjin Bohai Chemical Industry Group Co., Ltd.	8.02%	Manufacturing
Tianjin Pharmaceutical Holdings Ltd.	8.02%	Manufacturing
CSSC International Holding Company Limited	4.99%	Leasing and business services
Tianjin Jinrong Investment Service Group Co., Ltd.	1.93%	Leasing and business services

## Changes in Share Capital and Information on Shareholders

As of the end of the Reporting Period, the number of the Bank's substantial shareholders and their controlling shareholders, de facto controllers, related parties, persons acting in concert and ultimate beneficiaries was approximately 389. As of the end of the Reporting Period, balance of 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 amounted to RMB4.87 billion in total, representing 6.73% of the net capital of the Bank as at the end of last quarter.

Due to limitations on space, this annual report does not provide the list of all the related parties of the substantial shareholders and details of the related party transactions. For related party transactions under relevant accounting policies, please refer to Note 50 to the financial statements.

## 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)	60	Executive Director, Chairman*	11 May 2018
Mr. SUN Liguó (孫利國)	56	Executive Director, President*	11 May 2018
Ms. ZHANG Furong (張富榮)	58	Executive Director, Vice President*, Secretary of the Board of Directors*	11 May 2018
Ms. SUN Jingyu (孫靜宇)	51	Non-executive Director	8 June 2018
Mr. Alistair Marshall BULLOCH (布樂達)	62	Non-executive Director	11 May 2018
Mr. ZHAO Wei (趙煒)	50	Non-executive Director	11 May 2018
Mr. XIAO Jingxi (肖京喜) <sup>(1)</sup>	57	Non-executive Director	8 June 2018
Ms. LI Jun (李峻)	47	Non-executive Director	8 June 2018
Mr. FENG Heping (封和平)	59	Independent Non-executive Director	11 May 2018
Mr. LAW Yee Kwan, Quinn (羅義坤)	67	Independent Non-executive Director	11 May 2018
Mr. JIN Qingjun (靳慶軍)	62	Independent Non-executive Director	11 May 2018
Mr. HUA Yaogang (華耀綱)	62	Independent Non-executive Director	8 June 2018
Mr. HE Jia (何佳)	65	Independent Non-executive Director	8 June 2018

#### Notes:

- (1) During the Reporting Period, Mr. XIAO Jingxi acted as a non-executive Director of the Bank. Due to work adjustment, on 20 March 2020, Mr. XIAO Jingxi tendered his resignation to the Board of Directors from the position of Non-executive Director of the Bank and member of the Audit Committee under the Board. The resignation of Mr. XIAO Jingxi will result in the number of members of the Board of the Bank to fall below the minimum number required under the Articles of Association of the Bank. According to relevant provisions of the Company Law and the Articles of Association of the Bank, the Bank shall convene a general meeting for the election of new Director. To ensure the normal operation of the Board, Mr. XIAO Jingxi will continue to perform his duties and responsibilities as a Director until the qualifications of the new Director being approved by the regulatory departments. The resignation of Mr. XIAO Jingxi will take effect on the date of approval of the qualifications of the new Director by the regulatory departments. For details, please refer to the announcement headed "Change of Non-executive Directors" published by the Bank on 20 March 2020.

## Directors, Supervisors, Senior Management and Employees

- (2) 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 15 June 2018.

### 2. Supervisors

Name	Age	Position	Date of Appointment
Ms. FENG Xia (馮俠)	48	Employee Representative	15 March 2018
		Supervisor	
		Chairwoman of the Board of Supervisors	15 June 2018
Mr. YAO Tao (姚濤)	57	Trade Union President <sup>1</sup>	23 July 2019
		Employee Representative	15 March 2018
Mr. YU Yang (于陽)	40	Supervisor	
		Shareholder Representative	8 June 2018
Mr. ZHANG Lianming (張連明)	56	External Supervisor	11 May 2018
Mr. LIU Baorui (劉寶瑞)	62	External Supervisor	8 June 2018

Notes:

- Upon the approval of Tianjin Federation of Trade Unions (Jin Gong Fu [2019] No. 55), it was agreed that Ms. Feng Xia served as Trade Union President of our Bank and Ms. Zhang Furong no longer served as Trade Union President of our Bank on 23 July 2019.
- 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.

## Directors, Supervisors, Senior Management and Employees

### 3. Senior Management

Name	Age	Position	Date of First Appointment as Senior Management
Mr. SUN Liguó (孫利國)	56	President	December 2016
Ms. ZHANG Furong (張富榮)	58	Vice President, Secretary of the Board of Directors	November 2009
Ms. ZHANG Ying (張穎) <sup>1</sup>	44	Vice President	September 2014
Mr. XIA Zhenwu (夏振武)	50	Assistant to President	January 2008
Mr. WANG Feng (王峰) <sup>2</sup>	47	Assistant to President, Chief Information Officer <sup>2</sup>	April 2017

Notes:

- Effective from 23 May 2019, Ms. Zhang Ying ceased to serve as Secretary of Disciplinary Committee of our Bank due to changes in her duties. Ms. Zhang Ying was appointed as vice president of our Bank during the eighth meeting of the sixth session of the Board held on 22 July 2019, and her relevant qualification was approved by the CBIRC Tianjin Office on 12 September 2019.
- Mr. Wang Feng, Assistant to President of our Bank, was engaged as Chief Information Officer of our Bank during the eighth meeting of the sixth session of the Board held on 22 July 2019, and his relevant qualification was approved by the CBIRC Tianjin Office on 7 November 2019.

#### 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
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	LI Jun
6	Tianjin Jinrong Investment Service Group Co., Ltd.	YU Yang



## Directors, Supervisors, Senior Management and Employees

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

Effective from 23 May 2019, Ms. Zhang Ying ceased to serve as Secretary of Disciplinary Committee of our Bank due to changes in her duties.

Ms. Zhang Ying was appointed as Vice President of our Bank during the eighth meeting of the sixth session of the Board held on 22 July 2019, and her relevant qualification was approved by the CBIRC Tianjin Office on 12 September 2019.

Mr. Wang Feng, Assistant to President of our Bank, was appointed as Chief Information Officer of our Bank during the eighth meeting of the sixth session of the Board held on 22 July 2019, and his relevant qualification was approved by the CBIRC Tianjin Office on 7 November 2019.

Upon the approval of Tianjin Federation of Trade Unions (Jin Gong Fu [2019] No. 55), it was agreed that Ms. Feng Xia served as Trade Union President of our Bank and Ms. Zhang Furong no longer served as Trade Union President of our Bank on 23 July 2019.

On 5 September 2019, Mr. WU Tao tendered his resignation from the position of the Non-executive director of the Bank and a member of the risk management committee under the Board. According to the Company Law of the People's Republic of China and other relevant laws and regulations as well as the articles of association of the Bank, the resignation of Mr. WU took effect on 5 September 2019. For details, please refer to the announcement of the Bank headed "RESIGNATION OF NON-EXECUTIVE DIRECTOR" dated 5 September 2019.

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

Below are changes in our Directors, Supervisors and senior management members occurred from the end of the Reporting Period to the date of this report.

On 9 January 2020, Mr. Liang Jianfa 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, vice president of the Bank and chief financial officer of the Bank. According to the Company Law of the People's Republic of China and other relevant laws and regulations as well as the Articles of Association of the Bank, the resignation of Mr. Liang took effect on 9 January 2020. For details, please refer to the announcement of the Bank headed "RESIGNATION OF EXECUTIVE DIRECTOR AND VICE PRESIDENT" dated 9 January 2020.



## Directors, Supervisors, Senior Management and Employees

During the Reporting Period, Mr. XIAO Jingxi acted as a non-executive Director of the Bank. Due to work adjustment, on 20 March 2020, Mr. XIAO Jingxi tendered his resignation to the Board of Directors from the position of Non-executive Director of the Bank and member of the Audit Committee under the Board. The resignation of Mr. XIAO Jingxi will result in the number of members of the Board of the Bank to fall below the minimum number required under the Articles of Association of the Bank. According to relevant provisions of the Company Law and the Articles of Association of the Bank, the Bank shall convene a general meeting for the election of new Director. To ensure the normal operation of the Board, Mr. XIAO Jingxi will continue to perform his duties and responsibilities as a Director until the qualifications of the new Director being approved by the regulatory departments. The resignation of Mr. XIAO Jingxi will take effect on the date of approval of the qualifications of the new Director by the regulatory departments. For details, please refer to the announcement headed "Change of Non-executive Directors" published by the Bank on 20 March 2020.

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

#### 1. Directors

**Mr. Li Zongtang (李宗唐)**, aged 60. 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 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.

## Directors, Supervisors, Senior Management and Employees

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 56. 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. He is also in charge of the Strategic Development Department and the Assets and Liabilities Management 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).

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.

## Directors, Supervisors, Senior Management and Employees

**Ms. ZHANG Furong (張富榮)**, aged 58, 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 financial work of the Company. She is also in charge of the Corporate Business Department, Trading Department, Investment Banking Department, Financial Market Department, Asset Management Department and Financial Accounting Department. She also assists the Chairman in charge of General Office of the 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 was the trade union president of our Bank from November 2009 to July 2019. From 21 December 2016 to 16 February 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 over 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 the 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 at 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.

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 an 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.

## Directors, Supervisors, Senior Management and Employees

**Mr. LIANG Jianfa (梁建法)**, aged 54, served as an Executive Director of the Bank from June 2018 to January 2020, the Vice President of the Bank from December 2014 to January 2020, as well as the Chief Financial Officer of the Bank from June 2015 to January 2020.

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 51, was appointed as our Non-executive Director in June 2018. She has served as the director of Financial Planning Department 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. (天津天保財務管理有限公司), 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 general manager of Tianjin T&B Financial Management Co., Ltd. from August 2013 to September 2015; (iv) the accountant, finance supervisor, senior finance supervisor, director assistant and deputy director of the Financial Planning Department of Tianjin T&B Holding 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.

## Directors, Supervisors, Senior Management and Employees

**Mr. Alistair Marshall BULLOCH (布樂達)**, aged 62, was appointed as our Non-executive Director in June 2009. Mr. BULLOCH has held a number of positions at ANZ and is currently a representative of ANZ in the Board of the Bank. Mr. BULLOCH served as a director in various entities under ANZ from 2008 to 2019, namely ANZ Royal Bank (Cambodia) Ltd., United (Cambodia) Land Company Ltd, Jikk Pty Ltd., Votrait No. 113 Pty Ltd, 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 50, was appointed as our Non-executive Director in December 2014. He has served as the deputy general manager of Tianjin Pharmaceutical Holdings Ltd. since December 2013 and as chief financial officer of Tianjin Pharmaceutical Holdings Ltd. since 24 September 2019. 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's 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.



## Directors, Supervisors, Senior Management and Employees

**Mr. XIAO Jingxi (肖京喜)**, aged 57, 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 47, was appointed as our Non-executive Director in June 2018. She has been the chief accountant and the general manager of the credit and structure department of CSSC (Hong Kong) Shipping Company Limited (中國船舶(香港)航運租賃有限公司) (a company listed on the Hong Kong Stock Exchange, stock code: 03877) since February 2017. Prior to that, Ms. Li's primary work experiences include serving as: (i) the deputy chief accountant and chief accountant of CSSC Chengxi Shipbuilding (Guangzhou) Company Limited (中船澄西船舶(廣州)有限公司) from July 2011 to February 2017; (ii) several positions in CSSC Offshore & Marine Engineering (Group) Company Limited (a company listed on the Hong Kong Stock Exchange (stock code: 00317) and the Shanghai Stock Exchange (stock code: 600685)) from March 1995 to July 2011, such positions included serving as manager, assistant to the director and deputy director of the finance department.

Ms. Li received a bachelor's degree in economics from Beijing College of Commerce (北京商學院) (currently known as Beijing Technology and Business University (北京工商大學)) in July 1994 and received a master's degree in engineering from Huazhong University of Science and Technology (華中科技大學) in December 2010. She obtained the non-practicing Chinese Certified Public Accountant qualification in December 2002.

## Directors, Supervisors, Senior Management and Employees

**Mr. FENG Heping (封和平)**, aged 59, was appointed as our Independent Non-executive Director in December 2014. Mr. FENG was the managing director of Beijing branch of Morgan Stanley from March 2011 to August 2014. Mr. FENG joined 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 has served as an independent director of Sunstone Development (stock code: 603612.SH) since December 2016, an independent director of Tahoe Group (stock code: 000732.SZ) since September 2016, an independent director of Yinhuafund Management Co., Ltd. since September 2016, and an independent director of China Life Pension Insurance Company Limited since June 2016.

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 67, 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 an independent non-executive director of BOC Hong Kong (Holdings) Limited (a company listed on the Hong Kong Stock Exchange, stock code: 02388) since March 2019. Mr. LAW has been an independent non-executive director of HKBN Limited (a company listed on the Hong Kong Stock Exchange, stock code: 01310) since February 2015 and an 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 March 2008 to March 2013, Mr. LAW was the deputy chairman of the Board and the chief executive officer 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.

## Directors, Supervisors, Senior Management and Employees

**Mr. JIN Qingjun (靳慶軍)**, aged 62, 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's 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 December 2019, Mr. JIN has served as an independent director of Goldstream Investment Limited (金湧投資有限公司). Since September 2018, he 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). Since September 2018, he has served as a director of Shenzhen Kondarl (Group) Co., Ltd. (深圳市康達爾(集團)股份有限公司) (stock code: 000048). Since October 2017, he has served as an independent director of Zhong Fa Zhan Holdings Limited (stock code: 00475). Since March 2016, he has served as an independent director of Sino-Ocean Group Holding Limited. Since October 2015, he has served as an independent director of Times Property Holdings Limited. Since January 2013, he has served as an independent director of Guotai Junan Securities Co., Ltd.

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

**Mr. HUA Yaogang (華耀綱)**, aged 62, 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 65, 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 include 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 audit committee of the board of directors 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 corporate 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 include 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 corporate governance committee of the board of directors of China Investment Securities (中投證券) from February 2005 to March 2017.

## Directors, Supervisors, Senior Management and Employees

Mr. He's primary work experiences in governmental organs include 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 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 decision-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, the USA (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 48, was appointed as our Employee Representative Supervisor in January 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 has served as the deputy secretary of the Party Committee of our Bank since January 2018 and as trade union president of our Bank since July 2019. 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 57, was appointed as our Employee Representative Supervisor in November 2014. He has served as head of Party Committee Organization Department since July 2015 and as general manager of Human Resources Department since January 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 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 cadre 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 (于陽)**, aged 40, was appointed as our Shareholder Representative Supervisor in 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 56, 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 62, 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 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.

**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.

**Ms. ZHANG Ying** (張穎), aged 44, has served as the Vice President of our Bank since September 2019. Ms. ZHANG is in charge of internal risk controls as well as discipline inspection and supervision. She provides assistance for advancing infrastructure work. She is in charge of the Risk Management Department, Credit Management Department, Internal Control and Compliance Department, Legal Affairs Department, Asset Preservation Department and Discipline Inspection and Supervision Department. She has been a member of the Party Committee of our Bank since September 2014, and served as the secretary of the disciplinary committee of our Bank from September 2014 to May 2019.

## Directors, Supervisors, Senior Management and Employees

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 Human Resources Department and the Corporate Business Division of the Tianjin branch.

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. XIA Zhenwu (夏振武)**, aged 50, has been serving as assistant to our president of the Bank since April 2014, and is in charge of office, administrative, infrastructure and safety work. He is also 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 47, has been serving as assistant to our president of the Bank since April 2017. He has been serving as Chief Information Officer of our Bank since November 2019, and is in charge of micro financial inclusion, personal banking, operation and information technology work. He is also in charge of the Micro Financial Inclusion Department, Personal Banking Department and Credit Card Department, 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 31 December 2019, 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<sup>(1)</sup> (excluding the Directors and Supervisors) by bands for the year ended 31 December 2019 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 31 December 2019, three of the Bank's management members are concurrently Directors, namely Mr. Sun Ligu, Ms. Zhang Furong and Mr. LIANG Jianfa, respectively. For the details of the remuneration of Mr. Sun Ligu, 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 2018

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 2018				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)	Total (4)=(1)+(2)+(3)		
LI Zongtang	Secretary of the party committee and chairman	January 2018 to December 2018	758,705	163,263.00	-	921,968.00	No	-
SUN Liguo	Deputy secretary of the party committee and president	January 2018 to December 2018	787,900	163,263.00	-	951,163.00	No	-
FENG Xia	Deputy secretary of the party committee, chairman of the Board of Supervisors and trade union president	January 2018 to December 2018	650,017.5	149,865.14	-	799,882.64	No	-
ZHANG Furong	Member of the party committee, vice president and secretary of the Board of Directors	January 2018 to December 2018	709,110	160,281.39	-	869,391.39	No	-
ZHANG Ying	Member of the party committee and vice president	January 2018 to December 2018	709,110	163,263.00	-	872,373.00	No	-
LIANG Jianfa	Former member of the party committee, vice president and chief financial officer	January 2018 to December 2018	709,110	163,263.00	-	872,373.00	No	-
YUE Desheng	Former member of the party committee and vice president	January 2018 to January 2018	57,392.5	13,397.86	-	70,790.36	No	-



## Directors, Supervisors, Senior Management and Employees

Note:

1. The remuneration disclosed in the above table was the totaled remuneration payable before tax to person in charge of the enterprises owned by municipal governments of the Bank in 2018 and social insurances deposited by the Company according to the state regulations, among which, item (1) was approved by SASAC.

### VII. EMPLOYEES' REMUNERATION POLICIES AND TRAINING PLANS FOR EMPLOYEES

As of 31 December 2019, we had 6,767 regular employees in total, of which 1,170 employees at our head office and 5,479 employees at our branches and sub-branches, 80 employees at our consolidated county banks and 38 employees at Bank of Tianjin Financial Leasing Co., Ltd. (天銀金融租賃股份有限公司). As of 31 December 2019, we had 5,823 or 86.05% employees who had bachelor's degrees or above, and our staff's average age was 37.

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, regulations and regulatory rules.

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, standardised 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.

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 organises 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 organised 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 13,259 people passed the tests and obtained various kinds of vocational qualification certificates.

## Corporate Governance Report

### 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.

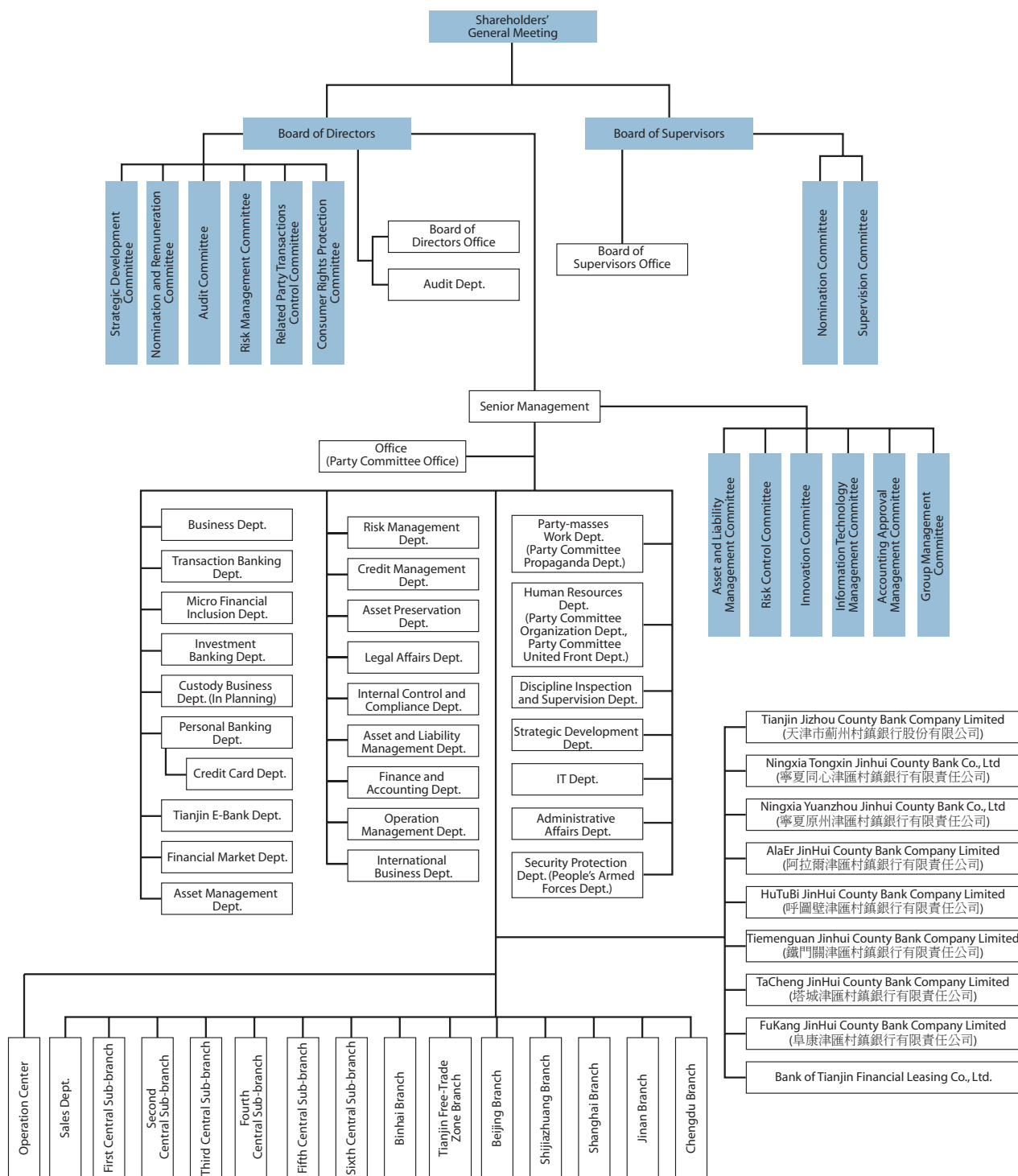
Our Bank has established a relatively comprehensive corporate governance structure in accordance with the requirements of the Hong Kong Listing Rules. The composition of the Board and the special committees of the Board are in compliance with the requirements of the Hong Kong Listing Rules. Our Bank 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 of the Bank 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 2019, the Bank held one Shareholders' general meeting, details of which are set out below:

At the 2018 annual general meeting of the Bank held on 16 May 2019, 7 proposals were considered and approved, including the Work Report of the Board of Directors for 2018, Work Report of the Board of Supervisors for 2018, the Report for Final Financial Accounts for 2018 and Report for Financial Budget for 2019, the Profit Distribution Plan for 2018 and considering and approval of the issuance of tier 2 capital bonds for 2019-2020, and the shareholders listened to the Performance Evaluation Report by Directors, Supervisors and Senior Management and its members for 2018 and Work Report of Independent Directors for 2018, etc.

### BOARD OF DIRECTORS

#### The Operation of the Board of Directors

The Board of Directors shall hold at least four regular meetings each 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 provisional 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.

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 1 January 2019 to 31 December 2019. 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".

## Corporate Governance Report

### Composition of the Board of Directors

As of the date of this annual report, the Board of Directors of the Bank consisted of thirteen Directors, including three executive Directors, namely, Mr. LI Zongtang, Mr. SUN Liguang and Ms. ZHANG Furong; five non-executive Directors, namely, Ms. SUN Jingyu, 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;
- (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 authorised 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;

## Corporate Governance Report

- (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 authorise 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;
- (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 relevant laws, administrative regulations, departmental rules, as well as other duties and powers conferred by our Articles of Association and Shareholders' general meetings.

## Corporate Governance Report

### 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 31 December 2019, 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 applicable 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 144 to 149.

### Meetings of the Board of Directors and the Directors' Attendance

During the Reporting Period, our Bank held 8 meetings of the Board of Directors, considering and approving 40 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 5th meeting of the 6th Board of Directors	15 February 2019	Resolution in writing
The 6th meeting of the 6th Board of Directors	22 March 2019	On-site
The 7th meeting of the 6th Board of Directors	16 May 2019	On-site
The 8th meeting of the 6th Board of Directors	22 July 2019	On-site
The 9th meeting of the 6th Board of Directors	29 August 2019	On-site
The 10th meeting of the 6th Board of Directors	26 September 2019	On-site
The 11th meeting of the 6th Board of Directors	28 November 2019	On-site
The 12th meeting of the 6th Board of Directors	20 December 2019	Resolution in writing



## Corporate Governance Report

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	8	8	0	1/1
Mr. SUN Liguó	8	7	1	1/1
Ms. ZHANG Furong	8	8	0	1/1
Mr. LIANG Jianfa <sup>(1)</sup>	8	7	1	0/1
Ms. SUN Jingyu	8	8	0	1/1
Mr. WU Tao <sup>(2)</sup>	5	5	0	0/1
Mr. Alistair Marshall BULLOCH	8	8	0	1/1
Mr. ZHAO Wei	8	7	1	0/1
Mr. XIAO Jingxi	8	8	0	1/1
Ms. LI Jun	8	7	1	0/1
Mr. FENG Heping	8	7	1	0/1
Mr. LAW Yee Kwan, Quinn	8	7	1	0/1
Mr. JIN Qingjun	8	7	1	0/1
Mr. HUA Yaogang	8	8	0	1/1
Mr. HE Jia	8	8	0	1/1

Notes: (1) Resigned as member of the Board on 9 January 2020.

(2) Resigned as member of the Board on 5 September 2019.

### 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.



## Corporate Governance Report

During the Reporting Period, 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 in writing his independence as required by the Hong Kong Listing Rules. Therefore, we confirm that all independent non-executive Directors complied with the requirements of the 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 Liguu, Ms. 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 Liguu are executive Directors. Ms. 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 19 proposals on matters mainly including Issuance of Financial Bonds in 2019 (2019年發行金融債), 2019 Organizational Development Plan (2019年機構發展規劃), 2019 Business Operation Plan (2019年度業務經營計畫), and 2019 Equity Investment Plan (2019年度股權投資計畫). The attendance of each member in the meetings of the Strategic Development Committee in 2019 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 Liguó	3	3	0
Ms. SUN Jingyu	3	3	0
Mr. Alistair Marshall BULLOCH	3	3	0
Mr. HE Jia	3	3	0

### 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;
- 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;

## Corporate Governance Report

- 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;
- organising 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 5 meetings, considering and approving 21 proposals on matters mainly including 2018 Annual Results Announcement (2018年業績公告), 2018 Annual Report (2018年年度報告), Evaluation Report on 2018 Internal Control (2018年內部控制評價報告), The Report on 2018 Internal Audit Work (2018年內部審計工作報告), and 2018 Internal Audit Work Plan (2018年內部審計工作計劃).

The Audit Committee also organised the preparation and review of the 2018 Annual Report and 2019 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 19 March 2020, the Audit Committee reviewed the audited consolidated financial statements for the year ended 31 December 2019 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 listening to 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	5	4	1
Mr. XIAO Jingxi	5	5	0
Ms. LI Jun	5	4	1
Mr. LAW Yee Kwan, Quinn	5	4	1
Mr. HUA Yaogang	5	5	0

### 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 four Directors, being Mr. JIN Qingjun, Ms. ZHANG Furong, Mr. FENG Heping and Mr. HUA Yaogang. The chairman of the Related Party Transactions Control Committee is Mr. JIN Qingjun. Ms. ZHANG Furong is an executive Director 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 Transactions Control Committee held 5 meetings, considering and approving 6 proposals on matters mainly including 2018 Work Report and 2019 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2018年工作情況和2019年工作計劃》), and the Proposal on the material related party transactions of Tianjin Port Free Trade Zone Investment Holdings Co., Ltd. (《關於天津保稅區投資控股集團有限公司重大關聯交易的議案》).

## 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	5	5	0
Ms. ZHANG Furong	5	5	0
Mr. LIANG Jianfa <sup>(1)</sup>	5	3	2
Mr. FENG Heping	5	5	0
Mr. HUA Yaogang	5	5	0

*Note:* (1) Resigned as member of the Related Party Transactions Control Committee on 9 January 2020.

### 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 three Directors, being Mr. SUN Liguu, Mr. ZHAO Wei and Mr. JIN Qingjun. The chairman of the Risk Management Committee is Mr. SUN Liguu. Mr. SUN Liguu is an executive Director of our Bank. Mr. ZHAO Wei is a non-executive Director of our Bank. Mr. JIN Qingjun is an independent non-executive Director 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, market risks, liquidity risks, operational 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 5 meetings, considering and approving 10 proposals on matters mainly including the 2018 Risk and Risk Management Status Report (2018年度風險及風險管理狀況報告) and the 2019 Risk Appetite (2019年風險偏好), and the amendments to the Comprehensive Risk Management System of Bank of Tianjin Co., Ltd. (《天津銀行股份有限公司全面風險管理體系》). The Risk Management Committee regularly reviewed the 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 Liguó	5	5	0
Mr. LIANG Jianfa <sup>(1)</sup>	5	5	0
Mr. WU Tao <sup>(2)</sup>	3	3	0
Mr. ZHAO Wei	5	4	1
Mr. JIN Qingjun	5	5	0

Notes: (1) Resigned as member of the Risk Management Committee on 9 January 2020.

(2) Resigned as member of the Risk Management Committee on 5 September 2019.

### 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 the 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 2 meetings, considering and approving 5 proposals on matters mainly including Evaluation Comment on Performance of Duty of Directors and Senior Management for 2018 (2018年度董事和高級管理人員履職評價意見), Performance Appraisal Index for 2019 (2019年度公司績效考核指標), and appointment of Vice President and Chief Information Officer of Bank of Tianjin Co., Ltd.



## 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	2	2	0
Mr. LI Zongtang	2	2	0
Ms. ZHANG Furong	2	2	0
Mr. FENG Heping	2	2	0
Mr. LAW Yee Kwan, Quinn	2	2	0

The Board 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 various factors, including but not limited to skills, gender, age, cultural and educational background, professional experience and years of service, in order to achieve the Board diversity. 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 is comprised of 13 Directors, among which 3 are female, 1 is within the age group of 40 to 49, 6 are within the age group of 50 to 59, 6 are 60 and above; 5 with professional financial background, 5 with professional accounting and audit background, 1 with professional economic and management background, 1 with professional legal background and 1 with 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 four Directors, being Mr. HUA Yaogang, Mr. LI Zongtang, Mr. SUN Liguu and Ms. ZHANG Furong. 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 1 meeting, considering and approving 2 proposals on matters mainly including 2018 Report on Consumer Rights Protection Work (2018年消費者權益保護工作情況報告).

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	1	1	0
Mr. SUN Liguu	1	1	0
Ms. ZHANG Furong	1	1	0
Mr. LIANG Jianfa <sup>(1)</sup>	1	1	0

*Note:* (1) Resigned as a member of the Consumer Rights Protection Committee on 9 January 2020.

## 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. 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 9 meetings, considering and approving 44 proposals on matters mainly including 2018 Annual Results Announcement (2018年度業績公告), 2018 Annual Report (2018年年度報告), 2018 Social Responsibility Report (2018年度社會責任報告), Evaluation Report on Implementation of Strategic Plan (戰略規劃落地實施情況評估報告) and Examination Report on Anti-money laundering Supervision for 2019 (2019年反洗錢監督檢查情況報告).

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	9	9	0
Mr. YAO Tao	9	8	1
Mr. YU Yang	9	9	0
Mr. ZHANG Lianming	9	9	0
Mr. LIU Baorui	9	9	0

## Corporate Governance Report

### 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 the 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.

During the Reporting Period, the Supervision Committee held 6 meetings, considering and approving 39 proposals on matters mainly including the Evaluation Procedures for Implementation of the 2019 Strategic Plan by the Board of Supervisors of Bank of Tianjin Co., Ltd. and the 2018 Internal Audit Report of Bank of Tianjin Co., Ltd. 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	6	6	0
Ms. FENG Xia	6	6	0
Mr. YU Yang	6	6	0

#### *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:

- formulating the criteria and procedures for the selection of supervisors;
- conducting preliminary review on the qualifications of supervisor candidates, and providing advice to the Board of Supervisors;

## Corporate Governance Report

- supervising the procedures for the selection and appointment of Directors; and
- conducting comprehensive evaluation on the performance of duty of Directors, Supervisors and members of senior management and reporting to the Board of Supervisors.

During the Reporting Period, the Nomination Committee held 2 meetings, considering and approving 6 proposals on matters mainly including 2019 Performance Appraisal Index (2019年度公司績效考核指標), the Board of Supervisors' Evaluation Report on the Performance of Duty of the Board and the Directors for 2018 (監事會對董事會及董事2018年度履職情況的評價報告) and the Board of Supervisors' Evaluation Report on the Performance of Duty of the Senior Management and its Members for 2018 (監事會對高級管理層及其成員2018年度履職情況的評價報告). 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	2	2	0

### 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 fundamental 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 special 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, and the main content includes analysis of the operation and outlook of the banking industry, advice on the development of Bank of Tianjin, and media publicity within and outside the mainland China.

## 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 Liguo, as our President, was responsible for the overall work of operation and management of the Bank, overseeing the Strategic Development Department and the Asset and Liability Management 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.

### RELATIONSHIPS BETWEEN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

There are no financial, business or family relationships among the Directors, Supervisors and senior management of the Bank.

### AMENDMENT TO THE ARTICLES OF ASSOCIATION

During the Reporting Period and up to the date of this annual report, there has been no material change in the Articles of Association. A copy of the Articles of Association is available on the websites of the Bank and the Hong Kong Stock Exchange.

## Corporate Governance Report

### 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: No. 15 Youyi Road, Hexi District, Tianjin, the PRC

Postal 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.

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 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 issue 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 jointly holding 10% or more of the Bank's 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.



## Corporate Governance Report

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 for Submitting a Proposal to the Shareholders' General Meeting**

Shareholders individually or in aggregate holding more than 3% of the Bank's voting shares may propose an interim proposal and submit it in writing to the convener ten days before 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 for submitting a proposal to the Shareholders' general meeting shall follow such provisions.

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 2019 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 2019 was RMB2.55 million, and the service fee for reviewing the interim financial statements was RMB1.85 million.

Deloitte has been serving as the accountant of the Bank for 7 consecutive years.

## Corporate Governance Report

### REMUNERATION OF SENIOR MANAGEMENT

Details of the remuneration of the members of the senior management for the year ended 31 December 2019 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 environmental policies.

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.

The Bank successively commenced work on the amendment of fundamental system related to green credit, the enhancement of system function and the establishment of evaluation index. We established a basic green credit management system with "Green Credit Guidelines of Bank of Tianjin" (《天津銀行綠色信貸指引》) as the core and green credit statistics and evaluation mechanism as the two cornerstones, so as to regulate, facilitate and motivate the organization and development of green credit of the Bank.

The Bank has organized special trainings on the green loan, during which we have shared our expertise with each credit business management staff in the front-end, middle-end and back-end sectors as well as client management staff within the Bank's jurisdiction in all the operating institutes of the Bank, covering aspects such as the national regulatory policies of green credit, classification standards for special statistics of the green credit and cases of green industry projects supported by the Bank, so as to ensure the precise marketing and enhanced management quality of green credit data of the green industry projects and clients.

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 results of self-evaluation.

During the Reporting Period, our balance on energy saving and green project and service loans reached RMB8.14 billion.

## Report of the Board of Directors

In line with the national policies to save energy costs, we have implemented a series of measures, including: (i) LED lighting systems and frequency conversion technology have been introduced in our new office buildings to save electricity, with priority given to the energy-saving devices when purchasing office equipment. (ii) We have implemented the Administrative Measures for Motor Vehicles of Bank of Tianjin (《天津銀行機動車輛管理辦法》) and followed the principles of energy conservation and environmental protection for the management of vehicles; we also imposed strict fuel control, with each motor vehicle registered with one account for use of gasoline; we encourage video conferences instead of on-site conferences so as to reduce carbon emission generated from transportation. (iii) We continue to strengthen the maintenance and management of our facilities and equipment, and conduct regular maintenance and timely repair of our lighting, office and water supply equipment to avoid abnormal consumption and waste of energy. (iv) We advocate water conservation, and post up water conservation signs in canteens, toilets, and water purifiers, in an effort to call on our employees to save water.

For details of our environmental policies and performance, please refer to the "2019 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 presales 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 reminded. We continued to improve our inspection and supervision mechanism, and carried out covert internal inspections of consumer protection services; we intensified the training on consumer protection to increase our performance in this area. During the Reporting Period, the Bank strengthened its customer complaint management and exercised rigorous control over confidentiality of customer information to improve our service quality. We undertook the responsibility to educate our consumers, and vigorously carried out financial education activities to guide and cultivate the financial awareness and risk awareness of the public.

To safeguard the consumer rights, our Bank was principally engaged in the following activities: (1) we further improved the system of consumer rights protection. In 2019, the Bank 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, service management and protection of special groups of consumers, to provide a strong guarantee for smooth implementation of consumer rights protection work. (2) We carried out financial knowledge publicity and education campaign. In 2019, based on its business outlets, the Bank conducted more than 10 financial knowledge publicity and education activities on a continuous basis by bringing 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 2019, the Bank held more than 2,300 indoor and outdoor publicity and education activities, and a total of more than 215,000 sets of promotional materials were distributed, an increase of more than 110,000 as compared with that in 2018. Financial knowledge was promoted by official WeChat for more than 40 times, and more than 3.41 million SMS were sent for publicity, benefiting nearly 3.5 million people.

## Report of the Board of Directors

### 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, rules, and standards.

We have established a series of systems and measures to manage and control our exposure to legal risk. We have set up a legal document review and approval system where no legal document 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 mechanism 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 and management. We have also engaged external professional lawyers to provide professional legal services and support for our material business disputes and legal proceedings.

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 system, according to which we report the relevant compliance management status to senior management in a timely manner and establish operational risk warning mechanism to issue warnings on relevant risks in a timely manner and promote the operation of institutions at all levels in compliance with the laws and regulations. Meanwhile, we provide periodic compliance training to our staff, covering warning education on compliance and helping them better understand how to carry out business operations in compliance with the laws and regulations. Our comprehensive accountability administrative measures set 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 non-compliance and misconduct.

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 a bank-wide and professional anti-money laundering team, an anti-money laundering internal control system, an anti-money laundering data monitoring and reporting system, an anti-money laundering internal audit, as well as relevant staff training. We have carried out our anti-money laundering work for more than 15 years.

## Report of the Board of Directors

We have set up an anti-money laundering lead group office within our Internal Control and Compliance Department. Our anti-money laundering lead group presides over the bank-wide anti-money laundering work 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 behavior, 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 procedures 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 with respect to basic management, data reporting, review analysis, statistics reporting, maintenance and management as well as classification of risks.

### 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. In addition, our motto of "Excellence is in the details, hard work creates brilliance" exemplifies our corporate culture and best practice, creating the philosophy 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 strike 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.

## Report of the Board of Directors

### Results

Results of the Bank for the year ended 31 December 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 150 to 151.

### Dividends

The Bank considers stable and sustainable returns to Shareholders to be our goal and endeavors 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 2018 of the Bank was considered and approved by the Shareholders at the 2018 annual general meeting of the Bank held on 16 May 2019. A final dividend of RMB1.8 (tax inclusive) per ten shares for the year of 2018, 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 10 July 2019.

The Board has recommended the payment of the final dividend of RMB1.8 (tax inclusive) per ten shares in cash for the year ended 31 December 2019, representing a total payment of approximately RMB1,092.7 million. The final dividend is subject to approval of the shareholders at the forthcoming 2019 annual general meeting of the Bank. If approved by the Bank's 2019 annual general meeting, it is expected the final dividend will be paid on 30 June 2020.

### 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. We are currently the only bank in Tianjin to provide agency services for the housing maintenance fund.



## Report of the Board of Directors

For many years, we have promoted the development of our SME business as a starting point for business transformations, the adjustment and optimisation of the business structure, to create quality and rapid development, thereby constantly shaping us to be the quality brand as the “Partner Bank for SMEs”. 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. It actively adapted to market changes and actively transformed the client acquisition mode and business model of the SME business, and proposed a “dual-track” development strategy for online and offline businesses. In 2019, the Bank actively implemented the development strategy and further strengthened the support of the key fields of inclusive finance. We strive to empower SMEs inclusive technology, deepen our effort and focus on relatively underprivileged groups such as inclusive SME and agriculture, rural areas and farmer enterprises, to further deepen our customer base of customer services. We made online business the main method to serve the financing of SMEs with inclusive finance, put efforts into breaking the limit of the difficulty of financing of SMEs, persisted in our position of serving SMEs and innovation in transformation and development, and kept enhancing the service level of SME finance.

The Bank adhered to strategy of “ultra-unconventional development approach for retail business” and fully implemented “boundless connections” strategy in a more pertinent manner and deployed accordingly. The Bank vigorously and efficiently pushed forward various work measures. Its major operating indicators showed high-quality and ultra-unconventional development. In respect of customer development, the Bank highly focused on the “3-kilometer radius” of its business outlets and instructed its branches to create scenarios to facilitate inter-branch exchanges and acquire a large number of customers for retail business. Over 90 scenario-based consumption payment covering education, medical care, travel, fitness, foods, supermarket and trading centers were created. In respect of channel services, the Bank insisted on focusing on customers, continued to streamline business processing procedures to offer more convenient financial service experience for its wide range of customers. The Bank significantly improved its financial technologies and comprehensively raised the intelligent levels of its business outlets. Currently, a smaller business outlet and a comprehensive business outlet have fully commenced business operation. In addition, in respect of market environment and product features, the Bank continued to optimise its cooperation model with corporations, enterprises or institutions such as Tianjin Federation of Trade Union and Social Security Bureau to keep upgrading the functions and rights attached to the unique debit cards such as the Tianjin Trade Union Membership Card and social security cards. The Bank actively sought financial innovations that serve and are closely relevant to the lives of the general public, offering comprehensive and all-rounded services to individual financial customers.

As of 31 December 2019, we have had 160 outlets in Tianjin, covering all administrative districts of the city.

Under the unremitting efforts and excellent work of the staff across the Bank, in 2019, the Bank won various awards, such as the “2019 Excellent Asian City Commercial Bank” (2019年度亞洲卓越城市商業銀行), “2019 Inclusive Financial Business Bank” (2019年度普惠金融業務銀行), “2019 Top 10 Excellent Competitiveness” (2019卓越競爭力年度10強), “Outstanding Retail Bank Award” (傑出零售銀行獎), “Outstanding Trustworthy Service Award” (傑出服務信任獎), “Brand for Best Transaction Bank” (最佳交易銀行品牌銀行), “Good News with Strongest Publicity” (最具傳播力好新聞), “Best Practice Award” (最佳實踐獎), “Outstanding Contribution Award” (突出貢獻獎) and “Golden Bull Wealth Management Bank Award” (金牛理財銀行獎).

## Report of the Board of Directors

We have risen to the 197th in the “Top 1,000 World Banks 2019” published by the Banker, a UK publication, hitting a record high. The China Enterprise Confederation and the China Entrepreneur Association released the “2019 Top 500 Chinese Enterprises” and “2019 Top 500 China Service Industry Enterprises” list. Bank of Tianjin ranked the 170th in the “2019 Top 500 China Service Industry Enterprises” list, up 2 places from 2018 and was nominated as “2019 Top 500 Chinese Enterprises”. The Tianjin Enterprise Confederation and the Tianjin Entrepreneur Association jointly released the “2019 Top 100 Tianjin Enterprises” and “2019 Top 100 Tianjin Service Industry Enterprises” list. Bank of Tianjin ranked 12<sup>th</sup> in the “2019 Top 100 Tianjin Enterprises” list, up 5 places from 2018 and ranked 5<sup>th</sup> in the “2019 Top 100 Tianjin Service Industry Enterprises” list, up 2 places from 2018. The Bank has been granted “AAA” credit rating and stable outlook by China Lianhe Credit Rating Co., Ltd. We have obtained the highest corporate credit rating for domestic commercial banks for three consecutive years.

### 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 disclosed above, there is no other significant event which has an impact on the Bank 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

Please refer to the sections headed “Summary of Accounting Data and Financial Indicators” and “Management Discussion and Analysis” of this annual report for details.

## 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 at the end of the Reporting Period are set out in “Changes in Share Capital and Information on Shareholders – II. Information on Shareholders”.

## Report of the Board of Directors

### DONATIONS

The charitable and other donations made by the Bank amounted to RMB7.41 million for the year ended 31 December 2019.

### PROPERTY AND EQUIPMENT

Details of the changes in property and equipment of the Bank for the year ended 31 December 2019 are set out in Note 30 to the financial statements in this annual report.

### CHANGES IN THE RESERVES

Details of changes in the reserves of the Bank for the year ended 31 December 2019 are set out in the Consolidated Statement of Changes in Equity in the financial statements of the Bank.

### DISTRIBUTABLE RESERVES

The distributable reserves of the Bank as of 31 December 2019 were RMB20,953.8 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 38 to the financial statements in this annual report for details of the retirement benefits provided to the 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 no permitted indemnity provision being in force for the benefit of 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 31 December 2019, 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) were materially interested, either directly or indirectly.

### ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the Reporting Period was the Bank a party to any arrangement 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 EXECUTIVES' 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 executives 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 <sup>(1)</sup>	0.0079%

Note:

- (1) On 3 May 2018, Ms. ZHANG Furong transferred the 119,600 domestic shares which she directly holds to her spouse Mr. ZHOU Lizhong (周立忠) 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 executives or the Supervisors of the Bank or their associates has held any interests or short positions in the Shares, underlying Shares or debentures of the Bank or its associated corporations as of 31 December 2019.

### 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 are 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 is a connected person of the Bank under the 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 the 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 to 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 members 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 members based on the results of the assessment.

The Bank offers remuneration to employee representative 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 and payment of 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 and pay 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 and payment of 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 and pay 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 authorisation 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 BONDS

#### Issuance of bonds during the Reporting Period

On 25 December 2019, the Bank issued the financial bonds for 2019 of Bank of Tianjin Co., Ltd. in the national inter-bank bond market and the payment was completed on 27 December 2019. This tranche of bonds issued were 3-year fixed rate bonds, with a total amount of RMB5 billion and a nominal interest rate of 3.88%.

#### Previous Financial Bonds Issuance

On 6 November 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 8 November 2018. This tranche of bonds issued were 3-year fixed rate bonds, with a total amount of RMB4 billion and a nominal interest rate of 4.08%.

On 15 June 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 20 June 2018. This tranche of bonds issued were 3-year fixed rate bonds, with a total amount of RMB6 billion and a nominal interest rate of 4.90%.

On 24 April 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 26 April 2018. This tranche of bonds issued were 3-year fixed rate bonds, with a total amount of RMB10 billion and a nominal interest rate of 4.70%.



## Report of the Board of Directors

On 18 January 2018, the Bank issued the 10-year tier-two capital bonds at a total face value of RMB10 billion with a fixed nominal interest rate of 4.80% 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 4.80% 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, and 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 CBIRC requirements.

On 21 August 2015, the Bank issued the 10-year tier-two capital bonds at a total face value of RMB5.0 billion with a fixed nominal interest 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, and 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 CBIRC requirements.

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

On 27 December 2012, the Bank issued the 15-year fixed-rate subordinated bonds at a total face value of RMB1.2 billion with a fixed nominal interest rate of 5.99% per annum. Interests are payable annually. We have the 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  
20 March 2020

## Report of the Board of Supervisors

In 2019, in accordance with the laws and regulations including the Company Law, the Articles of Association and relevant provisions under the banking regulatory, the Board of Supervisors of the Bank, with collective efforts from all the Supervisors, fully exercised its duty as authorised by relevant laws and regulations. The Board of Supervisors carried out its work proactively and effectively in a manner responsible to all the shareholders, as well as performed supervision on the lawful operation of the Bank and on the performance of duties of Directors and senior management, so as to ensure the legitimate rights and interests of the Company and the shareholders. The work report of the Board of Supervisors is set forth hereunder:

### I. MAJOR WORK

In 2019, 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 listen to work reports from senior management and special reports from relevant departments, and to review relevant documents. A total of 9 meetings were held by the Board of Supervisors, with 44 resolutions considered and 31 matters reported throughout the year.

#### (I) Supervision on Duty Fulfillment

The Board of Supervisors 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.

##### 1. Actively Innovated the Way of Performance Supervision

The Board of Supervisors 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. In August 2019, it organised supervisors to visit smart outlets at grassroots level to listen to special reports on the transformation and development of the Bank's smart outlets. It organised specialised assessments on the implementation of the Bank's development strategies and set up leading groups for supervision and inspections, especially listening to reports on strategy implementation by the strategy management department of the head office and branches mainly through meetings, conferences and field research.

## Report of the Board of Supervisors

### 2. Carried out Effective Day-to-day Supervision over Duty Performance

Through the attendance of the meetings of the Board of Directors and its special committee and the meetings of senior management, the Board of Supervisors strengthened the supervision on 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 on the 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.

## (II) 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, provided written review opinions on the truthfulness, accuracy and completeness of the reports, and issued independent opinions at the Board meetings. At the same time, it also strengthened the supervision of external audit work, attended meetings of the Audit Committee of the Board as observers, and listened to the report on the engagement of the external audit agency for the review and audit of the financial statements, 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.

## (III) Internal Control Supervision

As 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".

### 1. Regularly listened to and considered report on concerns by the internal audit department

The Board of Supervisors listened to and considered the report on internal audit work submitted by the internal audit department of the Bank on a quarterly basis, 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.

## Report of the Board of Supervisors

2. Focused on the rectification implementation of supervisory opinions

The Board of Supervisors carefully analysed the 2018 annual regulatory notice and the supervisory opinions on corporate governance and sales activities in business premises issued by CBIRC Tianjin Office to the Bank, as well as the implementation of the Bank's rectification, with a focus on the internal control and risk issues raised by the regulatory authority and provided relevant comments and recommendations.

3. Strengthened supervision on internal control matters

The Board of Supervisors reviewed or considered the Evaluation Report on 2018 Internal Control of Bank of Tianjin Co., Ltd. (《天津銀行股份有限公司2018年度內部控制評價報告》), 2018 Work Report of the Board of Directors of Bank of Tianjin Co., Ltd. (《天津銀行股份有限公司董事會2018年度工作報告》), Conclusions and Opinions Regarding the 2019 Audit Evaluations of Compliance Management Performance of Bank of Tianjin (《關於天津銀行2019年合規管理履職審計評價的結論和意見》), and listened to the work report of the senior management on a quarterly basis, paid attention to the performance of duties of the Board of Directors and the senior management, and supervised the formulation process of the case prevention and control management system, etc.

4. Continued to pay attention to the related party transaction control management

The Board of Supervisors listened to the report on related party transaction and management of related party transaction on a quarterly basis, as well as listened to and considered the report on material related party transactions and report on related party transactions that were in related relationships with Directors and senior management of the Bank, while supervising the performance of the related party transactions management duties of the Board of Directors and senior management. The Board of Supervisors has supervised 1 material related party transaction and 45 general related party transactions in total throughout the year. The abovementioned related party transactions were conducted out of the needs of normal business activities, and have been approved and filed in accordance with relevant requirements.

## Report of the Board of Supervisors

### (IV) 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.

1. Listened to comprehensive risk management reports on a quarterly basis

The Board of Supervisors supervised the Bank's compliance with risk supervision indicators, supervised the construction of policy systems including comprehensive risk management and money laundering risks. It listened to internal audit opinions on issues in relation to 2018 comprehensive risks of the Bank, 2017-2018 risk management on bank account interest rate, internal audit on 2018 money laundering, 2018 market risks, 2019 risk management on sub-contracting of information technology work, 2019 risk management on information regarding payment-sensitive information, etc.

2. Strengthened supervision on anti-money laundering

The Board of Supervisors paid close attention to the Bank's money laundering risks and counter-terrorism financial management. It organised anti-money laundering supervision and inspections of branches, which combined specialised anti-money laundering audits carried out by the internal audit department, listening to special reports by the anti-money laundering management department of the head office, and carrying out field research at branches. It also combined their own professional strengths and actual experience, with a focus on money laundering management and internal control in aspects such as the implementation of the internal control system on anti-money laundering risks, anti-money laundering transaction monitoring and the reporting of high-value transactions and suspicious transactions, as well as existing issues and the next steps to be taken, and the performance of management personnel in different branches, etc. It 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.

## 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 Articles of Association. 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 the 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) Implementation of the Resolutions Passed by the Shareholders' General Meeting

During the Reporting Period, the Bank convened 1 general meeting. 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 implementation 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 the 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.

On 25 December 2019, the Bank issued the financial bonds for 2019 of Bank of Tianjin Co., Ltd. in the national inter-bank bond market and the payment was completed on 27 December 2019. This tranche of bonds issued were 3-year fixed rate bonds, with a total amount of RMB5 billion and a nominal interest rate of 3.88%. The proceeds from issuance of this tranche of bonds have been used to stabilise overall liability scale of the issuers, optimise liability structure, invest in high-quality assets projects in compliance with credit policies, as well as respond to national strategic needs of Beijing-Tianjin-Hebei integration and requirements on the reform of SOEs for mixed-ownership according to applicable laws, approvals of regulatory departments and the purposes disclosed in the prospectus.

### 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 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, 9 companies, including Tianjin Sangzidi Enterprise Co., Ltd. (天津桑梓地實業有限公司) (renamed Wuzhou Glory (Tianjin) Group Co. Ltd. (五洲榮耀(天津)集團有限公司) afterwards), Tianjin Zhichuan Investment Holding Co., Ltd. (天津智川投資控股有限公司), Tianjin Zhongxin Huitong Investment Guarantee Co., Ltd. (天津中信匯通投資擔保有限公司), Tianjin Fumude Technology Development Co., Ltd. (天津富睦德科技發展有限公司), Tianjin Guisheng Commerce Co., Ltd. (天津市貴盛商貿有限公司), Tianjin Fuyuan Fangsheng Steel Co., Ltd. (天津市福源方勝鋼鐵有限公司), Tianjin Bangyou Commerce Co., Ltd. (天津邦友商貿有限公司), Tianjin Huaxin Microfinance Co., Ltd. (天津華信小額貸款有限公司) and Tianjin Fubang Pawn Co., Ltd. (天津富邦典當有限公司) and 5 individuals, including Qi Fengcheng (齊鳳城) (changed to Wang Weiqiang (王偉強) afterwards), Li Chen (李宸), Yang Yi (楊毅), Li Mijing (李密景) and Zhang Li (張立), have filed separate civil lawsuits against us, demanding our Tianbao Sub-branch to pay back their savings of RMB380 million in total along with the relevant interests accrued, etc.

From December 2018 to April 2019, the Secondary Intermediate People's Court of Tianjin and the Tianjin High People's Court successively issued the final rulings on the civil suit. The final rulings ruled that, as the depositors concerned received principal and interest through the "circulation outside of the system" method, they were suspected of committing economic crimes. As those actions involved same legal relationships in civil litigations, the courts dismissed the prosecution against Bank of Tianjin initiated by all the abovementioned companies and individual and referred the case materials to the public security organs.



## Important Events

From May 2019 to December 2019, 3 companies, including Tianjin Guisheng Commerce Co., Ltd. (天津市貴盛商貿有限公司), Tianjin Bangyou Commerce Co., Ltd. (天津邦友商貿有限公司) and Tianjin Fubang Pawn Co., Ltd. (天津富邦典當有限公司) submitted an application for civil retrial to Tianjin High People's Court; 6 companies, including, Wuzhou Glory (Tianjin) Group Co. Ltd. (五洲榮耀(天津)集團有限公司), Tianjin Zhichuan Investment Holding Co., Ltd. (天津智川投資控股有限公司), Tianjin Zhongxin Huitong Investment Guarantee Co., Ltd. (天津中信匯通投資擔保有限公司), Tianjin Fumude Technology Development Co., Ltd. (天津富睦德科技發展有限公司), Tianjin Fuyuan Fangsheng Steel Co., Ltd. (天津市福源方勝鋼鐵有限公司) and Tianjin Huaxin Microfinance Co., Ltd. (天津華信小額貸款有限公司) and 4 individuals, including Wang Weiqiang (王偉強), Li Chen (李宸), Yang Yi (楊毅) and Zhang Li (張立) submitted an application for civil retrial to the Supreme People's Court. Meanwhile, 2 companies, including Wuzhou Glory (Tianjin) Group Co. Ltd. (五洲榮耀(天津)集團有限公司) and Tianjin Zhichuan Investment Holding Co., Ltd. (天津智川投資控股有限公司) as well as two individuals, including Wang Weiqiang (王偉強) and Yang Yi (楊毅) withdrew the retrial submissions. Li Mijing (李密景) did not submit for retrial.

As of the disclosure date of this annual report, Tianjin High People's Court issued a civil ruling to 3 companies submitted for retrial, including Tianjin Guisheng Commerce Co., Ltd. (天津市貴盛商貿有限公司), Tianjin Bangyou Commerce Co., Ltd. (天津邦友商貿有限公司) and Tianjin Fubang Pawn Co., Ltd. (天津富邦典當有限公司), respectively, determined that the judgement of the original court is not improper and rejected the retrial submission; the Supreme People's Court issued a civil ruling to 2 companies submitted for retrial, including Tianjin Fumude Technology Development Co., Ltd. (天津富睦德科技發展有限公司) and Tianjin Huaxin Microfinance Co., Ltd. (天津華信小額貸款有限公司), determined that their retrial submissions are not in accordance with the legal requirements and rejected the retrial submissions; the Supreme People's Court issued a civil ruling approving the withdrawal of retrial submissions to 2 companies submitted for withdrawal of retrial, including Wuzhou Glory (Tianjin) Group Co. Ltd. (五洲榮耀(天津)集團有限公司) and Tianjin Zhichuan Investment Holding Co., Ltd. (天津智川投資控股有限公司) as well as two individuals, including Wang Weiqiang (王偉強) and Yang Yi (楊毅).

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

In April 2015, Hezhong Asset Management Co., Ltd. (合眾資產管理股份有限公司) ("Hezhong Asset Management") filed a civil lawsuit at Shandong High People's Court against our Jinan Branch, with Bank of Jiangsu Co., Ltd. (江蘇銀行股份有限公司) ("Bank of Jiangsu") and Beijing Branch, China Guangfa Bank Co., Ltd. ("Guangfa Bank Beijing Branch") as third parties, alleging that our Jinan Branch was in breach of the safety assurance obligations with respect to the deposits placed by Hezhong Asset Management and as a result the amount of RMB3 million managed by Hezhong Asset Management on behalf of a third party failed to be deposited to a fixed deposit account, and instead, the amount was transferred out illegally, as well as demanding our Jinan Branch to revert the principal and the interest accrued along with litigation costs.

This case has completed first trial at Shandong High People's Court and was rejected by the Supreme People's Court which passed a ruling for retrial. In December 2019, Shandong High People's Court issued a civil ruling of the retrial at first instance.

## Important Events

Shandong High People's Court considered that with respect to the RMB3 million capital of this case, the relationship between Guangfa Bank Beijing Branch, Hezhong Asset Management, Bank of Jiangsu, Jinan Branch of Bank of Tianjin and Shandong Huachao Chemical Co., Ltd. (桦超公司) was apparently the relatively separate and independent relationship of entrusted management of assets and placement of deposits, but in fact, the circulating transactions of the RMB3 million capital transferred among Guangfa Bank Beijing Branch, Hezhong Asset Management, Bank of Jiangsu, Jinan Branch of Bank of Tianjin and Shandong Huachao Chemical Co., Ltd. (桦超公司) were not common civil transactions, but the components of a fraudulent criminal activity implemented through the operation of premeditated "non-transparent business" by criminals. The relationship among the relevant parties involved in the RMB3 million capital of this case was actually a sum of RMB3 million capital originated from Guangfa Bank Beijing Branch (as capital provider) which was lent to Shandong Huachao Chemical Co., Ltd. (桦超公司) through Hezhong Asset Management, Bank of Jiangsu and Jinan Branch of Bank of Tianjin as channels by way of entering into multiple contracts in the form of multi-layer embedded "non-transparent business", and Shandong Huachao Chemical Co., Ltd. (桦超公司) (as capital user) paid high interest to Guangfa Bank Beijing Branch (as capital provider). If Shandong Huachao Chemical Co., Ltd. (桦超公司) was unable to repay the borrowings, the risk would then be transferred to the Jinan Branch of Bank of Tianjin through their contractual relationship in savings deposit. According to a valid criminal judgement related to this case, Guangfa Bank Beijing Branch was a victim in the case involving RMB3 million capital, and remedial measures including the return of illegal proceeds and continuous tracing of illegal amounts were awarded to Guangfa Bank Beijing Branch. If a ruling supporting the petition proceedings of Hezhong Asset Management was issued based on the contractual relationship in savings deposit, it is equivalent to adopting the apparent cause of contractual relationship in savings deposit to realise the unlawful purposes of avoiding regulatory supervision of the "non-transparent business" involving RMB3 million in the case and maliciously transferring the risk of failure to repay the borrowings by the capital user to the bank through civil litigation. Hence, the petition of Hezhong Asset Management to demand a judgement for an order on the Jinan Branch of Bank of Tianjin to return RMB3 million capital and compensate for losses incurred based on the contractual relationship in savings deposit was contrary to the facts and groundless. The basis of petition is implausible, which should not be supported. The petition from Hezhong Asset Management was thus rejected.

The period for appeal application has lapsed as of the disclosure date of this annual report, and the Bank did not receive any information of appeal from Hezhong Asset Management.

### **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 Shanghai High People's Court. The litigation involves the bank acceptances held under a resale agreement entered into between our Bank and Zhejiang Chouzhou Commercial Bank. As agreed by both parties to the bank acceptances held under the resale agreement, our Bank is the reseller of the purchased bank acceptances and Zhejiang Chouzhou Commercial Bank is the repurchaser of the sold bank acceptances, in which case, our Bank purchased 65 copies of bank acceptances 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 6 April 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, Shanghai High People's Court issued a civil ruling on the suspension of the case.

## Important Events

### **MATERIAL INVESTMENT, ACQUISITION AND DISPOSAL OF ASSETS AND BUSINESS MERGER**

There was no material investment of the Bank during the reporting year. 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**

#### **Matters in relation to the Issuance of Financial Bonds**

On 20 January 2020, the Bank issued the first tranche of financial bonds for 2020 of Bank of Tianjin Co., Ltd. in the national inter-bank bond market and the payment was completed on 22 January 2020. This tranche of bonds issued were 3-year fixed rate bonds, with a total amount of RMB5 billion and a nominal interest rate of 3.73%. The proceeds from issuance of this tranche of bonds have been used to stabilise overall liability scale of the issuers, optimise liability structure, invest in high-quality assets projects in compliance with credit policies, as well as respond to national strategic needs of Beijing-Tianjin-Hebei integration and requirements on the reform of SOEs for mixed-ownership according to applicable laws, approvals of regulatory departments and the purposes disclosed in the prospectus.

#### **Matters in relation to the Impact of the Novel Coronavirus Epidemic (COVID-19)**

Since the outbreak of the Novel Coronavirus Epidemic, the Bank took action seriously, in line with the spirit mentioned in the Notice on Further Strengthening the Financial Support for Prevention and Control of COVID-19 (Yinfa [2020] No. 29) and the Notice on Strengthening the Financial Services of the Banking and Insurance Industry to Cope with the Prevention and Control of COVID-19 (Yin Bao Jian Ban Fa [2020] No. 10) issued by the People's Bank of China and the CBIRC, to implement the deployment of tasks by government departments at various levels and immediately made announcement to the public on our seven measures of assuring financial services to support the prevention and control of the epidemic through the adoption of quality and efficient financial assurance measures to assist in the prevention and control of the epidemic. We cooperated with Tianjin Branch of China Development Bank to create a green review channel for approving corporate loans to support the production of epidemic prevention materials and jointly provided RMB6 billion for emergency financing used to support the enterprises in the list of epidemic prevention materials producers for meeting their needs of production capital. The Bank resumed work and production in a timely manner and continued to optimise available services to meet the financial needs of the public. We also fulfilled our corporate social responsibilities by donating RMB5 million for the establishment of "White Warrior Caring Fund" (白衣戰士關愛基金), bringing love and care through charity to medical workers.

At the early stage of the epidemic outbreak, the Bank assessed and analysed its impact on our Bank and formulated corresponding policies in response to possible resulting impact in a timely manner. As of today, the potential impact of the epidemic on our financial condition, operating results and risk management is yet to be seen. The Bank will continue to pay attention to the epidemic development as well as to make continuous assessment and respond to its upcoming impact.

Save as disclosed above, there is no other significant event that has an impact on the Bank 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》) and 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, standardised the implementation and evaluation procedures of the internal control system, and formulated comprehensive, systematic and standardised 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, relevant 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 developed and improved 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 established and improved our risk management procedures. By exercising prudence, our Bank identified, assessed, and managed 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 has formulated 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 the Basic Personnel Code of Conduct of Bank of Tianjin. (《天津銀行從業人員基本行為守則》) which further 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 have formulated the Administrative Measures on Reporting of Compliance and Honesty in Bank of Tianjin (《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” (《天津銀行信息披露管理辦法》), which was formulated by the Board of our Bank, expressly prescribes that our Board will be responsible for managing information disclosure. Our Board and the president will ensure the truthfulness, accuracy, and completeness of the information 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》), further specified the duties of different positions and comprehensively managed risks. By means of position set-up, granting level-based authorisations, 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.

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 optimised the environment for controlling compliance and risk management. The Bank has formulated 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 optimised 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, 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 risks, and can only provide reasonable and not absolute assurance against material misstatement or loss.

### INTERNAL AUDIT

The Bank further improved an independent internal audit organisational structure and the Board of Directors is ultimately responsible for the independence and effectiveness of the 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 annual audit plans and offering guidance and assessment of the internal audit work. The internal audit department of the Bank uniformly organises, 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 enhanced the capabilities of internal audit with systematic and standardised methods, 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.

# 德勤

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 150 to 302, which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019 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

##### *Expected credit loss provision of loans and advances to customers and debt instruments at amortised cost*

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 the estimation of ECL, including whether credit risk of a financial asset has increased significantly since initial recognition, whether a financial asset is credit-impaired, and determination of key inputs used for measuring ECL, which including probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD").

Accounting policies and significant accounting estimates and judgements used to determine the ECL provision of loans and advances to customers and debt instruments at amortised cost are disclosed in Note 3.11, Note 4 and Note 54, respectively.

Our procedures in relation to ECL provision of loans and advances to customers and debt instruments at amortised cost included:

- Understanding design and testing operating effectiveness of controls in relation to ECL impairment assessment;
- Understanding the ECL model used by the Group, utilising internal experts 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 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 certain financial assets at fair value through profit or loss and certain financial assets at fair value through other comprehensive income as set out in Note 23, Note 24 and Note 27. In aggregate, carrying amount of these financial assets accounted for approximately 8% 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"> <li>• Understanding design and testing operating effectiveness of controls in relation to financial instrument valuation process;</li> <li>• On a sample basis, involving internal valuation experts to review and assess the valuation methodology and assumptions used;</li> <li>• Recalculating fair value estimates and comparing the results to the Group's valuations.</li> </ul>

## 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 judgement 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  
20 March 2020

## Consolidated Statement of Profit or Loss and other Comprehensive Income

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	Year ended 31 December	
		2019	2018
Interest income		32,268,052	27,487,524
Interest expense		(19,045,250)	(20,781,987)
Net interest income	6	13,222,802	6,705,537
Investment income	7	1,429,901	3,793,253
Fee and commission income		2,308,570	1,881,805
Fee and commission expense		(42,284)	(344,211)
Net fee and commission income	8	2,266,286	1,537,594
Net trading losses	9	(210,873)	(145,176)
Net gains arising from derecognition of financial assets measured at amortised cost	10	115,163	132,526
Other income, gains or losses	11	230,441	114,480
Operating income		17,053,720	12,138,214
Operating expenses	12	(3,988,677)	(3,447,071)
Impairment losses under expected credit loss model, net of reversal	13	(7,430,105)	(3,481,867)
Share of results of associates		(1,693)	8,233
Profit before tax		5,633,245	5,217,509
Income tax expense	14	(1,024,584)	(987,422)
Profit for the year		4,608,661	4,230,087

## Consolidated Statement of Profit or Loss and other Comprehensive Income

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

	Notes	Year ended 31 December	
		2019	2018
Other comprehensive (expense)/income:			
Items that may be reclassified subsequently to profit or loss:			
Fair value (loss)/gain on:			
– financial assets measured at fair value through other comprehensive income	44	(62,657)	1,028,193
Amount reclassified to profit or loss upon disposal of:			
– financial assets measured at fair value through other comprehensive income	44	(105,207)	(53,770)
Impairment loss for financial assets measured at fair value through other comprehensive income	44	87,976	(11,385)
Income tax relating to items that may be reclassified subsequently	44	19,972	(245,955)
Other comprehensive (expense)/income for the year, net of income tax		(59,916)	717,083
Total comprehensive income for the year		4,548,745	4,947,170
Profit for the year attributable to:			
Equity holders of the Bank		4,547,971	4,181,248
Non-controlling interests		60,690	48,839
		4,608,661	4,230,087
Total comprehensive income for the year attributable to:			
Equity holders of the Bank		4,488,055	4,898,331
Non-controlling interests		60,690	48,839
		4,548,745	4,947,170
Earnings per share attributable to equity holders of the Bank (Expressed in RMB Yuan per share)			
– Basic	15	0.75	0.69



## Consolidated Statement of Financial Position

As at 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

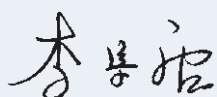
	Notes	31 December 2019	31 December 2018
<b>ASSETS</b>			
Cash and balances with central bank	18	59,303,119	62,313,393
Deposits with banks and other financial institutions	19	6,888,466	4,063,486
Placements with banks and other financial institutions	20	5,413,990	11,186,976
Derivative financial assets	21	167,291	70,255
Financial assets held under resale agreements	22	8,174,228	2,555,983
Financial assets at fair value through profit or loss	23	59,544,603	60,744,554
Debt instruments at fair value through other comprehensive income	24	46,994,040	49,457,614
Loans and advances to customers	25	281,229,242	276,943,278
Debt instruments at amortised cost	26	188,580,627	184,769,026
Equity instruments at fair value through other comprehensive income	27	1,393,601	–
Deferred tax assets	28	4,797,646	3,165,838
Other assets	29	3,298,900	1,949,842
Property and equipment	30	2,288,830	1,907,562
Right-of-use assets	31	1,116,131	–
Interests in associates	32	210,403	212,096
<b>Total assets</b>		<b>669,401,117</b>	<b>659,339,903</b>
<b>LIABILITIES</b>			
Borrowings from central bank	33	36,629,447	17,001,392
Deposits from banks and other financial institutions	34	45,385,064	33,728,238
Placements from banks and other financial institutions	35	21,198,612	21,555,660
Financial liabilities held for trading	36	412,186	–
Derivative financial liabilities	21	39,787	27,836
Financial assets sold under repurchase agreements	37	32,993,996	28,362,473
Income tax payable		1,693,467	970,269
Other liabilities	38	7,138,432	7,272,472
Lease liabilities	39	1,067,299	–
Due to customers	40	350,996,365	342,877,165
Debt securities issued	41	120,669,679	159,823,661
<b>Total liabilities</b>		<b>618,224,334</b>	<b>611,619,166</b>

## Consolidated Statement of Financial Position

As at 31 December 2019  
(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	31 December 2019	31 December 2018
<b>EQUITY</b>			
Share capital	42	6,070,552	6,070,552
Capital reserve	43	10,731,130	10,731,130
Investment revaluation reserve	44	88,631	148,547
Surplus reserve	45	3,352,480	3,352,480
General reserve	46	9,198,347	9,133,134
Retained earnings		20,953,705	17,563,646
Equity attributable to equity holders of the Bank		50,394,845	46,999,489
Non-controlling interests		781,938	721,248
<b>Total equity</b>		<b>51,176,783</b>	47,720,737
<b>Total equity and liabilities</b>		<b>669,401,117</b>	659,339,903

The consolidated financial statements on pages 150 to 302 were approved and authorised for issue by the Board of Directors on 20 March 2020 and are signed on its behalf by:



EXECUTIVE DIRECTOR



EXECUTIVE DIRECTOR

## Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	Attributable to equity holders of the Bank							Non-controlling interests	Total
		Share capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Subtotal		
As at 1 January 2019		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
Profit for the year		-	-	-	-	-	4,547,971	4,547,971	60,690	4,608,661
Other comprehensive expense for the year		-	-	(59,916)	-	-	-	(59,916)	-	(59,916)
Total comprehensive income for the year		-	-	(59,916)	-	-	4,547,971	4,488,055	60,690	4,548,745
Dividend distribution	16	-	-	-	-	-	(1,092,699)	(1,092,699)	-	(1,092,699)
Appropriation to general reserve	46	-	-	-	-	65,213	(65,213)	-	-	-
As at 31 December 2019		6,070,552	10,731,130	88,631	3,352,480	9,198,347	20,953,705	50,394,845	781,938	51,176,783
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

## Consolidated Statement of Cash Flows

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

	Year ended 31 December	
	2019	2018
<b>OPERATING ACTIVITIES</b>		
Profit before tax	5,633,245	5,217,509
Adjustments for:		
Depreciation and amortisation	524,442	239,795
Impairment losses under expected credit loss model, net of reversal	7,430,105	3,481,867
Share of results of associates	1,693	(8,233)
Interest income arising from debt instruments at FVTOCI and at amortised costs	(10,423,654)	(11,468,780)
Interest income arising from impaired financial assets	(111,257)	(105,457)
Interest expense arising from lease liabilities	51,976	–
Interest expense arising from debt securities issued	5,176,569	6,536,210
Investment income	(1,429,901)	(3,793,253)
Net trading losses	210,873	145,176
Net gains arising from derecognition of financial assets measured at amortised cost	(115,163)	(132,526)
Dividend income from investment securities	(1,200)	(880)
Other income, gains or losses	(205,637)	(2,759)
Operating cash flows before movements in working capital	6,742,091	108,669
Decrease in balances with central bank and deposits with banks and other financial institutions	5,993,079	11,569,499
Decrease/(increase) in placements with banks and other financial institutions	7,454,756	(2,750,908)
(Increase)/decrease in financial assets held for trading and derivative financial assets	(7,167,407)	4,391,629
Decrease in financial assets held under resale agreements	–	2,337,970
Increase in loans and advances to customers	(14,614,426)	(38,446,786)
Increase in borrowings from central bank	19,485,000	9,210,000
Increase/(decrease) in deposits from banks and other financial institutions	11,701,410	(43,611,466)
Decrease in placements from banks and other financial institutions	(497,458)	(1,290,774)
Increase in financial liabilities held for trading and derivative financial liabilities	386,652	–
Increase/(decrease) in financial assets sold under repurchase agreements	4,587,584	(22,367,527)
Increase/(decrease) in due to customers	7,950,083	(22,417,388)
(Increase)/decrease in other operating assets	(1,924,841)	766,366
Increase/(decrease) in other operating liabilities	1,253,816	(8,133,496)
Cash generated by/(used in) operating activities	41,350,339	(110,634,212)
Income tax paid	(1,913,222)	(1,529,919)
Net cash generated by/(used in) operating activities	39,437,117	(112,164,131)

## Consolidated Statement of Cash Flows

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

	Notes	Year ended 31 December	
		2019	2018
<b>INVESTING ACTIVITIES</b>			
Cash received from disposal and redemption of investment securities		366,937,465	735,941,312
Cash received from disposal of property and equipment and other assets		8,720	12,619
Cash paid for purchases of investment securities		(360,119,572)	(666,187,217)
Cash paid for purchase of property and equipment and other assets		(796,575)	(558,295)
Interest income received from investment securities		13,562,029	13,418,034
Dividend income received from investment securities		1,200	880
Net cash generated by investing activities		19,593,267	82,627,333
<b>FINANCING ACTIVITIES</b>			
Cash received from debt securities issued	47	189,253,368	316,845,424
Repayment of debt securities issued	47	(228,410,000)	(276,750,000)
Repayment of lease liabilities	47	(279,791)	–
Interest paid on financing activities		(5,173,919)	(5,722,332)
Dividends paid		(1,073,710)	(1,101,756)
Net cash (used in)/generated by financing activities		(45,684,052)	33,271,336
Net increase in cash and cash equivalents		13,346,332	3,734,538
Cash and cash equivalents at beginning of the year		26,851,195	22,816,725
Effect of foreign exchange rate changes		13,347	299,932
Cash and cash equivalents at end of the year	48	40,210,874	26,851,195
Net cash generated by operating activities include:			
Interest received		25,506,480	18,151,222
Interest paid		(13,404,702)	(15,123,297)
Net interest received from operating activities		12,101,778	3,027,925

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019  
(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 2019 the number of ordinary shares of the Bank was 6.071 billion. As at 31 December 2019 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 and financial 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 (certain projects are subject to approval of authorities).

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 31 December 2019  
(Amounts in thousands of Renminbi, unless otherwise stated)

### 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 16	Leases
IFRIC-Int 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015-2017 Cycle

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 IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current year. IFRS 16 superseded IAS 17 Leases (“IAS 17”), and the related interpretations.

##### *Definition of a lease*

The Group has elected 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. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease. The application of new definition of a lease covers leasing contract for buildings and machinery.



## Notes to the Consolidated Financial Statements

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

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

#### 2.1 IFRS 16 Leases (Continued)

*As a lessee*

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying IFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review;
- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in the People’s Republic of China was determined on a portfolio basis; and
- v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group’s leases with extension and termination options.

## Notes to the Consolidated Financial Statements

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

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

#### 2.1 IFRS 16 Leases (Continued)

As a lessee (Continued)

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental incremental borrowing rate applied is 4.41%.

	As at 1 January 2019
Operating lease commitments disclosed as at 31 December 2018	1,249,030
Lease liabilities discounted at relevant incremental borrowing rates	1,107,429
Less: Recognition exemption – short-term leases	(46,609)
Lease liabilities relating to operating leases recognised upon application of IFRS 16	1,060,820
Lease liabilities as at 1 January 2019	1,060,820

The carrying amount of right-of-use assets for own use as at 1 January 2019 comprises the following:

	Right-of-use assets
Right-of-use assets relating to operating leases recognised upon application of IFRS 16	1,060,820
Reclassified from prepaid lease payments (a)	77,616
	1,138,436
By class:	
Properties	1,089,282
Leasehold lands	49,154
	1,138,436

- (a) Upfront payments for leasehold lands in the PRC for own used properties were classified as prepaid lease payments as at 31 December 2018. They were presented as land use rights in other assets as at 31 December 2018. Upon application of IFRS 16, prepaid lease payments, which included leasehold lands payments and other prepaid lease payments respectively amounting to RMB49 million and RMB28 million, were reclassified to right-of-use assets.

## Notes to the Consolidated Financial Statements

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

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

#### 2.1 IFRS 16 Leases *(Continued)*

*As a lessor*

In accordance with the transitional provisions in IFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with IFRS 16 from the date of initial application and comparative information has not been restated.

- (b) Upon application of IFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group’s consolidated statement of financial position at 1 January 2019. However, effective 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.
- (c) Before application of IFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which IAS 17 applied under other liabilities. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right-of-use assets.

As a lessor, the application of IFRS 16 had no material impact on the consolidated financial statements.

## Notes to the Consolidated Financial Statements

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

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

#### 2.1 IFRS 16 Leases (Continued)

##### *Sales and leaseback transactions*

- (d) The Group acts as a buyer-lessor

In accordance with the transition provisions of IFRS 16, sale and leaseback transactions entered into before the date of initial application were not reassessed. Upon application of IFRS 16, the Group as a buyer-lessor does not recognise the transferred asset if such transfer does not satisfy the requirements of IFRS 15 as a sale. During the period, several sales and leaseback transactions in which the relevant seller-lessees have an obligation or a right to repurchase the relevant assets were accounted as financing arrangements under IFRS 9.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Note	Carrying amounts previously reported at 31 December 2018	Adjustments	Carrying amounts under IFRS 16 at 1 January 2019
Other assets	(a)	1,949,842	(77,616)	1,872,226
Right-of-use assets		–	1,138,436	1,138,436
Lease liabilities		–	1,060,820	1,060,820

## Notes to the Consolidated Financial Statements

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

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

#### New and amendments to IFRSs in issue but not yet effective

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

IFRS 17	Insurance Contracts <sup>1</sup>
Amendments to IFRS 3	Definition of a Business <sup>2</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current <sup>4</sup>
Amendments to IAS 1 and IAS 8	Definition of Material <sup>5</sup>
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2021.

<sup>2</sup> Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2020.

In addition to the above new and amendments to IFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in IFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

The directors of the Group anticipate that the application of all new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

## Notes to the Consolidated Financial Statements

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

### 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 share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with IFRS 16 (since 1 January 2019) or IAS 17 (before application of IFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

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.

The principal accounting policies are set out below.

## Notes to the Consolidated Financial Statements

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

### 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

For the year ended 31 December 2019  
(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 carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. 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 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.

## Notes to the Consolidated Financial Statements

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

### 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 is not allocated to any asset, including goodwill, that 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, 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 3.5 Revenue recognition

The Group 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 or 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.

## Notes to the Consolidated Financial Statements

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

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 3.5 Revenue recognition *(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.

#### 3.6 Leases

##### *Definition of a lease (upon application of IFRS 16 in accordance with transitions in note 2)*

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019  
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### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 3.6 Leases *(Continued)*

*The Group as a lessee (upon application of IFRS 16 in accordance with transitions in note 2)*

##### **Short-term leases and leases of low-value assets**

The Group applies the short-term lease recognition exemption to leases of building that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

##### **Right-of-use assets**

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

## Notes to the Consolidated Financial Statements

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

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 3.6 Leases *(Continued)*

*The Group as a lessee (upon application of IFRS 16 in accordance with transitions in note 2) (Continued)*

##### **Refundable rental deposits**

Refundable rental deposits paid are accounted under IFRS 9 Financial Instruments ("IFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

##### **Lease liabilities**

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

## Notes to the Consolidated Financial Statements

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

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 3.6 Leases *(Continued)*

*The Group as a lessee (prior to 1 January 2019)*

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.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Lease incentives relating to operating leases are considered as integral part of lease payments, the aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

*The Group as a lessor*

#### **Classification and measurement of leases**

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs (other than those incurred by manufacturer or dealer lessors) are included in the initial measurement of the net investments in the leases. Interest 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.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019  
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### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 3.6 Leases *(Continued)*

*The Group as a lessor (Continued)*

##### **Classification and measurement of leases** *(Continued)*

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, and such costs are recognised as an expense on a straight-line basis over the lease term.

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

*The Group as a lessor (upon application of IFRS 16 in accordance with transitions in note 2)*

##### **Refundable rental deposits**

Refundable rental deposits received are accounted for under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

*Sale and leaseback transactions (upon application of IFRS 16 since 1 January 2019)*

The Group applies the requirements of IFRS 15 to assess whether sale and leaseback transaction constitutes a sale by the Group.

##### **The Group as a buyer-lessor**

For a transfer of asset that does not satisfy the requirements of IFRS 15 to be accounted for as a sale of asset, the Group as a buyer-lessor does not recognise the transferred asset and recognises a loan receivable equal to the transfer proceeds within the scope IFRS 9.

*Sale and leaseback transactions (prior to 1 January 2019)*

The accounting treatment of a sale and leaseback transaction depends on the type of lease involved. The leaseback may be a finance lease if it meets the condition that substantially all the risks and rewards of ownership remain with the lessee, or it may be an operating lease (in which case, some significant risks and rewards of ownership have been transferred to the purchaser).

##### **The Group as a buyer-lessor**

For sale and leaseback transactions which are in substance a financing arrangement under IFRS 9, the Group as a buyer-lessor does not recognise the transferred asset and recognises a receivable equal to the net investment in the lease.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019  
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### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 3.7 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. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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.

#### 3.8 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.

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 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.

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019  
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### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 3.9 Employee benefits *(Continued)*

*Short-term employee benefits (Continued)*

##### **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. The current service cost and the net interest expense for the year are included in the employee benefits expense in profit or loss as "Operating expenses". The remeasurement of the net defined benefit liability is included in other comprehensive income.

#### 3.10 Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/loss 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019  
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### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 3.10 Taxation *(Continued)*

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. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

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.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019  
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### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 3.10 Taxation *(Continued)*

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

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 to the same taxable entity by the same taxation authority.

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.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be used by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

#### 3.11 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 initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. 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 fair value through profit or loss ("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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 3.11 Financial instruments *(Continued)*

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

#### *Financial assets*

##### **Classification and subsequent measurement of financial assets**

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 collect contractual cash flows; and
- the contractual terms 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 fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms 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 of IFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI").

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019  
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### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 3.11 Financial instruments *(Continued)*

*Financial assets (Continued)*

##### **Classification and subsequent measurement of financial assets** *(Continued)*

A financial asset is 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 are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

*(i) 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.

*(ii) 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 are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these debt instruments. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.



## Notes to the Consolidated Financial Statements

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### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 3.11 Financial instruments *(Continued)*

*Financial assets (Continued)*

##### **Classification and subsequent measurement of financial assets** *(Continued)*

(iii) *Equity instruments designated as at FVTOCI*

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "Other income, gains or losses" line item in profit or loss.

(iv) *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**

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

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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019  
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### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 3.11 Financial instruments *(Continued)*

*Financial assets (Continued)*

##### **Impairment of financial assets** *(Continued)*

For all other 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.

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 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.

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### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 3.11 Financial instruments *(Continued)*

*Financial assets (Continued)*

##### **Impairment of financial assets** *(Continued)*

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

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.

(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 that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for the example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019  
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### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 3.11 Financial instruments *(Continued)*

*Financial assets (Continued)*

##### **Impairment of financial assets** *(Continued)*

*(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.

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 IFRS 16 (since 1 January 2019) or IAS 17 (prior to 1 January 2019).

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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019  
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### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 3.11 Financial instruments *(Continued)*

*Financial assets (Continued)*

##### **Impairment of financial assets** *(Continued)*

(v) *Measurement and recognition of ECL (Continued)*

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.

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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019  
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### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 3.11 Financial instruments *(Continued)*

*Financial assets (Continued)*

##### **Impairment of financial assets** *(Continued)*

*(v) Measurement and recognition of ECL (Continued)*

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 by adjusting their carrying amount, 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 other comprehensive income and accumulated in the investment revaluation reserve without reducing the carrying amount of these debt instruments. Such amount represents the changes in the investment revaluation reserve in relation to accumulated loss allowance.

##### **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.

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 investment revaluation 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 3.11 Financial instruments *(Continued)*

*Financial liabilities and equity*

##### **Classification as debt or equity**

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements 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.

##### **Financial liabilities**

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.

A financial liability is 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



## Notes to the Consolidated Financial Statements

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### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 3.11 Financial instruments *(Continued)*

*Financial liabilities and equity (Continued)*

##### **Financial liabilities** *(Continued)*

- 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 permits the entire combined contract to be designated as at FVTPL.

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. For financial liabilities that contain embedded derivatives, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. 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.

##### **Other financial liabilities**

Other financial liabilities are subsequently measured at amortised cost, using the effective interest method.

##### **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; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019  
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### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 3.11 Financial instruments *(Continued)*

*Financial liabilities and equity (Continued)*

##### **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 per cent.

##### **Non-substantial modifications of financial liabilities**

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019  
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### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 3.11 Financial instruments *(Continued)*

##### *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.

##### *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.

#### 3.12 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019  
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### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 3.13 Property and equipment

Property and equipment are tangible assets that are held for use in the supply of services, or for administrative purposes (other than properties under construction in progress). Property and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Buildings in the course of construction for supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets other than properties under construction 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.

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.

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%

## Notes to the Consolidated Financial Statements

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### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 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.

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 Intangible assets

##### *Intangible assets acquired separately*

Intangible assets with finite useful lives that are acquired separately 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 3.16 Impairment on property and equipment, right-of-use assets and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its property and equipment, right-of-use assets, intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property and equipment, right-of-use assets, 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.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, 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 (or a cash-generating unit) 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. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. 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 or the group of cash-generating units. 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 or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) 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 or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

## Notes to the Consolidated Financial Statements

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### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 3.17 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.

The amount recognised as a provision is 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).

#### 3.18 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.

#### 3.19 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 on-going 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.

#### 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 or original credit impaired asset). 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.

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### 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

#### **Impairment under ECL model** *(Continued)*

- **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.

#### **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 RMB52,610 million as at 31 December 2019 (2018: RMB65,094 million) 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.

## Notes to the Consolidated Financial Statements

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### 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 Mainland China.

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.

#### 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.

## Notes to the Consolidated Financial Statements

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### 5. SEGMENT ANALYSIS (Continued)

#### Operating Segments (Continued)

##### Treasury operations

The Group's treasury operations conduct money market, foreign exchange, precious metal and derivatives transactions, and debt instruments investments 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.

	Corporate banking	Personal banking	Treasury operations	Others	Total
<b>Year ended 31 December 2019</b>					
External interest income	10,095,595	10,024,600	12,147,857	–	32,268,052
External interest expense	(8,209,270)	(1,999,311)	(8,836,669)	–	(19,045,250)
Inter-segment interest income/(expense)	3,235,289	(2,444,558)	(790,731)	–	–
Net interest income	5,121,614	5,580,731	2,520,457	–	13,222,802
Investment income	–	–	1,429,901	–	1,429,901
Fee and commission income	1,156,352	769,388	382,830	–	2,308,570
Fee and commission expense	(27,882)	(14,361)	(41)	–	(42,284)
Net fee and commission income	1,128,470	755,027	382,789	–	2,266,286
Net trading losses	–	–	(210,873)	–	(210,873)
Net gains arising from the derecognition of financial assets measured at amortised cost	–	–	115,163	–	115,163
Other income, gains or losses	205,600	–	(8,482)	33,323	230,441
Operating income	6,455,684	6,335,758	4,228,955	33,323	17,053,720
Operating expenses	(1,328,267)	(1,941,272)	(719,138)	–	(3,988,677)
Impairment losses under expected credit loss model, net of reversals	(4,049,100)	(2,719,714)	(661,291)	–	(7,430,105)
Share of results of associates	–	–	–	(1,693)	(1,693)
Profit before tax	1,078,317	1,674,772	2,848,526	31,630	5,633,245
Income tax expense	–	–	–	–	(1,024,584)
Profit for the year	–	–	–	–	4,608,661
Depreciation and amortisation	(194,258)	(198,747)	(131,437)	–	(524,442)
Capital expenditure	(225,542)	(308,816)	(122,970)	(139,247)	(796,575)
<b>As at 31 December 2019</b>					
Segment assets	190,259,096	125,392,369	352,549,414	1,200,238	669,401,117
Segment liabilities	(280,469,513)	(77,261,948)	(258,725,414)	(1,767,459)	(618,224,334)
Supplementary information Credit commitments	65,448,450	6,924,578	–	–	72,373,028

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019  
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### 5. SEGMENT ANALYSIS (Continued)

#### Operating Segments (Continued)

	Corporate banking	Personal banking	Treasury operations	Others	Total
<b>Year ended 31 December 2018</b>					
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 under expected credit loss model, 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)
<b>As at 31 December 2018</b>					
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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### 6. NET INTEREST INCOME

	Year ended 31 December	
	2019	2018
Interest income:		
Loans and advances to customers, including:		
Corporate loans and advances	9,756,525	9,979,067
Personal loans and advances	10,024,600	3,319,292
Discounted bills	199,317	190,733
Finance lease	330,670	549,236
Balances with central bank	650,455	786,748
Deposits with banks and other financial institutions	76,150	179,949
Placements with banks and other financial institutions	661,267	805,502
Financial assets held under resale agreements	145,414	208,217
Investments, including:		
Debt instruments at FVTOCI	1,737,368	2,064,021
Debt instruments at amortised costs	8,686,286	9,404,759
Subtotal	32,268,052	27,487,524
Interest expense:		
Borrowings from central bank	(700,289)	(430,615)
Deposits from banks and other financial institutions	(1,128,999)	(2,137,970)
Placements from banks and other financial institutions	(975,387)	(788,999)
Financial assets sold under repurchase agreements	(849,307)	(850,878)
Lease liabilities	(51,976)	–
Due to customers	(10,162,723)	(10,037,315)
Debt securities issued	(5,176,569)	(6,536,210)
Subtotal	(19,045,250)	(20,781,987)
Net interest income	13,222,802	6,705,537

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### 7. INVESTMENT INCOME

	Year ended 31 December	
	2019	2018
Investment income from financial instruments at fair value through profit or loss	1,429,901	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	
	2019	2018
Fee and commission income (i)		
Wealth management service fees	1,428,041	1,010,519
Consultancy fees	145,318	139,196
Acceptance and guarantee commitment fees	73,538	90,106
Agency commissions and underwriting service fees	387,439	380,809
Settlement and clearing fees	195,908	216,953
Bank card fees	74,748	40,461
Others	3,578	3,761
Subtotal	2,308,570	1,881,805
Fee and commission expense	(42,284)	(344,211)
Total	2,266,286	1,537,594



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019  
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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 underwriting, settlement and clearing services to its customers and performance obligations are satisfied at one point time. Underwriting fees are usually collected within 3 months after the relevant securities have been issued.

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	
	2019	2018
Realised and unrealised losses from financial assets at fair value through profit or loss	(316,080)	(198,946)
Net gains on disposal of debt instruments at fair value through other comprehensive income	105,207	53,770
Total	(210,873)	(145,176)

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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### 10. NET GAINS ARISING FROM DERECOGNITION OF FINANCIAL ASSETS MEASURED AT ARMORTISED COST

	Year ended 31 December	
	2019	2018
Net gains on disposal of financial assets measured at amortised cost	115,163	132,526

During the year ended at 31 December 2019, the Group sold some financial assets measured at amortised cost to meet the demand of liquidity.

### 11. OTHER INCOME, GAINS OR LOSSES

	Notes	Year ended 31 December	
		2019	2018
Reversal of provision	(i)	205,600	–
Government subsidies	(ii)	28,024	34,006
Rental income		25,289	38,176
Dividend income		1,200	880
Exchange differences		(8,481)	(1,440)
Dormant accounts		–	4,707
Others		(21,191)	38,151
<b>Total</b>		<b>230,441</b>	<b>114,480</b>

Notes:

- (i) Provision was made in relation to the Group's legal proceedings. Details are included in note 38.
- (ii) Government subsidies primarily represented tax rebates of RMB14.1 million (2018: RMB13.4 million) and subsidies of RMB10.0 million (2018: RMB5.0 million) on rental expenses. For the year ended 31 December 2018, the amount also included subsidies of RMB9.2 million to a banking subsidiary of the Group for its loans and advances to customers.

## Notes to the Consolidated Financial Statements

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

### 12. OPERATING EXPENSES

	Notes	Year ended 31 December	
		2019	2018
Staff costs	(1)	2,318,833	1,955,676
Office expenses		344,448	299,218
Depreciation of right-of-use assets		256,599	–
Sundry taxes		202,129	147,990
Depreciation of property and equipment		183,989	152,307
Rental and property management expenses		120,615	389,234
Amortisation		83,854	87,488
Other general and administrative expenses	(2)	478,210	415,158
<b>Total</b>		<b>3,988,677</b>	<b>3,447,071</b>

Notes:

(1) Staff costs

	Year ended 31 December	
	2019	2018
Salaries, bonuses and allowances	1,657,868	1,322,595
Social insurance	279,253	299,105
Housing funds	119,105	116,465
Staff welfare	110,397	89,614
Labor union fees and staff education expenses	49,962	37,596
Contribution to annuity funds	102,248	90,301
<b>Total</b>	<b>2,318,833</b>	<b>1,955,676</b>

(2) The Group's statutory audit fee for the year ended 31 December 2019 was RMB2.55 million (2018: RMB2.55 million).

## Notes to the Consolidated Financial Statements

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### 13. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	Year ended 31 December	
	2019	2018
Deposits with banks and other financial institutions	2,623	(1,565)
Placements with banks and other financial institutions	61,423	(5,942)
Financial assets held under resale agreements	78,692	76,570
Debt instruments at FVTOCI	75,877	(13,075)
Loans and advances to customers at amortised cost	5,083,055	3,857,714
Loans and advances to customers at FVTOCI	12,099	1,690
Debt instruments at amortised cost	1,925,473	(62,855)
Credit commitments	109,544	(370,670)
Others	81,319	–
<b>Total</b>	<b>7,430,105</b>	<b>3,481,867</b>

### 14. INCOME TAX EXPENSE

	Year ended 31 December	
	2019	2018
Income tax expense comprises:		
Current income tax		
– PRC Enterprise Income Tax	2,636,420	1,865,128
Deferred tax (note 28)	(1,611,836)	(877,706)
<b>Total</b>	<b>1,024,584</b>	<b>987,422</b>

PRC Enterprise Income Tax is calculated at 25% of the estimated assessable profit for the year, except for certain subsidiaries their tax rates are 9%.

## Notes to the Consolidated Financial Statements

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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 and other comprehensive income as follows:

	Year ended 31 December	
	2019	2018
Profit before tax	5,633,245	5,217,509
Tax calculated at applicable statutory tax rate of 25%	1,408,311	1,304,377
Income tax at concessionary rate	(12,640)	(9,285)
(Overprovision)/Underprovision of tax in prior years	(12,544)	4,898
Tax effect of expenses not deductible for tax purpose	54,668	24,401
Tax effect of income not taxable for tax purpose (i)	(413,211)	(336,969)
Income tax expense	1,024,584	987,422

Note:

- (i) 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	
	2019	2018
Earnings:		
Profit for the year attributable to equity holders of the Bank for the purpose of basic earnings per share	4,547,971	4,181,248
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)	0.75	0.69

No diluted earnings per share has been presented for the years ended 31 December 2019 and 2018 as the Group had no potential ordinary shares in issue during the years.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 16. DIVIDENDS

	Notes	Year ended 31 December	
		2019	2018
2018 Final Dividend	(i)	1,092,699	–
2017 Final Dividend	(ii)	–	1,092,699

Notes:

- (i) A final dividend of RMB18 cents per share (tax inclusive) in respect of the year ended 31 December 2018 amounting in a total of RMB1,093 million was proposed by the Board of Directors and approved by the 2018 annual general meeting on 16 May 2019.
- (ii) 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.

## Notes to the Consolidated Financial Statements

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### 17. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND HIGHEST PAID INDIVIDUALS

#### (I) Directors' and supervisors' remunerations

Year ended 31 December 2019

Name	Fees	Paid remuneration and other benefits	Bonus	Contribution to pension schemes	Total
Executive directors					
LI Zongtang <sup>(1)</sup>	–	248	70	143	461
SUN Liguó <sup>(2)</sup>	–	248	70	143	461
ZHANG Furong	–	227	63	140	430
LIANG Jianfa <sup>(2)</sup>	–	227	63	143	433
Non-executive directors					
WU Tao <sup>(3)</sup>	–	–	–	–	–
SUN Jingyu <sup>(4)</sup>	–	–	–	–	–
Alistair Marshall Bulloch	–	–	–	–	–
ZHAO Wei	–	–	–	–	–
XIAO Jingxi <sup>(4)</sup>	–	–	–	–	–
LI Jun <sup>(4)</sup>	–	–	–	–	–
Independent non-executive directors					
FENG Heping	206	–	–	–	206
LAW Yee Kwan,Quinn	208	–	–	–	208
JIN Qingjun	206	–	–	–	206
HUA Yaogang <sup>(5)</sup>	206	–	–	–	206
HE Jia <sup>(5)</sup>	208	–	–	–	208
Supervisors					
FENG Xia <sup>(6)</sup>	–	227	63	143	433
YAO Tao	–	460	207	143	810
YU Yang <sup>(7)</sup>	–	–	–	–	–
ZHANG Lianming	206	–	–	–	206
LIU Baorui <sup>(8)</sup>	206	–	–	–	206
Total	1,446	1,637	536	855	4,474



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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### 17. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND HIGHEST PAID INDIVIDUALS

(Continued)

#### (I) Directors' and supervisors' remunerations (Continued)

Year ended 31 December 2018 (Restated)

Name	Fees	Paid remuneration and other benefits	Bonus	Contribution to pension schemes	Total
Executive directors					
LI Zongtang <sup>(1)</sup>	–	238	554	130	922
SUN Liguo <sup>(2)</sup>	–	238	584	130	952
ZHANG Furong	–	217	526	127	870
LIANG Jianfa <sup>(2)</sup>	–	217	526	130	873
YUE Desheng <sup>(9)</sup>	–	16	44	11	71
Non-executive directors					
WU Tao <sup>(3)</sup>	–	–	–	–	–
SUN Jingyu <sup>(4)</sup>	–	–	–	–	–
Alistair Marshall Bulloch	–	–	–	–	–
ZHAO Wei	–	–	–	–	–
XIAO Jingxi <sup>(4)</sup>	–	–	–	–	–
LI Jun <sup>(4)</sup>	–	–	–	–	–
ZHAO Jiawang <sup>(10)</sup>	–	–	–	–	–
LUAN Fengxiang <sup>(10)</sup>	–	–	–	–	–
ZENG Xiangxin <sup>(10)</sup>	–	–	–	–	–
Independent non-executive directors					
FENG Heping	207	–	–	–	207
LAW Yee Kwan, Quinn	207	–	–	–	207
JIN Qingjun	207	–	–	–	207
HUA Yaogang <sup>(5)</sup>	120	–	–	–	120
HE Jia <sup>(5)</sup>	120	–	–	–	120
GUO Tianyong <sup>(11)</sup>	85	–	–	–	85
Supervisors					
FENG Xia <sup>(6)</sup>	–	199	482	119	800
ZHANG Xiang <sup>(12)</sup>	–	–	–	–	–
YAO Tao	–	465	721	130	1,316
YU Yang <sup>(7)</sup>	–	–	–	–	–
CHENG Yifeng <sup>(13)</sup>	–	–	–	–	–
ZHANG Lianming	207	–	–	–	207
LIU Baorui <sup>(8)</sup>	207	–	–	–	207
ZHANG Xiaoli <sup>(14)</sup>	85	–	–	–	85
<b>Total</b>	<b>1,445</b>	<b>1,590</b>	<b>3,437</b>	<b>777</b>	<b>7,249</b>

## Notes to the Consolidated Financial Statements

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### 17. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND HIGHEST PAID INDIVIDUALS

*(Continued)*

#### **(I) Directors' and supervisors' remunerations** *(Continued)*

- (1) On 8 June 2018, Mr. Li Zongtang was appointed as an executive director of the Bank. On 15 June 2018, he was appointed as Chairman of the Bank.
- (2) On 8 June 2018, Mr. Sun Liguo and Mr. Liang Jianfa were appointed as an executive directors of the Bank. Subsequent to the reporting period, Mr. Liang Jianfa resigned as the executive director on 9 January 2020.
- (3) On 8 June 2018, Mr. Wu Tao was appointed as non-executive director of the Bank. On 5 September 2019, Mr. Wu Tao resigned from the position of non-executive director.
- (4) On 8 June 2018, Ms. Sun Jingyu, Mr. Xiao Jingxi, Ms. Li Jun were appointed as non-executive directors of the Bank.
- (5) On 8 June 2018, Mr. Hua Yaogang and Mr. He Jia were appointed as independent non-executive directors of the Bank.
- (6) On 19 January 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.
- (7) On 8 June 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.
- (8) On 8 June 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.
- (9) On 12 January 2018, Mr. Yue Desheng resigned from the position of the executive director.
- (10) On 8 June 2018, Mr. Zhao Jiawang, Mr. Luan Fengxiang and Mr. Zeng Xiangxin resigned from the position of non-executive directors of the Bank.
- (11) On 8 June 2018, Mr. Guo Tianyong resigned from the position of independent non-executive director of the Bank.
- (12) On 19 January 2018, Mr. Zhang Xiang resigned from the position of employee supervisor of the Bank.
- (13) On 8 June 2018, Ms. Cheng Yifeng resigned from the position of shareholder supervisor of the bank.
- (14) On 8 June 2018, Ms. Zhang Xiaoli resigned from the position of external supervisor of the Bank.

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### 17. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND HIGHEST PAID INDIVIDUALS

(Continued)

#### (I) Directors' and supervisors' remunerations (Continued)

The bonus for these directors and supervisors for the year ended 31 December 2019 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 bonus for the year ended 31 December 2018 has been approved and restated at the approved amount.

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.

#### (II) Five highest paid individuals

For the year ended 31 December 2019, among the five highest paid individuals, none of them are directors or supervisors (2018: 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	
	2019	2018
Salaries and other emoluments	1,163	1,717
Discretionary bonuses	8,748	6,448
Contribution to pension schemes	575	609
Total	10,486	8,774

Remunerations of the five highest paid individuals were within the following bands:

	Year ended 31 December	
	2019	2018
HKD1,500,001 – HKD2,000,000	2	4
HKD2,000,001 – HKD3,000,000	2	1
HKD3,000,001 – HKD4,000,000	1	–
Total	5	5

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### 18. CASH AND BALANCES WITH CENTRAL BANK

	Notes	As at 31 December 2019	As at 31 December 2018
Cash		567,620	566,086
Mandatory reserve deposits	(1)	35,525,668	40,515,756
Surplus reserve deposits	(2)	23,209,146	21,224,205
Other deposits	(3)	685	7,346
<b>Total</b>		<b>59,303,119</b>	<b>62,313,393</b>

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 2019, the mandatory reserve deposits at the PBoC were calculated at 10.5% (31 December 2018:12%) of eligible RMB deposits for the Bank, at 6% (31 December 2018: 7%) for Bank of Tianjin Financial Leasing Co., Ltd guarantee deposit, at 7.5% (31 December 2018: 9%) for Ningxia Yuanzhou Jinhui County Bank Co., Ltd eligible RMB deposits, at 6.5% (31 December 2018: 9%) for Ningxia Tongxin Jinhui County Bank Co., Ltd eligible RMB deposits, which are subsidiaries of the Bank and at 5% of foreign currency deposits for the Bank as at 31 December 2019 and 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 2019	As at 31 December 2018
Banks and other financial institutions in Mainland China	5,547,732	3,593,600
Banks outside Mainland China	1,344,285	470,814
<b>Subtotal</b>	<b>6,892,017</b>	<b>4,064,414</b>
Allowance for 12m ECL	(3,551)	(928)
<b>Total</b>	<b>6,888,466</b>	<b>4,063,486</b>

## Notes to the Consolidated Financial Statements

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### 20. PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December 2019	As at 31 December 2018
Other financial institutions in Mainland China	4,594,204	10,273,713
Banks in Mainland China	800,040	915,740
Overseas banks	83,646	–
Subtotal	5,477,890	11,189,453
Allowance for impairment losses	(63,900)	(2,477)
Including: 12m ECL	(1,460)	(2,477)
Lifetime ECL	(62,440)	–
Total	5,413,990	11,186,976

### 21. DERIVATIVE FINANCIAL INSTRUMENTS

The derivatives held are primarily for risk management purposes.

	As at 31 December 2019			As at 31 December 2018		
	Contract/ Notional Principal	Assets	Liabilities	Contract/ Notional Principal	Assets	Liabilities
	Foreign exchange derivatives					
– Foreign exchange forward swap	8,678,026	143,799	(38,314)	7,918,716	69,799	(27,836)
Precious metals forward swap	408,516	20,769	(1,465)	–	–	–
Commodity derivatives and others	350,000	2,723	(8)	76,682	456	–
Total	9,436,542	167,291	(39,787)	7,995,398	70,255	(27,836)

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019  
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### 22. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

Analysed by counterparties:

	Note	As at 31 December 2019	As at 31 December 2018
Banks in Mainland China		3,056,108	2,870,603
Other financial institutions in Mainland China		5,511,432	–
Subtotal		8,567,540	2,870,603
Allowance for impairment losses		(393,312)	(314,620)
Including: 12m ECL		(22)	(2)
Lifetime ECL	(1)	(393,290)	(314,618)
Total		8,174,228	2,555,983

Analysed by collateral type:

	As at 31 December 2019	As at 31 December 2018
Bills	600,210	678,882
Bonds	7,574,018	1,877,101
Total	8,174,228	2,555,983

Note:

(1) The lifetime ECL loss allowance was related to a dispute over certain bills.

## Notes to the Consolidated Financial Statements

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### 23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	As at 31 December 2019	As at 31 December 2018
Investment securities:			
Government bonds		766,221	616,496
Financial institution bonds			
– Policy banks bonds		291,555	535,255
Asset-backed securities		217,716	80,569
Corporate bonds		698,367	621,797
Wealth management products	(1)	–	1,039,259
Asset management plans	(2)	19,402,483	28,837,476
Trust beneficiary rights	(3)	14,803,416	23,054,189
Funds	(4)	23,306,245	5,900,913
Others		58,600	58,600
<b>Total</b>		<b>59,544,603</b>	<b>60,744,554</b>

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 and their subsidiaries for the Bank and mainly invested in money market instruments, bonds and other debt instruments.
- (3) Trust beneficiary rights refer to beneficial right of trust plans initiated and managed by trust companies that mainly invested in money market instruments, bonds and trust loans.
- (4) Funds include monetary funds and bond funds.



## Notes to the Consolidated Financial Statements

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### 24. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December 2019	As at 31 December 2018
Debt securities issued by:		
Government	17,658,830	14,551,375
Financial institutions		
– Policy banks	19,741,726	18,659,305
– Commercial banks and other financial institutions	1,431,396	1,151,333
Corporations	8,162,088	15,095,601
Total	46,994,040	49,457,614

### 25. LOANS AND ADVANCES TO CUSTOMERS

	Note	As at 31 December 2019	As at 31 December 2018
Loans and advances to customers at amortised cost	(1)	281,264,132	286,861,660
Allowance for impairment losses		(12,716,442)	(11,845,720)
Subtotal		268,547,690	275,015,940
Loans and advances to customers at FVTOCI		12,681,552	1,927,338
Total loans and advances to customers		281,229,242	276,943,278

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 25. LOANS AND ADVANCES TO CUSTOMERS *(Continued)*

Note:

- (1) Loans and advances to customers at amortised cost

	As at 31 December 2019	As at 31 December 2018
Corporate loans and advances		
– Loans	148,463,716	171,739,219
– Discounted bills	792,615	337,751
– Finance lease receivable (i)	4,865,541	8,774,299
Subtotal	154,121,872	180,851,269
Retail loans and advances		
– Personal loans for consumption	91,660,169	77,896,150
– Residential mortgage loans	22,352,181	22,928,871
– Personal loans for business purposes	11,382,926	4,496,630
– Credit card	1,746,984	688,740
Subtotal	127,142,260	106,010,391
Gross loans and advances to customers	281,264,132	286,861,660
Allowance for impairment losses (ii)	(12,716,442)	(11,845,720)
Including: 12m ECL	(3,455,602)	(2,714,559)
Lifetime ECL	(9,260,840)	(9,131,161)
Loans and advances to customers, net	268,547,690	275,015,940

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019  
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### 25. LOANS AND ADVANCES TO CUSTOMERS *(Continued)*

Note: *(Continued)*

(1) Loans and advances to customers at amortised cost *(Continued)*

(i) Finance lease receivable

	As at 31 December 2019
Minimum finance lease receivables:	
Within 1 year (inclusive)	2,371,112
1-2 years (inclusive)	1,749,220
2-3 years (inclusive)	852,556
3-4 years (inclusive)	221,097
Over 4 years	-
Gross amount of finance lease receivables	5,193,985
Less: Unearned finance income	(328,444)
Net amount of finance lease receivables	4,865,541
Less: Allowance for impairment losses	(270,374)
Carrying amount of finance lease receivables	4,595,167
Present value of minimum finance lease receivables:	
Within 1 year (inclusive)	2,221,174
1-2 years (inclusive)	1,638,607
2-3 years (inclusive)	798,644
3-4 years (inclusive)	207,116
Over 4 years	-
Total	4,865,541

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For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 25. LOANS AND ADVANCES TO CUSTOMERS *(Continued)*

Note: *(Continued)*

(1) Loans and advances to customers at amortised cost *(Continued)*

(i) Finance lease receivable *(Continued)*

	As at 31 December 2018
Minimum finance lease receivables:	
Within 1 year (inclusive)	3,782,939
1-3 years (inclusive)	4,465,600
Over 3 years	1,291,322
Gross amount of finance lease receivables	9,539,861
Less: Unearned finance income	(765,562)
Net amount of finance lease receivables	8,774,299
Less: Allowance for impairment losses	(230,584)
Carrying amount of finance lease receivables	8,543,715
Present value of minimum finance lease receivables:	
Within 1 year (inclusive)	3,479,363
1-3 years (inclusive)	4,107,241
Over 3 years	1,187,695
Total	8,774,299

(2) Movements of allowance on loans and advances to customers in 2019 and 2018 is disclosed in Note 54.1.

## Notes to the Consolidated Financial Statements

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### 26. DEBT INSTRUMENTS AT AMORTISED COST

	As at 31 December 2019	As at 31 December 2018
Government bonds	30,101,762	30,839,754
Certificate government bonds	243,610	274,087
Financial institution bonds		
– Policy banks bonds	32,309,274	22,697,036
– Commercial banks and other financial institutions	470,615	397,163
Asset-backed securities	21,939,974	25,523,518
Corporate bonds	21,798,630	13,540,124
Asset management plans	50,516,589	57,032,347
Trust beneficiary rights	34,633,958	36,255,247
Subtotal	192,014,412	186,559,276
Allowance for impairment losses	(3,433,785)	(1,790,250)
Including: 12m ECL	(1,128,396)	(740,195)
Lifetime ECL	(2,305,389)	(1,050,055)
Total	188,580,627	184,769,026

### 27. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December 2019	As at 31 December 2018
Unlisted equity	1,393,601	–

Note: This unlisted equity was converted from loans and advances to customers.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019  
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### 28. 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	Provision related to credit commitments and litigation	Fair value changes and ECL of FVTOCI	Fair value changes of FVTPL	Others	Total
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
Credit/(charge) to profit or loss (Note 14)	1,525,200	66,010	(24,014)	21,995	70,282	(47,637)	1,611,836
Charge to other comprehensive income	-	-	-	19,972	-	-	19,972
As at 31 December 2019	4,313,525	263,293	95,640	(5,200)	160,320	(29,932)	4,797,646

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### 29. OTHER ASSETS

	Notes	As at 31 December 2019	As at 31 December 2018
Other receivables	(1)	1,035,334	539,643
Reposessed assets	(2)	1,405,836	956,550
Continued involvement in assets transferred	(3)	488,329	–
Intangible assets		186,084	134,079
Prepaid expenses		183,317	270,416
Land use rights		–	49,154
<b>Total</b>		<b>3,298,900</b>	<b>1,949,842</b>

Notes:

- (1) Included in balances of other receivables were balances of RMB319 million (31 December 2018: RMB61 million) for balances to be settled with other financial institutions, refundable rental deposits of RMB20 million (31 December 2018: 25 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 2019	As at 31 December 2018
Properties	1,336,920	955,193
Other	68,916	1,357
<b>Total</b>	<b>1,405,836</b>	<b>956,550</b>

- (3) Disclosure of continued involvement in assets transferred is made in Note 53.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019  
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### 30. PROPERTY AND EQUIPMENT

	Buildings	Electronic equipment	Motor vehicles	Furniture and fixtures	Construction in progress	Total
<b>COST</b>						
As at 1 January 2018	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
Additions	22,827	196,123	–	47,753	378,218	644,921
Transfers	430,673	2,154	–	828	(433,655)	–
Transfers out	–	–	–	–	(71,003)	(71,003)
Disposals	(12,386)	(52,139)	–	(13,707)	–	(78,232)
As at 31 December 2019	2,069,365	717,189	40,320	311,926	487,597	3,626,397
<b>ACCUMULATED DEPRECIATION</b>						
As at 1 January 2018	(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)
Provided for the year	(60,157)	(93,103)	(1,365)	(29,364)	–	(183,989)
Disposals	6,832	50,688	–	12,051	–	69,571
As at 31 December 2019	(658,221)	(435,534)	(37,839)	(205,973)	–	(1,337,567)
<b>NET BOOK VALUE</b>						
As at 31 December 2018	1,023,355	177,932	3,846	88,392	614,037	1,907,562
As at 31 December 2019	1,411,144	281,655	2,481	105,953	487,597	2,288,830

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### 30. PROPERTY AND EQUIPMENT *(Continued)*

The carrying amount of buildings of the Group with incomplete title deeds as at 31 December 2019 amounted to RMB87.98 million (31 December 2018: RMB91.75 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 2019, buildings of the Group with net book value amounted to RMB19.39 million (31 December 2018: RMB32.76 million) were rented out to third parties as investment properties. Their fair values were estimated to be close to their net book value.

### 31. RIGHT-OF-USE ASSETS

	Buildings	Land use rights	Total
As at 1 January 2019			
Carrying amount	1,089,282	49,154	1,138,436
As at 31 December 2019			
Carrying amount	1,069,165	46,966	1,116,131
For the year ended 31 December 2019			
Depreciation charge	254,410	2,189	256,599
Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of IFRS 16			66,973
Total cash outflow for leases			346,764
Additions to right-of-use assets			234,294

Restrictions or covenants on leases

For both years, the Group leases various buildings for its operations. Lease contracts are entered into for fixed term of 6 months to 10 years.

In addition, lease liabilities of RMB1,067 million are recognised with related right-of-use assets of RMB1,067 million as at 31 December 2019. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Details of the lease maturity analysis of lease liabilities are set out in notes 39 and 54.2.

## Notes to the Consolidated Financial Statements

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### 32. INTERESTS IN ASSOCIATES

The balance of interests in associates is as follows:

	As at 31 December 2019	As at 31 December 2018
Unlisted shares, at cost	223,000	223,000
Share of post-acquisition losses and other comprehensive income	(12,597)	(10,904)
<b>Total</b>	<b>210,403</b>	<b>212,096</b>

Note:

Details of the Bank's associates as at 31 December 2019 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 2019 (In RMB'000)	Proportion of ownership and voting rights held by the Group		Principal activities
					As at 31 December 2019 %	As at 31 December 2018 %	
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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### 32. INTERESTS IN ASSOCIATES *(Continued)*

For the year ended 31 December 2019, the total amount of associated companies' operating income was RMB145 million (2018: RMB126 million). Total assets and total equity as at 31 December 2019 were RMB4,294 million (31 December 2018: RMB3,947 million) and RMB538 million (31 December 2018: RMB552 million) respectively. The Group's share of these amounts represent 0.36%, 0.28% and 0.41% (31 December 2018: 0.43%, 0.25% and 0.44%) 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.

### 33. BORROWINGS FROM CENTRAL BANK

	As at 31 December 2019	As at 31 December 2018
Agricultural re-lending	–	15,000
Medium-term lending facility	36,629,447	16,986,392
Total	36,629,447	17,001,392

### 34. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December 2019	As at 31 December 2018
Banks in Mainland China	24,818,254	25,193,493
Other financial institutions in Mainland China	20,566,810	8,534,745
Total	45,385,064	33,728,238

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### 35. PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December 2019	As at 31 December 2018
Banks in Mainland China	11,488,595	21,555,660
Other domestic financial institutions	2,100,174	–
Overseas banks	7,609,843	–
Total	21,198,612	21,555,660

### 36. FINANCIAL LIABILITIES HELD FOR TRADING

	As at 31 December 2019	As at 31 December 2018
Financial liabilities related to precious metal	412,186	–

Financial liabilities held for trading arose from short-selling of claims on precious metals borrowed from other banking institutions.

### 37. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

Analysed by counterparties:

	As at 31 December 2019	As at 31 December 2018
Banks in Mainland China	32,174,249	26,962,646
Other financial institutions in Mainland China	819,747	1,399,827
Total	32,993,996	28,362,473

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### 37. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS *(Continued)*

Analysed by collateral type:

	As at 31 December 2019	As at 31 December 2018
Bonds	28,501,815	28,362,473
Bills	4,492,181	–
Total	32,993,996	28,362,473

### 38. OTHER LIABILITIES

	Notes	As at 31 December 2019	As at 31 December 2018
Other payables	(i)	2,500,431	1,965,183
Settlement payable		2,284,329	3,629,162
Salaries and benefits payable	(ii)	1,150,488	870,325
Proceeds from financial assets transferred	(iii)	488,329	–
Provision related to credit commitments	(iv)	382,558	273,014
Provision related to litigation	(v)	–	205,600
Dividends payable		56,873	37,884
Sundry taxes payable		275,424	291,304
Total		7,138,432	7,272,472

## Notes to the Consolidated Financial Statements

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### 38. OTHER LIABILITIES (Continued)

- (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 RMB1,792 million (31 December 2018: RMB1,353 million), as at 31 December 2019. It also included refundable rental deposits received, which amounted to RMB102 million (31 December 2018: RMB103 million), as at 31 December 2019.
- (ii) Salaries and benefits payables included the Group's obligations in respect of the early retirement benefits, amounting to RMB75 million (31 December 2018: RMB53 million) as at 31 December 2019, estimated based on the projected unit credit method.
- (iii) Disclosure of proceeds from financial assets transferred is made in Note 53.
- (iv) Movement of provision related to credit commitments is disclosed in Note 54.1.
- (v) In the current year, provision relating to litigations were reversed according to latest court verdicts. Movement of provision related to litigation is as follows:

	As at 31 December 2019	As at 31 December 2018
At beginning of the year	205,600	205,600
Reversal for the year	(205,600)	–
At end of the year	–	205,600

### 39. LEASE LIABILITIES

	As at 31 December 2019
Lease liabilities payable:	
Within one year	284,023
Within a period of more than one year but not more than two years	213,494
Within a period of more than two year but not more than five years	419,707
Within a period of more than five years	150,075
Total	1,067,299

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### 40. DUE TO CUSTOMERS

	As at 31 December 2019	As at 31 December 2018
Demand deposits		
Corporate customers	180,183,979	177,578,956
Individual customers	21,692,767	17,718,094
Time deposits		
Corporate customers	79,839,079	79,203,658
Individual customers	51,473,876	51,514,184
Pledged deposits (i)	17,776,054	16,807,774
Others	30,610	54,499
<b>Total</b>	<b>350,996,365</b>	<b>342,877,165</b>

(i) Pledged deposits analysed by products for which deposits are required:

	As at 31 December 2019	As at 31 December 2018
Acceptances	8,333,790	10,201,423
Guarantees	275,424	296,999
Letters of guarantee	135,203	250,763
Letters of credit	2,610,264	2,474,466
Others	6,421,373	3,584,123
<b>Total</b>	<b>17,776,054</b>	<b>16,807,774</b>



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### 41. DEBT SECURITIES ISSUED

	Notes	As at 31 December 2019	As at 31 December 2018
12 Tianjin Bank bonds 01	(1)	1,500,000	1,500,000
12 Tianjin Bank bonds 02	(2)	1,199,948	1,199,757
15 Tianjin Bank bonds	(3)	5,086,093	5,083,720
18 Tianjin Bank bonds	(4)	10,443,125	10,440,087
18 Tianjin Bank bonds 01	(5)	10,315,350	10,311,396
18 Tianjin Bank bonds 02	(6)	6,152,979	6,150,791
18 Tianjin Bank bonds 03	(7)	4,020,548	4,018,905
19 Tianjin Bank bonds	(8)	4,999,346	–
Tianjin Bank 1 – month negotiable certificates of deposit	(9)	2,297,176	1,993,961
Tianjin Bank 3 – month negotiable certificates of deposit	(10)	29,739,742	8,487,144
Tianjin Bank 6 – month negotiable certificates of deposit	(11)	18,275,577	32,433,655
Tianjin Bank 9 – month negotiable certificates of deposit	(12)	4,338,208	27,597,272
Tianjin Bank 1 – year negotiable certificates of deposit	(13)	22,301,587	50,606,973
<b>Total</b>		<b>120,669,679</b>	<b>159,823,661</b>

- (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 interest rate will remain at 5.99% per annum.
- (3) 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.

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### 41. DEBT SECURITIES ISSUED *(Continued)*

- (4) 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 capital features as 15 Tianjin Bank tier-two bonds as set out in Note (3).
- (5) 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.
- (6) 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.
- (7) 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.
- (8) The 3 year fixed-rate financial bonds were issued on 25 December 2019 by the Bank at a face value of RMB5.0 billion with a fixed coupon rate of 3.88% per annum, payable annually.
- (9) The Bank issued a series of 1-month negotiable certificates of deposit ("CD") at a discount. As at 31 December 2019, the face value of outstanding CD amounted to RMB2.3 billion, with a reference interest rate of 3.05%-3.30% (31 December 2018: 3.73%) per annum, payable at maturity.
- (10) The Bank issued a series of 3-month CD at a discount. As at 31 December 2019, the face value of outstanding CD amounted to RMB29.9 billion, with a reference interest rate of 2.90%-3.35% (31 December 2018: 2.85%-3.55%) per annum, payable at maturity.
- (11) The Bank issued a series of 6-month CD at a discount. As at 31 December 2019, the face value of outstanding CD amounted to RMB18.5 billion, with a reference interest rate of 2.98%-3.38% (31 December 2018: 3.25%-4.10%) per annum, payable at maturity.
- (12) The Bank issued a series of 9-month CD at a discount. As at 31 December 2019, the face value of outstanding CD amounted to RMB4.4 billion, with a reference interest rate of 3.00%-3.39% (31 December 2018: 3.50%-4.70%) per annum, payable at maturity.
- (13) The Bank issued a series of 1-year CD at a discount. As at 31 December 2019, the face value of outstanding CD amounted to RMB22.6 billion, with a reference interest rate of 3.10%-3.60% (31 December 2018: 3.30%-5.17%) per annum, payable at maturity.

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### 42. SHARE CAPITAL

	Year ended 31 December	
	2019	2018
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.

### 44. INVESTMENT REVALUATION RESERVE

	Gross amount	Tax effect	Net amount
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)
Impairment loss for 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
Fair value changes in financial assets at fair value through other comprehensive income	(62,657)	15,665	(46,992)
Amount reclassified to profit or loss upon disposal of debt instruments at fair value through other comprehensive income	(105,207)	26,302	(78,905)
Impairment loss for financial assets at fair value through other comprehensive income	87,976	(21,995)	65,981
As at 31 December 2019	118,175	(29,544)	88,631

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### 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 is ceased for year ended 31 December 2019 as the balance of this reserve has reached 50% of the share capital as at 31 December 2019.

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.

### 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 is not less than 1.5% of the aggregate amount of risk assets as defined by the above measures as at 31 December 2019 and 2018.

### 47. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	2019						
	As at	Cash received	Repayment of	Interest	Interest	New leases	As at
	1 January	from financing	financing	accruals	payments	Entered	31 December
		activities	activities				
Lease Liabilities (Note 39)	1,060,820	-	(279,791)	51,976	-	234,294	1,067,299
Debt securities issued (Note 41)	159,823,661	189,253,368	(228,410,000)	5,176,569	(5,173,919)	-	120,669,679

	2018						
	As at	Cash received	Repayment of	Interest	Interest		As at
	1 January	from financing	financing	accruals	payments	Others	31 December
		activities	activities				
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

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### 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 2019	As at 31 December 2018
Cash	567,620	566,086
Balances with central bank	23,209,146	21,224,205
Deposits with banks and other financial institutions	6,381,897	2,534,291
Placements with banks and other financial institutions	2,483,308	649,913
Financial assets held under resale agreements	7,568,903	1,876,700
<b>Total</b>	<b>40,210,874</b>	<b>26,851,195</b>

### 49. STRUCTURED ENTITIES

#### Consolidated structured entities

Certain structured entities, which were used for the purpose of securitisation of the financial assets held by Group, were consolidated. Details of consolidated structured entities are disclosed in Note 53.

#### Unconsolidated structured entities

(1) *Structured entities sponsored by third party institutions in which the Group holds interests*

The Group 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 Group does not consolidate these structured entities. Such structured entities include asset-backed securities, wealth management products issued by financial institutions, asset management plans, trust beneficiary rights and funds.

The following table set out an analysis of the gross carrying amounts of interests held by the Group as at 31 December 2019 in the structured entities sponsored by third party institutions.

	As at 31 December 2019	As at 31 December 2018
Asset-backed securities	21,562,959	25,604,087
Wealth management products	–	1,039,259
Asset management plans	69,919,072	85,869,823
Trust beneficiary rights	49,437,374	59,309,436
Funds	23,306,245	5,900,913
<b>Total</b>	<b>164,225,650</b>	<b>177,723,518</b>

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### 49. STRUCTURED ENTITIES (Continued)

#### Unconsolidated structured entities (Continued)

(1) *Structured entities sponsored by third party institutions in which the Group holds interests (Continued)*

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 2019 and 2018.

(2) *Unconsolidated structured entities sponsored by the Group in which the Group holds interests*

The types of unconsolidated structured entities sponsored by the Group mainly include non-principal-guaranteed wealth management products with expected returns and net value-based products. The purpose of sponsoring these structured entities is to generate fees from managing assets on behalf of investors. Interests held by the Group includes fees charged by providing management services to these structured entities as disclosure in Note 8.

As at 31 December 2019, the amount of assets held by the unconsolidated structured entities sponsored by the Group amounted to RMB97,392 million (31 December 2018: RMB104,626 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:**

	Percentage of shares held	
	As at 31 December 2019	As at 31 December 2018
Tianjin Bonded Zone Investment Co., Ltd.	15.92%	15.92%
Australia and New Zealand Banking Group Limited	11.95%	11.95%
Tianjin Bohai Chemical Industry Group Co., Ltd. and its subsidiaries	8.07%	8.07%
Tianjin Pharmaceutical Holdings Ltd. and its subsidiaries	8.06%	8.06%

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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 2019	As at 31 December 2018
Balances at the end of the year:		
Assets		
Deposits with banks and other financial institutions	7,443	4,581
Debt instruments at fair value through other comprehensive income	100,000	–
Total	107,443	4,581
Liabilities		
Due to customers	1,014	86,278
Total	1,014	86,278

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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	
	2019	2018
Transactions during the year:		
Interest income	5,600	14,609
Interest expense	194	880
Interest rate ranges during the year:	%	%
Deposits with banks and other financial institutions	–	–
Debt instruments at fair value through other comprehensive income	5.60	–
Loans and advances to customers	–	4.35
Due to customers	0.35~1.38	0.35~1.38

#### (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 2019	As at 31 December 2018
Balances at the end of the year:		
Liabilities		
Deposits from banks and other financial institutions	1,390,058	1,066,490



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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	
	2019	2018
Transactions during the year:		
Interest expense	29,503	22,327
Interest rate range during the period:	%	%
Deposit from banks and other financial institutions	2.30~4.00	2.55~5.30

#### (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 2019 other than the emoluments paid to them (being the key management personnel compensation).

	Year ended 31 December	
	2019	2018 (Restated)
Fees	1,446	1,445
Basic salaries, bonuses and allowances (a)	4,571	8,896
Contribution to pension schemes	1,286	1,163
Total	7,303	11,504

(a) Bonus for 2019 can only be determined after the shareholders' general meeting and regulatory approval. Bonus for 2018 was restated according to the approved amount.

#### (4) Annuity schemes

The Group has the following transactions with the annuity scheme set up by the Bank.

	Year ended 31 December	
	2019	2018
Contribution to annuity funds (Note 12)	102,248	90,301

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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 2019, the Group has assessed and measured the impact of those significant pending lawsuits and the amount of provision related to these lawsuits were reversed during the year (refer to Note 38).

#### Capital commitments

	As at 31 December 2019	As at 31 December 2018
Contracted but not provided for – commitments for the acquisition of property and equipment	498,018	287,638

#### 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 2019, the principal balance of certificate government bonds which the Group had an obligation to pay in advance amounted to RMB2,657 million (31 December 2018: RMB2,296 million), and the principal balance of e-saving bonds amounted to RMB2,800 million (31 December 2018: RMB2,345 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.

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### 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 2019, the entrusted loans balance of the Group amounted to RMB24,778 million (31 December 2018: RMB35,031 million).

### 53. TRANSFER OF FINANCIAL ASSETS

#### Repurchase agreement

The Group entered into repurchase agreements with certain counterparties to sell bonds or bills of carrying amount of RMB34,275 million as at 31 December 2019 (31 December 2018: RMB29,046 million) which are subject to the simultaneous agreements with commitments to repurchase at specified future dates and prices. The proceeds from selling such bonds or bills totaling RMB32,994 million (31 December 2018: RMB28,362 million) is presented as "financial assets sold under repurchase agreements" (Note 37) 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.

#### Asset securitisation

The Group enters into securitisation transactions in the normal course of business by which it transfers credit assets to special purpose vehicles which in turn issue structured products to investors.

During the year, the Group transferred loans amounting to RMB3,000 million (2018: Nil) to these special purpose vehicles. A balance of RMB2,360 million was derecognised accordingly. However, a balance of RMB640 million did not meet the derecognition criteria on the dates of transfer as the Group retained an interests in subordinate tranches of these special purposes vehicles. No gain or loss was recognised by these transfers of financial assets, the Group acted as service agent and charged service fee amounting to RMB1 million. The carrying amount of these retained interests was RMB488 million as at 31 December 2019 and it represented the Group's maximum exposure.

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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 and currency 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.

## Notes to the Consolidated Financial Statements

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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.

## Notes to the Consolidated Financial Statements

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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 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 by 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) Risk concentration of loans and advances to customers at amortised cost and at FVTOCI

Analysed by geographical area

	Gross amount of loans and advances to customers	As at 31 December 2019			
		%	Overdue loan balance	Allowance 12-month ECL	Lifetime ECL
Tianjin	116,763,491	39.71	2,175,507	2,096,633	3,909,191
Beijing	24,837,606	8.45	856,441	299,481	652,110
Shandong	34,117,384	11.61	1,694,837	249,766	1,530,522
Shanghai	72,280,011	24.59	2,009,585	485,702	1,276,249
Hebei	23,104,140	7.86	1,838,357	123,413	1,598,068
Sichuan	21,916,789	7.46	770,391	183,364	291,611
Ningxia	926,263	0.32	32,079	31,032	3,089
<b>Total</b>	<b>293,945,684</b>	<b>100.00</b>	<b>9,377,197</b>	<b>3,469,391</b>	<b>9,260,840</b>

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### 54. FINANCIAL RISK MANAGEMENT *(Continued)*

#### 54.1 Credit risk *(Continued)*

##### (v) Risk concentration of loans and advances to customers at amortised cost and at FVTOCI *(Continued)*

Analysed by geographical area *(Continued)*

	Gross amount of loans and advances to customers	As at 31 December 2018			
		%	Overdue loan balance	Allowance 12-month ECL	Lifetime ECL
Tianjin	110,171,104	38.14	2,154,620	1,930,692	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	–
<b>Total</b>	<b>288,788,998</b>	<b>100.00</b>	<b>7,899,804</b>	<b>2,716,249</b>	<b>9,131,161</b>

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### 54. FINANCIAL RISK MANAGEMENT (Continued)

#### 54.1 Credit risk (Continued)

##### (v) Risk concentration of loans and advances to customers at amortised cost and at FVTOCI

(Continued)

Analysed by industry

	As at 31 December			
	2019		2018	
	Gross Amount	% of total	Gross Amount	% of total
Corporate loans and advances				
Farming, forestry, animal husbandry and fishery	610,513	0.2	728,068	0.3
Mining	657,791	0.2	611,756	0.2
Manufacturing	26,373,165	8.9	35,687,600	12.2
Production and supply of electricity, gas and water	2,952,456	1.0	3,249,752	1.1
Construction	17,205,726	5.9	19,975,498	6.9
Retail and wholesale	23,834,437	8.1	30,253,583	10.5
Transportation, logistics and postal services	3,608,914	1.2	4,591,495	1.6
Accommodation and food services	742,702	0.3	974,289	0.3
Information transmission, computer services and software	609,307	0.2	763,080	0.3
Financial services	2,662,618	0.9	3,696,396	1.3
Real estate	35,254,466	12.0	35,834,101	12.4
Leasing and commercial services	22,454,922	7.6	24,462,808	8.5
Scientific research, technical services	272,727	0.1	437,451	0.2
Water, environment and public utilities management	13,145,136	4.5	15,657,790	5.4
Resident services and other services	1,821,953	0.6	2,167,857	0.8
Education	40,359	–	55,272	–
Health, social security and welfare	257,301	0.1	238,439	0.1
Culture, sports and entertainment	671,401	0.2	914,299	0.3
Public administration and social organisations	153,363	0.1	213,984	0.1
Discounted bills	13,474,167	4.6	2,265,089	0.8
Subtotal	166,803,424	56.7	182,778,607	63.3
Personal loans and advances	127,142,260	43.3	106,010,391	36.7
Gross amount of loans and advances to customers	293,945,684	100.0	288,788,998	100.0

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### 54. FINANCIAL RISK MANAGEMENT *(Continued)*

#### 54.1 Credit risk *(Continued)*

##### (v) 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 2019			
	Up to 1 year	1 to 5 years	Over 5 years	Total
Unsecured	83,814,306	22,267,981	3,445,029	109,527,316
Guaranteed	54,891,811	29,457,780	13,325,093	97,674,684
Collateralised	9,004,444	26,102,997	33,341,687	68,449,128
Pledged	6,277,632	7,122,731	4,894,193	18,294,556
<b>Total</b>	<b>153,988,193</b>	<b>84,951,489</b>	<b>55,006,002</b>	<b>293,945,684</b>

	Gross amount as at 31 December 2018			
	Up to 1 year	1 to 5 years	Over 5 years	Total
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
<b>Total</b>	<b>122,913,981</b>	<b>111,250,274</b>	<b>54,624,743</b>	<b>288,788,998</b>

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### 54. FINANCIAL RISK MANAGEMENT (Continued)

#### 54.1 Credit risk (Continued)

##### (vi) Past due loans and advances to customers at amortised cost and at FVTOCI

	As at 31 December 2019				
	Up to 90 days	90 days to 1 year	1 year to 3 years	Over 3 years	Total
Unsecured	2,180,268	851,345	24,662	31,343	3,087,618
Guaranteed	1,059,799	778,330	1,306,865	1,067,921	4,212,915
Collateralised	449,011	269,745	590,840	624,954	1,934,550
Pledged	–	2,582	96,133	43,399	142,114
<b>Total</b>	<b>3,689,078</b>	<b>1,902,002</b>	<b>2,018,500</b>	<b>1,767,617</b>	<b>9,377,197</b>
Percentage of total gross loans and advances to customers	1.25%	0.65%	0.69%	0.60%	3.19%

	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
<b>Total</b>	<b>3,467,476</b>	<b>819,992</b>	<b>2,742,350</b>	<b>869,986</b>	<b>7,899,804</b>
Percentage of total gross loans and advances to customers	1.21%	0.28%	0.95%	0.30%	2.74%

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019  
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### 54. FINANCIAL RISK MANAGEMENT *(Continued)*

#### 54.1 Credit risk *(Continued)*

##### (vii) Credit commitments

	As at 31 December 2019	As at 31 December 2018
Acceptances	32,085,773	27,623,495
Undrawn corporate loans limit	23,471,584	36,682,891
Letters of credit	8,642,521	11,415,674
Undrawn credit card limit	6,924,578	2,172,192
Letters of guarantee	1,248,572	2,607,714
<b>Total</b>	<b>72,373,028</b>	<b>80,501,966</b>

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 2019	2018
Credit commitments	22,521,130	16,102,703

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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019  
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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 2019			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	
Internal grade 1-5	266,105,116	8,502,015	2,113,900	276,721,031
Internal grade 6-9	–	11,120,490	339,056	11,459,546
Internal grade 10-12	–	–	5,765,107	5,765,107
Total gross carrying amount	266,105,116	19,622,505	8,218,063	293,945,684
Loss allowance	(3,455,602)	(4,664,809)	(4,596,031)	(12,716,442)
Carrying amount	262,649,514	14,957,696	3,622,032	281,229,242



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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)*

###### Loans and advances to customers *(Continued)*

	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
<b>Total gross carrying amount</b>	<b>264,368,379</b>	<b>11,438,686</b>	<b>12,981,933</b>	<b>288,788,998</b>
Loss allowance	(2,714,559)	(2,666,327)	(6,464,834)	(11,845,720)
<b>Carrying amount</b>	<b>261,653,820</b>	<b>8,772,359</b>	<b>6,517,099</b>	<b>276,943,278</b>

###### Debt instruments at amortised cost

	As at 31 December 2019			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	
Internal grade 1-5	179,279,044	–	–	179,279,044
Internal grade 6-9	–	11,652,292	–	11,652,292
Internal grade 10-12	–	–	1,083,076	1,083,076
<b>Total gross carrying amount</b>	<b>179,279,044</b>	<b>11,652,292</b>	<b>1,083,076</b>	<b>192,014,412</b>
Loss allowance	(1,128,396)	(1,613,305)	(692,084)	(3,433,785)
<b>Carrying amount</b>	<b>178,150,648</b>	<b>10,038,987</b>	<b>390,992</b>	<b>188,580,627</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019  
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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 *(Continued)*

	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

##### Debt instruments at FVTOCI

	As at 31 December 2019			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	
Internal grade 1-5	46,897,292	–	–	46,897,292
Internal grade 10-12	–	–	96,748	96,748
Total gross carrying amount	46,897,292	–	96,748	46,994,040
Loss allowance	(3,079)	–	(80,504)	(83,583)

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For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 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 *(Continued)*

	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 31 December 2019  
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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 2019			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	
Internal grade 1-5	72,367,926	–	–	72,367,926
Internal grade 6-9	–	1,462	–	1,462
Internal grade 10-12	–	–	3,640	3,640
<b>Total gross carrying amount</b>	<b>72,367,926</b>	<b>1,462</b>	<b>3,640</b>	<b>72,373,028</b>
<b>Loss allowance</b>	<b>(377,539)</b>	<b>(1,379)</b>	<b>(3,640)</b>	<b>(382,558)</b>

	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
<b>Total gross carrying amount</b>	<b>80,496,968</b>	<b>658</b>	<b>4,340</b>	<b>80,501,966</b>
<b>Loss allowance</b>	<b>(268,044)</b>	<b>(630)</b>	<b>(4,340)</b>	<b>(273,014)</b>

The carrying amount of the Group's financial assets at FVTPL are disclosed in Note 21 and Note 23 best represents the assets' maximum exposure to credit risk.

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### 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 2019	As at 31 December 2018
Loans and advances to customers	12,730,231	11,847,410
Debt instruments at amortised cost	3,433,785	1,790,250
Debt instruments at FVTOCI	83,583	7,706
Credit commitments	382,558	273,014
<b>Total</b>	<b>16,630,157</b>	<b>13,918,380</b>

No loss allowance is recognised in the statement of financial position for loans and advances to customers and debt instruments at FVTOCI as the carrying amount is at fair value.

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For the year ended 31 December 2019  
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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 2019	2,716,249	2,666,327	6,464,834	11,847,410
Changes in the loss allowance				
Transfer to stage 1	64,539	(64,539)	–	–
Transfer to stage 2	(897,329)	942,238	(44,909)	–
Transfer to stage 3	–	(655,824)	655,824	–
Impact on period end ECL of exposures transferred between stages during the period	(45,207)	2,621,757	2,077,478	4,654,028
New financial assets originated or purchased	1,986,248	–	–	1,986,248
Financial assets that have been derecognised	(569,259)	(877,029)	(39,461)	(1,485,749)
Contract cash flow modification that did not result in termination of loans	23,915	(25,910)	(78,164)	(80,159)
Changes in assumptions and methods of models	190,235	57,789	(227,238)	20,786
Write-offs	–	–	(4,171,950)	(4,171,950)
Recovery after write-off	–	–	70,874	70,874
Reversal of interest revenue of non-performing loans	–	–	(111,257)	(111,257)
<b>As at 31 December 2019</b>	<b>3,469,391</b>	<b>4,664,809</b>	<b>4,596,031</b>	<b>12,730,231</b>

For the year ended 31 December 2019, the forward looking assumptions and LGD are updated according to the latest relevant economic indicators and default experience.

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### 54. FINANCIAL RISK MANAGEMENT *(Continued)*

#### 54.1 Credit risk *(Continued)*

##### (ix) Credit quality *(Continued)*

##### (2) Movement of loss allowance *(Continued)*

##### Loans and advances to customers *(Continued)*

	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	760,567	–	–	760,567
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 of interest revenue of non-performing loans	–	–	(105,457)	(105,457)
As at 31 December 2018	2,716,249	2,666,327	6,464,834	11,847,410

For the year ended 31 December 2018, the truncation of decimal places for certain number inputs were changed.

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For the year ended 31 December 2019  
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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 amortised cost

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2019	740,195	151,845	898,210	1,790,250
Changes in the loss allowance				
Transfer to stage 2	(44,675)	44,675	–	–
Transfer to stage 3	–	(25,784)	25,784	–
Impact on period end ECL of exposures transferred between stages during the period	–	1,536,802	175,748	1,712,550
New financial assets originated or purchased	304,852	–	–	304,852
Financial assets that have been derecognised	(178,256)	(150,825)	(212,718)	(541,799)
Changes in assumptions and methods of models	306,280	56,592	86,998	449,870
Write-offs	–	–	(281,938)	(281,938)
<b>As at 31 December 2019</b>	<b>1,128,396</b>	<b>1,613,305</b>	<b>692,084</b>	<b>3,433,785</b>



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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 amortised cost *(Continued)*

	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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### 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 2019	7,706	–	–	7,706
Changes in the loss allowance				
Transfer to stage 2	(70)	70	–	–
Transfer to stage 3	–	(70)	70	–
Impact on period end ECL of exposures transferred between stages during the period	–	–	80,434	80,434
New financial assets originated or purchased	460	–	–	460
Financial assets that have been derecognised	(5,017)	–	–	(5,017)
<b>As at 31 December 2019</b>	<b>3,079</b>	<b>–</b>	<b>80,504</b>	<b>83,583</b>
	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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### 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 2019	268,044	630	4,340	273,014
Changes in the loss allowance				
Transfer to stage 1	1,618	(1,618)	–	–
Transfer to stage 2	(1,998)	1,998	–	–
Transfer to stage 3	–	(3,998)	3,998	–
Impact on period end ECL of exposures transferred between stages during the period	40,451	5,456	15,743	61,650
New credit commitments originated	197,142	–	–	197,142
Credit commitments that have been derecognised	(128,777)	(1,089)	(18,008)	(147,874)
Changes in assumptions and methods of models	1,059	–	(2,433)	(1,374)
<b>As at 31 December 2019</b>	<b>377,539</b>	<b>1,379</b>	<b>3,640</b>	<b>382,558</b>

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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 *(Continued)*

	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	1,845	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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### 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 and credit commitments 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 2019	264,368,379	11,438,686	12,981,933	288,788,998
Changes in the gross amount				
Transfer to stage 1	269,490	(269,490)	–	–
Transfer to stage 2	(7,088,976)	7,158,864	(69,888)	–
Transfer to stage 3	–	(3,362,240)	3,362,240	–
New financial assets originated or purchased	49,757,154	–	–	49,757,154
Financial assets that have been derecognised	(38,521,782)	(3,857,045)	(60,000)	(42,438,827)
Contract cash flow modification that did not result in termination of loans	(2,679,149)	8,513,730	(3,783,889)	2,050,692
Write-offs	–	–	(4,171,950)	(4,171,950)
Recover original write-off loans and advances	–	–	70,874	70,874
Reversal interest revenue of non-performing loans	–	–	(111,257)	(111,257)
<b>As at 31 December 2019</b>	<b>266,105,116</b>	<b>19,622,505</b>	<b>8,218,063</b>	<b>293,945,684</b>
<b>Allowances for impairment loss as at 31 December 2019</b>	<b>(3,455,602)</b>	<b>(4,664,809)</b>	<b>(4,596,031)</b>	<b>(12,716,442)</b>

## Notes to the Consolidated Financial Statements

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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)

##### Loans and advances to customers (Continued)

	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 2019	179,901,628	5,058,859	1,598,789	186,559,276
Changes in the gross amount				
Transfer to stage 2	(15,507,504)	15,507,504	–	–
Transfer to stage 3	–	(453,024)	453,024	–
New financial assets originated or purchased	89,970,489	–	–	89,970,489
Financial assets that have been derecognised	(75,085,569)	(8,461,047)	(686,799)	(84,233,415)
Write-offs	–	–	(281,938)	(281,938)
<b>As at 31 December 2019</b>	<b>179,279,044</b>	<b>11,652,292</b>	<b>1,083,076</b>	<b>192,014,412</b>
<b>Allowances for impairment loss as at 31 December 2019</b>	<b>(1,128,396)</b>	<b>(1,613,305)</b>	<b>(692,084)</b>	<b>(3,433,785)</b>

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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 *(Continued)*

	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 2019	49,457,614	–	–	49,457,614
Change in the gross amount				
Transfer to stage 2	(96,748)	96,748	–	–
Transfer to stage 3	–	(96,748)	96,748	–
New financial assets originated or purchased	29,855,804	–	–	29,855,804
Financial assets that have been derecognised	(32,319,378)	–	–	(32,319,378)
<b>As at 31 December 2019</b>	<b>46,897,292</b>	<b>–</b>	<b>96,748</b>	<b>46,994,040</b>
<b>Allowances for impairment loss as at 31 December 2019</b>	<b>(3,079)</b>	<b>–</b>	<b>(80,504)</b>	<b>(83,583)</b>

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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 *(Continued)*

	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)

## Notes to the Consolidated Financial Statements

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(Amounts in thousands of Renminbi, unless otherwise stated)

### 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 2019	80,496,968	658	4,340	80,501,966
Changes in the gross amount				
Transfer to stage 1	1,675	(1,675)	–	–
Transfer to stage 2	(20,960)	20,960	–	–
Transfer to stage 3	–	(17,308)	17,308	–
New credit commitments originated	27,746,618	–	–	27,746,618
Credit commitments that have been derecognised	(35,856,375)	(1,173)	(18,008)	(35,875,556)
<b>As at 31 December 2019</b>	<b>72,367,926</b>	<b>1,462</b>	<b>3,640</b>	<b>72,373,028</b>
<b>Allowances for impairment loss as at 31 December 2019</b>	<b>(377,539)</b>	<b>(1,379)</b>	<b>(3,640)</b>	<b>(382,558)</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019  
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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 *(Continued)*

	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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For the year ended 31 December 2019  
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### 54. FINANCIAL RISK MANAGEMENT *(Continued)*

#### 54.1 Credit risk *(Continued)*

##### (ix) Credit quality *(Continued)*

##### (4) 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 2019 amounted to RMB14,394 million (31 December 2018: RMB11,794 million), among which loans and advances overdue for more than 90 days amounted to RMB689 million (31 December 2018: RMB351 million).

##### (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 and certificates of time deposit
Debt instruments at amortised cost	Certificates of deposit, equity instruments and other property rights
Financial assets held under resale agreements	Bonds, bills

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019  
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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 aggregate fair value of collateral in respect of loans and advances to customers amounted to RMB145,870 million (31 December 2018: 125,105 million) as at 31 December 2019. The aggregate fair value of collateral in respect of debt instruments at amortised cost amounted to RMB27,434 million (31 December 2018: 28,821 million) as at 31 December 2019. The aggregate fair value of collateral held for financial assets held under resale agreements amounted to RMB8,878 million (31 December 2018: 2,903 million) as at 31 December 2019.

The Group did not hold any financial instrument for which no loss allowance is recognised because of collateral at 31 December 2019 and 2018. There was no change in the Group's collateral policy during the year.

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 assess its credit risk. At 31 December 2019 the net carrying amount of loans and advances to those financial assets was RMB3,622 million (31 December 2018: RMB6,517 million) and the value of the respective collateral was RMB2,576 million (31 December 2018: RMB1,940 million).

As at 31 December 2019, the balances of customer deposits that were secured by the Group's debt instruments amounted to RMB291 million (31 December 2018: RMB7,272 million), of which RMB200 million (31 December 2018: RMB2,000 million) were due over twelve months from inception.

As at 31 December 2019, the balances of Medium-term Lending Facility that were secured by the Group's debt instruments amounted to RMB36,629 million (31 December 2018: RMB16,986 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) Bond investments are analysed by external credit rating as follows:

	As at 31 December 2019					Total
	AAA	AA <sup>(a)</sup>	A	Below A	Unrated <sup>(b)</sup>	
Government bonds	1,902,641	-	-	-	46,624,172	48,526,813
Financial institution bonds	1,570,372	331,639	-	-	52,342,555	54,244,566
Asset-backed securities	18,825,756	1,965,988	-	-	1,365,946	22,157,690
Corporate bonds	5,479,470	21,473,188	-	370,042	3,336,385	30,659,085
Certificate of government bonds	-	-	-	-	243,610	243,610
<b>Total</b>	<b>27,778,239</b>	<b>23,770,815</b>	<b>-</b>	<b>370,042</b>	<b>103,912,668</b>	<b>155,831,764</b>

	As at 31 December 2018					Total
	AAA	AA <sup>(a)</sup>	A	Below A	Unrated <sup>(b)</sup>	
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 of government bonds	-	-	-	-	274,087	274,087
<b>Total</b>	<b>31,177,293</b>	<b>20,251,524</b>	<b>-</b>	<b>250,000</b>	<b>92,904,596</b>	<b>144,583,413</b>

(a) Credit rating of AA represent a range of rating from AA- to AA+.

(b) The unrated bond investments held by the Group mainly represent bonds issued by the Ministry of Finance of the PRC ("MOF"), policy banks and issuers which are creditworthy in the market, but are not rated by independent rating agencies.

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### 54. FINANCIAL RISK MANAGEMENT *(Continued)*

#### 54.2 Liquidity risk

Liquidity risk is the risk that the bank can not acquire sufficient capital at a reasonable price to cover liabilities as they fall due, to perform other payment obligations, or to meet indispensable business capital needs. This may arise from cash flow or maturity mis-matches of assets or 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.



## Notes to the Consolidated Financial Statements

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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 2019							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	35,526,353	23,776,766	-	-	-	-	-	59,303,119
Deposits with banks and other financial institutions	-	6,379,090	-	-	509,376	-	-	6,888,466
Placements with banks and other financial institutions	-	-	883,254	3,289,617	1,241,119	-	-	5,413,990
Derivative financial assets	-	-	24,598	79,273	60,820	-	2,600	167,291
Financial assets held under resale agreements	600,210	-	7,574,018	-	-	-	-	8,174,228
Financial assets at fair value through profit or loss	58,600	-	23,777,508	2,853,006	5,946,886	22,659,120	4,249,483	59,544,603
Debt instruments at fair value through other comprehensive income	-	-	2,297,867	3,457,475	10,769,332	22,271,088	8,198,278	46,994,040
Loans and advances to customers	4,089,791	-	14,032,237	15,656,917	151,577,019	65,975,680	29,897,598	281,229,242
Debt instruments at amortised costs	139,500	-	7,465,959	10,215,775	59,790,685	100,637,431	10,331,277	188,580,627
Equity instruments at fair value through other comprehensive income	1,393,601	-	-	-	-	-	-	1,393,601
Others	305,644	-	74,857	149,288	1,109,314	7,807,464	2,265,343	11,711,910
<b>Total assets</b>	<b>42,113,699</b>	<b>30,155,856</b>	<b>56,130,298</b>	<b>35,701,351</b>	<b>231,004,551</b>	<b>219,350,783</b>	<b>54,944,579</b>	<b>669,401,117</b>
Borrowings from central bank	-	-	-	-	36,629,447	-	-	36,629,447
Deposits from banks and other financial institutions	-	8,133,666	10,492,041	5,683,915	21,075,442	-	-	45,385,064
Placements from banks and other financial institutions	-	-	4,975,840	5,722,597	10,299,903	200,272	-	21,198,612
Financial liabilities held for trading	-	-	-	-	412,186	-	-	412,186
Derivative financial liabilities	-	-	1,465	7,460	30,862	-	-	39,787
Financial assets sold under repurchase agreements	-	-	30,741,450	2,252,546	-	-	-	32,993,996
Others	56,873	-	3,493,014	747,271	3,780,847	753,894	-	8,831,899
Lease Liabilities	-	-	56,360	32,059	195,604	633,201	150,075	1,067,299
Due to customers	-	248,129,656	4,183,862	10,605,458	19,485,719	31,783,750	36,807,920	350,996,365
Debt securities issued	-	-	6,668,392	41,112,219	35,212,673	37,676,395	-	120,669,679
<b>Total liabilities</b>	<b>56,873</b>	<b>256,263,322</b>	<b>60,612,424</b>	<b>66,163,525</b>	<b>127,122,683</b>	<b>71,047,512</b>	<b>36,957,995</b>	<b>618,224,334</b>
<b>Net position</b>	<b>42,056,826</b>	<b>(226,107,466)</b>	<b>(4,482,126)</b>	<b>(30,462,174)</b>	<b>103,881,868</b>	<b>148,303,271</b>	<b>17,986,584</b>	<b>51,176,783</b>

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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 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 assets	-	-	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
Debt instruments 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
<b>Total assets</b>	<b>44,006,425</b>	<b>24,088,594</b>	<b>15,322,166</b>	<b>43,287,020</b>	<b>238,731,303</b>	<b>251,005,562</b>	<b>42,898,833</b>	<b>659,339,903</b>
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 and other financial institutions	-	-	7,004,442	5,371,485	8,847,167	332,566	-	21,555,660
Derivative financial liabilities	-	-	-	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
<b>Total liabilities</b>	<b>40,201</b>	<b>242,616,150</b>	<b>78,010,693</b>	<b>59,148,445</b>	<b>146,463,124</b>	<b>83,474,475</b>	<b>1,866,078</b>	<b>611,619,166</b>
<b>Net position</b>	<b>43,966,224</b>	<b>(218,527,556)</b>	<b>(62,688,527)</b>	<b>(15,861,425)</b>	<b>92,268,179</b>	<b>167,531,087</b>	<b>41,032,755</b>	<b>47,720,737</b>

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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 2019							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	35,626,111	23,802,915	-	-	-	-	-	59,429,026
Deposits with banks and other financial institutions	-	6,381,507	-	-	512,332	-	-	6,893,839
Placements with banks and other financial institutions	-	-	883,703	3,445,318	1,322,829	-	-	5,651,850
Financial assets held under resale agreements	993,500	-	7,571,777	-	-	-	-	8,565,277
Financial assets at fair value through profit or loss	58,600	-	23,558,694	3,159,678	6,612,263	24,191,543	4,261,924	61,842,702
Debt instruments at fair value through other comprehensive income	-	-	2,305,097	3,606,980	11,472,912	24,734,970	9,891,182	52,011,141
Loans and advances to customers	8,740,508	-	15,197,265	16,390,030	153,008,571	79,103,347	40,778,532	313,218,253
Debt instruments at amortised costs	630,052	-	7,997,820	10,974,362	65,317,566	111,371,491	11,792,050	208,083,341
Equity instruments at fair value through other comprehensive income	1,393,601	-	-	-	-	-	-	1,393,601
Other financial assets	95,241	-	75,187	150,374	1,094,810	163,910	-	1,579,522
<b>Total financial assets</b>	<b>47,537,613</b>	<b>30,184,422</b>	<b>57,589,543</b>	<b>37,726,742</b>	<b>239,341,283</b>	<b>239,565,261</b>	<b>66,723,688</b>	<b>718,668,552</b>
Borrowings from central bank	-	-	-	-	37,389,550	-	-	37,389,550
Deposits from banks and other financial institutions	-	8,133,666	10,502,857	5,712,786	21,523,849	-	-	45,873,158
Placements from banks and other financial institutions	-	-	4,979,412	5,750,308	10,478,631	212,065	-	21,420,416
Financial liabilities held for trading	-	-	-	-	398,608	-	-	398,608
Financial assets sold under repurchase agreements	-	-	30,758,033	2,261,101	-	-	-	33,019,134
Other financial liabilities	-	-	373,635	747,271	3,780,847	371,336	-	5,273,089
Lease liabilities	-	-	56,560	32,412	205,107	723,229	188,924	1,206,232
Due to customers	-	248,141,520	4,319,400	11,010,328	20,261,522	36,446,921	43,122,678	363,302,369
Debt securities issued	-	-	6,843,200	41,360,000	36,488,380	40,775,960	-	125,467,540
<b>Total financial liabilities</b>	<b>-</b>	<b>256,275,186</b>	<b>57,833,097</b>	<b>66,874,206</b>	<b>130,526,494</b>	<b>78,529,511</b>	<b>43,311,602</b>	<b>633,350,096</b>
<b>Net position</b>	<b>47,537,613</b>	<b>(226,090,764)</b>	<b>(243,554)</b>	<b>(29,147,464)</b>	<b>108,814,789</b>	<b>161,035,750</b>	<b>23,412,086</b>	<b>85,318,456</b>

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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 issued and therefore the cash outflows for these instruments can be different if some of these rights are exercised.

	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	40,666,895	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
Debt instruments 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
<b>Total financial assets</b>	<b>48,879,192</b>	<b>24,122,373</b>	<b>18,630,550</b>	<b>45,414,302</b>	<b>255,699,940</b>	<b>276,322,943</b>	<b>55,871,527</b>	<b>724,940,827</b>
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 and other financial institutions	-	-	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
<b>Total financial liabilities</b>	<b>2,317</b>	<b>248,364,636</b>	<b>69,481,452</b>	<b>62,589,341</b>	<b>151,726,485</b>	<b>95,528,856</b>	<b>2,271,888</b>	<b>629,964,975</b>
<b>Net position</b>	<b>48,876,875</b>	<b>(224,242,263)</b>	<b>(50,850,902)</b>	<b>(17,175,039)</b>	<b>103,973,455</b>	<b>180,794,087</b>	<b>53,599,639</b>	<b>94,975,852</b>

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, financial assets held under resale agreements, financial assets at fair value through profit or loss and debt instruments at fair value through other comprehensive income. In the normal course of business, the majority of customer deposits repayable on demand are expected to be revolved.

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### 54. FINANCIAL RISK MANAGEMENT *(Continued)*

#### 54.2 Liquidity risk *(Continued)*

*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 2019						Total
	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Acceptances	-	2,080,960	5,391,638	24,613,175	-	-	32,085,773
Undrawn corporate loans limit	23,471,584	-	-	-	-	-	23,471,584
Undrawn credit card limit	6,924,578	-	-	-	-	-	6,924,578
Letters of credit	-	123,550	877	8,518,094	-	-	8,642,521
Letters of guarantee	-	217,848	2,690	293,494	730,534	4,006	1,248,572
<b>Total</b>	<b>30,396,162</b>	<b>2,422,358</b>	<b>5,395,205</b>	<b>33,424,763</b>	<b>730,534</b>	<b>4,006</b>	<b>72,373,028</b>

	As at 31 December 2018						Total
	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
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
<b>Total</b>	<b>38,855,083</b>	<b>5,757,233</b>	<b>8,595,611</b>	<b>27,141,956</b>	<b>149,779</b>	<b>2,304</b>	<b>80,501,966</b>

## Notes to the Consolidated Financial Statements

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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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019  
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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 2019				Total
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	
Cash and balances with central bank	58,706,720	593,503	842	2,054	59,303,119
Deposits with banks and other financial institutions	5,460,737	1,356,501	14,028	57,200	6,888,466
Placements with banks and other financial institutions	4,958,076	372,273	83,641	-	5,413,990
Derivative financial assets	167,291	-	-	-	167,291
Financial assets held under resale agreements	8,174,228	-	-	-	8,174,228
Financial assets at fair value through profit or loss	59,544,603	-	-	-	59,544,603
Debt instruments at fair value through other comprehensive income	46,994,040	-	-	-	46,994,040
Loans and advances to customers	271,653,806	9,395,294	161,240	18,902	281,229,242
Debt instruments at amortised cost	185,298,348	3,282,279	-	-	188,580,627
Equity instruments at fair value through other comprehensive income	1,393,601	-	-	-	1,393,601
Other financial assets	1,523,663	-	-	-	1,523,663
<b>Total financial assets</b>	<b>643,875,113</b>	<b>14,999,850</b>	<b>259,751</b>	<b>78,156</b>	<b>659,212,870</b>
Borrowings from central bank	36,629,447	-	-	-	36,629,447
Deposits from banks and other financial institutions	45,385,025	39	-	-	45,385,064
Placements from banks and other financial institutions	8,695,147	12,261,303	242,162	-	21,198,612
Financial liabilities held for trading	410,993	1,193	-	-	412,186
Financial derivative liabilities	38,322	1,465	-	-	39,787
Financial assets sold under repurchase agreements	32,993,996	-	-	-	32,993,996
Other financial liabilities	4,889,270	380,212	-	3,607	5,273,089
Lease Liabilities	1,067,299	-	-	-	1,067,299
Due to customers	340,856,212	10,102,963	3,920	33,270	350,996,365
Debt securities issued	120,669,679	-	-	-	120,669,679
<b>Total financial liabilities</b>	<b>591,635,390</b>	<b>22,747,175</b>	<b>246,082</b>	<b>36,877</b>	<b>614,665,524</b>
<b>Net exposure</b>	<b>52,239,723</b>	<b>(7,747,325)</b>	<b>13,669</b>	<b>41,279</b>	<b>44,547,346</b>

## Notes to the Consolidated Financial Statements

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### 54. FINANCIAL RISK MANAGEMENT (Continued)

#### 54.3 Market risk (Continued)

##### Foreign currency risk (Continued)

	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
<b>Total financial assets</b>	<b>640,291,683</b>	<b>11,964,896</b>	<b>285,476</b>	<b>102,153</b>	<b>652,644,208</b>
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 and other financial institutions	10,634,160	10,642,644	263,161	15,695	21,555,660
Financial derivative 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
<b>Total financial liabilities</b>	<b>589,988,433</b>	<b>18,673,439</b>	<b>267,624</b>	<b>41,274</b>	<b>608,970,770</b>
<b>Net exposure</b>	<b>50,303,250</b>	<b>(6,708,543)</b>	<b>17,852</b>	<b>60,879</b>	<b>43,673,438</b>



## Notes to the Consolidated Financial Statements

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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	
	2019 (Decrease)/ increase in Net Profit	2018 (Decrease)/ increase in Net Profit
5% appreciation	288,464	248,618
5% depreciation	(288,464)	(248,618)

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.

## Notes to the Consolidated Financial Statements

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### 54. FINANCIAL RISK MANAGEMENT *(Continued)*

#### 54.3 Market risk *(Continued)*

##### **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)

##### Interest rate 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 2019						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	58,717,446	-	-	-	-	585,673	59,303,119
Deposits with banks and other financial institutions	6,378,385	-	499,964	-	-	10,117	6,888,466
Placements with banks and other financial institutions	882,875	3,174,367	1,199,626	-	-	157,122	5,413,990
Derivative financial assets	-	-	-	-	-	167,291	167,291
Financial assets held under resale agreements	8,169,091	-	-	-	-	5,137	8,174,228
Financial assets at fair value through profit or loss	23,819,331	2,784,463	5,790,827	22,647,488	4,249,483	253,011	59,544,603
Debt instruments at fair value through other comprehensive income	2,147,365	3,327,069	10,283,641	22,271,088	8,088,215	876,662	46,994,040
Loans and advances to customers	21,542,046	15,160,440	150,428,431	56,467,796	35,558,956	2,071,573	281,229,242
Debt instruments at amortised costs	7,165,356	9,556,166	58,322,015	100,608,856	10,331,277	2,596,957	188,580,627
Equity instruments at fair value through other comprehensive income	1,393,601	-	-	-	-	-	1,393,601
Other financial assets	-	-	-	-	-	1,523,663	1,523,663
<b>Total financial assets</b>	<b>130,215,496</b>	<b>34,002,505</b>	<b>226,524,504</b>	<b>201,995,228</b>	<b>58,227,931</b>	<b>8,247,206</b>	<b>659,212,870</b>
Borrowings from central bank	-	-	36,200,000	-	-	429,447	36,629,447
Deposits from banks and other financial institutions	18,560,018	5,653,000	20,913,294	-	-	258,752	45,385,064
Placements from banks and other financial institutions	4,939,856	5,632,806	10,158,521	200,000	-	267,429	21,198,612
Financial liabilities held for trading	-	-	409,837	-	-	2,349	412,186
Derivative financial liabilities	-	-	-	-	-	39,787	39,787
Financial assets sold under repurchase agreements	30,675,151	2,241,303	-	-	-	77,542	32,993,996
Other financial liabilities	-	-	-	-	-	5,273,089	5,273,089
Lease liabilities	56,360	32,059	195,604	633,201	150,075	-	1,067,299
Due to customers	244,707,483	10,605,458	19,485,719	31,783,750	36,807,920	7,606,035	350,996,365
Debt securities issued	6,193,102	41,112,219	34,645,392	37,676,395	-	1,042,571	120,669,679
<b>Total financial liabilities</b>	<b>305,131,970</b>	<b>65,276,845</b>	<b>122,008,367</b>	<b>70,293,346</b>	<b>36,957,995</b>	<b>14,997,001</b>	<b>614,665,524</b>
<b>Interest rate gap</b>	<b>(174,916,474)</b>	<b>(31,274,340)</b>	<b>104,516,137</b>	<b>131,701,882</b>	<b>21,269,936</b>	<b>(6,749,795)</b>	<b>44,547,346</b>

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### 54. FINANCIAL RISK MANAGEMENT (Continued)

#### 54.3 Market risk (Continued)

##### Interest rate risk (Continued)

	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
Debt instruments 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
<b>Total financial assets</b>	<b>88,860,625</b>	<b>40,271,557</b>	<b>231,934,852</b>	<b>264,731,457</b>	<b>18,174,225</b>	<b>8,671,492</b>	<b>652,644,208</b>
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 and other financial institutions	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
<b>Total financial liabilities</b>	<b>310,389,372</b>	<b>57,506,276</b>	<b>141,836,248</b>	<b>82,523,426</b>	<b>1,866,078</b>	<b>14,849,370</b>	<b>608,970,770</b>
<b>Interest rate gap</b>	<b>(221,528,747)</b>	<b>(17,234,719)</b>	<b>90,098,604</b>	<b>182,208,031</b>	<b>16,308,147</b>	<b>(6,177,878)</b>	<b>43,673,438</b>

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### 54. FINANCIAL RISK MANAGEMENT *(Continued)*

#### 54.3 Market risk *(Continued)*

##### **Interest rate 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.

	2019		2018	
	Profit or loss	Other comprehensive income	Profit or loss	Other comprehensive income
+100 basis points	454,168	(1,293,911)	7,490	(921,101)
- 100 basis points	(454,168)	1,401,793	(7,490)	978,524

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.

## Notes to the Consolidated Financial Statements

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

### 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.

	As at 31 December	
	2019	2018
Core tier-one capital adequacy ratio	10.62%	9.83%
Tier-one capital adequacy ratio	10.63%	9.84%
Capital adequacy ratio	15.24%	14.53%
Net core tier-one capital	50,205,305	46,924,630
Net tier-one capital	50,232,898	46,960,805
Net capital base	72,064,616	69,329,252
Risk-weighted assets	472,772,309	477,241,091

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 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.

## Notes to the Consolidated Financial Statements

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

### 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 2019			Total
	Level 1	Level 2	Level 3	
Financial assets at FVTPL				
Government bonds	-	766,221	-	766,221
Financial institution bonds	-	291,555	-	291,555
Asset-backed securities	-	217,716	-	217,716
Corporate bonds	-	698,367	-	698,367
Asset management plans	-	-	19,402,483	19,402,483
Trust beneficiary rights	-	-	14,803,416	14,803,416
Funds	16,230,081	7,076,164	-	23,306,245
Others	-	-	58,600	58,600
Subtotal	16,230,081	9,050,023	34,264,499	59,544,603
Debt instruments at FVTOCI				
Government bonds	-	17,658,830	-	17,658,830
Financial institution bonds	-	21,173,122	-	21,173,122
Corporate bonds	-	3,891,664	4,270,424	8,162,088
Subtotal	-	42,723,616	4,270,424	46,994,040
Equity instruments at FVTOCI				
Unlisted equity	-	-	1,393,601	1,393,601
Loans and advances to customers at FVTOCI	-	-	12,681,552	12,681,552
Derivative financial assets	-	167,291	-	167,291
Derivative financial liabilities	-	(39,787)	-	(39,787)
Financial liabilities held for trading	-	(412,186)	-	(412,186)
Total	16,230,081	51,488,957	52,610,076	120,329,114



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 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 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	3,670,068	2,230,845	–	5,900,913
Others	–	–	58,600	58,600
Subtotal	3,670,068	4,004,393	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
Loans and advances to customers at FVTOCI	–	–	1,927,338	1,927,338
Derivative financial assets	–	70,255	–	70,255
Derivative financial liabilities	–	(27,836)	–	(27,836)
Total	3,670,068	43,407,525	65,094,332	112,171,925

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019  
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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	Debt instruments measured at FVTOCI	Equity instruments measured at FVTOCI	Loans and advances to customers at FVTOCI
Asset				
Balance at January 1, 2019	53,070,093	10,096,901	–	1,927,338
Total gains				
– in profit or loss	(1,238,414)	772	–	(141,319)
– in OCI	–	(94,207)	–	(916)
Acquisitions	8,664,949	–	1,393,601	14,783,784
Disposals and settlements	(26,232,129)	(5,733,042)	–	(3,887,335)
Balance at December 31, 2019	<b>34,264,499</b>	<b>4,270,424</b>	<b>1,393,601</b>	<b>12,681,552</b>

	Investments mandatorily measured at FVTPL	Debt instruments measured at FVTOCI	Loans and advances to customers at FVTOCI
Asset			
Balance at January 1, 2018		133,346,727	4,357,982
Total gains			
– in profit or loss		398,022	–
– in OCI		–	408,433
Acquisitions		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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 55. FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

#### Reconciliation of Level 3 fair value measurements of financial assets *(Continued)*

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, and reviewed by finance department. The discount rates used in Level 3 valuations ranges from 1.08% to 8.13% (31 December 2018: The discount rates used in Level 3 valuations ranges from 2.61% to 8.48%).

Of the total losses for the period included in profit or loss RMB529.4 million relates to unrealised losses arising from financial assets mandatorily measured at Level 3 fair value and held at the end of reporting period (For the year ended 31 December 2018: RMB423.4 million). 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 2019, by RMB527.7 million/RMB 497.3 million, respectively (31 December 2018: RMB422.4 million/RMB 438.1 million).

#### Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

	As at 31 December 2019		As at 31 December 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans and advances to customers at amortised costs	268,547,690	281,406,384	275,015,940	287,978,279
Debt instruments at amortised costs	188,580,627	188,995,243	184,769,026	185,055,056
Financial liabilities				
Placements from banks and other financial institutions	21,198,612	21,285,570	21,555,660	21,730,877
Due to customers	350,996,365	353,187,017	342,877,165	344,736,646
Debt securities issued	120,669,679	121,219,907	159,823,661	160,573,532

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.

## Notes to the Consolidated Financial Statements

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

### 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 2019	As at 31 December 2018		
Loans and advances to customers at amortised costs	281,406,384	287,978,279	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.
Debt securities at amortised costs	85,456,879	83,739,097	Level 2	See note 1.
Debt instruments at amortised costs	103,538,364	101,315,959	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 and other financial institutions	21,285,570	21,730,877	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	353,187,017	344,736,646	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	121,219,907	160,573,532	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 other financial institutions and financial assets sold under repurchase agreements mostly have terms within one year. Their carrying values approximate their fair values.

## Notes to the Consolidated Financial Statements

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### 56. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Bank's subsidiaries as at 31 December 2019 are set out below:

Name of entity	Type of legal entity	Place of incorporation/ Establishment/ operations	Date of incorporation/ establishment	Registered capital as at 31 December 2019 (In RMB '000)	Proportion of ownership held by the Group		Proportion of voting rights held by the Group		Principal activities
					As at 31 December 2019 %	As at 31 December 2018 %	As at 31 December 2019 %	As at 31 December 2018 %	
Ningxia Yuanzhou Jinhui County Bank Co., Ltd (寧夏原州津匯村鎮銀行有限責任公司)	Limited liability company	Ningxia, PRC	July 2016	50,000	51.00	51.00	51.00	51.00	Banking
Ningxia Tongxin Jinhui County Bank Co., Ltd (寧夏同心津匯村鎮銀行有限責任公司)	Limited liability company	Ningxia, PRC	August 2016	50,000	51.00	51.00	51.00	51.00	Banking
Bank of Tianjin Financial Leasing Co., Ltd (天銀金融租賃股份有限公司)	Stock limited company	Tianjin, PRC	October 2016	1,700,000	65.88	65.88	65.88	65.88	Financial Leasing

## Notes to the Consolidated Financial Statements

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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 2019

	As at 31 December	
	2019	2018
<b>ASSETS</b>		
Cash and balances with central bank	59,161,132	62,140,502
Deposits with banks and other financial institutions	6,783,186	3,853,430
Placements with banks and other financial institutions	7,014,156	11,689,596
Derivative financial instruments	167,291	70,255
Financial assets held under resale agreements	8,174,228	2,555,983
Financial assets at fair value through profit or loss	59,544,603	60,744,554
Debt instruments at fair value through other comprehensive income	46,994,040	49,457,614
Loans and advances to customers	274,954,146	267,387,969
Debt instruments at amortised cost	188,580,627	184,769,026
Equity instruments at fair value through other comprehensive income	1,393,601	–
Deferred tax assets	4,716,109	3,098,125
Other assets	3,236,523	1,840,206
Property and equipment	2,253,841	1,889,308
Right-of-use assets	1,105,883	–
Interests in associates	210,403	212,096
Investments in subsidiaries	1,180,000	1,180,000
<b>Total assets</b>	<b>665,469,769</b>	<b>650,888,664</b>
<b>LIABILITIES</b>		
Borrowings from central bank	36,629,447	16,986,392
Deposits from banks and other financial institutions	48,545,884	34,389,208
Placements from banks and other financial institutions	16,934,222	15,468,916
Trading financial liabilities	412,186	–
Derivative financial instruments	39,787	27,836
Financial assets sold under repurchase agreements	32,993,996	28,362,473
Income tax payable	1,684,228	922,246
Other liabilities	6,923,030	6,875,079
Lease liabilities	1,060,573	–
Due to customers	349,416,135	341,182,831
Debt securities issued	120,669,679	159,823,661
<b>Total liabilities</b>	<b>615,309,167</b>	<b>604,038,642</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019  
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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 2019 *(Continued)*

	As at 31 December	
	2019	2018
EQUITY		
Share capital	6,070,552	6,070,552
Capital reserve	10,699,811	10,699,811
Investment revaluation reserve	88,631	148,547
Surplus reserve	3,352,480	3,352,480
General reserve	9,062,761	9,062,761
Retained earnings	20,886,367	17,515,871
Total equity	50,160,602	46,850,022
Total equity and liabilities	665,469,769	650,888,664

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019  
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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 2019

	2019						
	Share capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Total
As at 1 January 2019	6,070,552	10,699,811	148,547	3,352,480	9,062,761	17,515,871	46,850,022
Profit for the year	-	-	-	-	-	4,463,195	4,463,195
Other comprehensive expense for the year	-	-	(59,916)	-	-	-	(59,916)
Dividend distribution	-	-	-	-	-	(1,092,699)	(1,092,699)
As at 31 December 2019	6,070,552	10,699,811	88,631	3,352,480	9,062,761	20,886,367	50,160,602

	2018						
	Share capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Total
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



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 58. EVENT AFTER THE REPORTING PERIOD

- (1) Upon the approval of Tianjin Bureau of CBIRC and the PBOC, 3 year fixed-rate financial bonds were issued on 20 January 2020 by the Bank at a face value of RMB5.0 billion with a fixed coupon rate of 3.73% per annum, payable annually.
- (2) The ECL and fair value at 31 December 2019 was estimated based on a range of forecast economic conditions as at that date. Since late December 2019, Coronavirus broke out in Wu Han of Hubei Province. The outbreak caused disruptions to business activities of China to a certain degree since the middle of January 2020. The inputs to ECL and fair value for the current reporting period, including forward looking information and discount rate, reflect the assessment of the economic outlook as at 31 December 2019. The impact of the outbreak to the current reporting period is not material. With the evolving situation, the Group has been assessing the financial impacts of this outbreak for appropriate treatment in 2020.
- (3) On 20 March 2020, the Board of Directors of the Bank was resolved to make the following profit appropriations of the Bank for the year ended 31 December 2019:
  - (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 20 March 2020.

## Unaudited Supplementary Financial Information

(Amounts in thousands of Renminbi, unless otherwise stated)

In accordance with the Hong Kong Listing Rules and Banking (Disclosure) Rules, the Group discloses the unaudited supplementary financial information as follows:

### LIQUIDITY RATIOS, LIQUIDITY COVERAGE RATIOS, NET STABLE FUNDING AND LEVERAGE RATIO

(Expressed in percentage)

#### Liquidity Ratios

	<b>As at 31 December 2019</b>	As at 31 December 2018
RMB current assets to RMB current liabilities	<b>50.0%</b>	50.3%
Foreign currency current assets to foreign currency current liabilities	<b>152.7%</b>	44.6%
	<b>Average for the year ended 31 December 2019</b>	2018
RMB current assets to RMB current liabilities	<b>46.14%</b>	45.72%
Foreign currency current assets to foreign currency current liabilities	<b>66.63%</b>	41.57%

#### Liquidity Coverage Ratios

	<b>As at 31 December 2019</b>	As at 31 December 2018
Qualified high-quality liquid assets	<b>93,029,996.9</b>	106,433,447.8
Net cash outflows in the next 30 days	<b>58,419,356.2</b>	77,798,591.5
Liquidity coverage ratios	<b>159.25%</b>	136.81%

## Unaudited Supplementary Financial Information

(Amounts in thousands of Renminbi, unless otherwise stated)

### Net Stable Funding Ratio

	<b>As at</b> <b>31 December</b> <b>2019</b>	As at 30 September 2019
Total stable funding available	<b>372,153,022.3</b>	358,887,215.4
Total stable funding required	<b>311,336,226.0</b>	320,829,200.8
Net stable funding ratio	<b>119.53%</b>	111.86%

Pursuant to the Disclosure of Net Stable Funding Ratio Information of Commercial Bank issued by the CBIRC (YinBao JianFa [2019] No.11), the Bank shall disclose relevant information on the net stable funding ratio for the latest two quarters.

### Leverage Ratio

(Expressed in percentage)

	<b>As at</b> <b>31 December</b> <b>2019</b>	As at 31 December 2018
Leverage ratio	<b>7.12%</b>	6.79%

Pursuant to the Leverage Ratio Management of Commercial Bank (Amended) issued by the CBIRC (No. 1 Order of CBRC in 2015), effective from April 2015, a minimum leverage ratio of 4% is required. Information on leverage ratio of our Bank as of 31 December 2019 is disclosed on the official website of the Bank at <http://www.bankoftianjin.com/tzzgxEN/Inford/CA/296411.shtml>.

The above liquidity ratios and leverage ratio are calculated in accordance with the formula promulgated by the CBIRC.

## Unaudited Supplementary Financial Information

(Amounts in thousands of Renminbi, unless otherwise stated)

### CURRENCY CONCENTRATIONS

	US Dollars	Equivalent in Renminbi		Total
		Hong Kong Dollars	Others	
As at 31 December 2019				
Spot assets	<b>14,999,850</b>	<b>259,751</b>	<b>78,156</b>	<b>15,337,757</b>
Spot liabilities	<b>(22,747,175)</b>	<b>(246,082)</b>	<b>(36,877)</b>	<b>(23,030,134)</b>
Net position	<b>(7,747,325)</b>	<b>13,669</b>	<b>41,279</b>	<b>(7,692,377)</b>
As at 31 December 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)

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 deposits with banks and placements 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 third 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

(Amounts in thousands of Renminbi, unless otherwise stated)

	<b>As at 31 December 2019</b>	As at 31 December 2018
International claims		
Asia Pacific excluding mainland China	<b>103,134</b>	20,847
–of which attributed to Hong Kong	<b>93,369</b>	10,125
Europe	<b>44,890</b>	308
North America	<b>1,279,569</b>	449,659
Total	<b>1,427,593</b>	470,814

### OVERDUE ASSETS

Loans and advances to customers which have been overdue are set out as follows:

	<b>As at 31 December 2019</b>	As at 31 December 2018
Below 3 months (inclusive)	<b>3,689,078</b>	3,467,476
Between 3 and 6 months (inclusive)	<b>964,414</b>	387,057
Between 6 and 12 months (inclusive)	<b>937,588</b>	432,935
Over 12 months	<b>3,786,117</b>	3,612,336
Total	<b>9,377,197</b>	7,899,804
As a percentage of gross loans and advances to customers		
Below 3 months (inclusive)	<b>1.25%</b>	1.21%
Between 3 and 6 months (inclusive)	<b>0.33%</b>	0.13%
Between 6 and 12 months (inclusive)	<b>0.32%</b>	0.15%
Over 12 months	<b>1.29%</b>	1.25%
Total	<b>3.19%</b>	2.74%

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

## Unaudited Supplementary Financial Information

(Amounts in thousands of Renminbi, unless otherwise stated)

Debt instruments measured at amortised cost which have been overdue are set out as follows:

	<b>As at 31 December 2019</b>	As at 31 December 2018
Below 3 months (inclusive)	–	–
Between 3 and 6 months (inclusive)	–	140,000
Between 6 and 12 months (inclusive)	–	150,000
Over 12 months	<b>630,052</b>	480,052
<b>Total</b>	<b>630,052</b>	770,052

As a percentage of gross debt instruments measured at amortised cost

	<b>As at 31 December 2019</b>	As at 31 December 2018
Below 3 months (inclusive)	–	–
Between 3 and 6 months (inclusive)	–	0.08%
Between 6 and 12 months (inclusive)	–	0.08%
Over 12 months	<b>0.33%</b>	0.26%
<b>Total</b>	<b>0.33%</b>	0.42%

Debt instruments measured at amortised cost with a specific repayment date are classified as overdue when the principal or interest is overdue.

### EXPOSURES TO MAINLAND CHINA NON-BANK ENTITIES

	<b>As at 31 December 2019</b>	As at 31 December 2018
On-balance sheet exposure	<b>281,229,242</b>	276,943,278
Off-balance sheet exposure	<b>72,373,028</b>	80,501,966
Individually assessed allowance for impairment losses	<b>N/A</b>	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 CBIRC, the Bank's composition of capital as of 31 December 2019 is disclosed on the official website of the Bank at <http://www.bankoftianjin.com/tzzgxE/Inford/CA/296409.shtml>.

## List of Branches

As at 31 December 2019, 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, Dongli sub-branch	No. 77, Yuejin Road, Dongli District, Tianjin	300300
3	Bank of Tianjin, Yijing Road sub-branch	2/F, Extension No. 3, Yijing Road, Dongli Development Zone, Tianjin	300300
4	Bank of Tianjin, Junliang City sub-branch	No. 1-7, Block 29, Junhua Yard, Xinshi Town, Junliang City, Xingnong Road, Dongli District, Tianjin	300301
5	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
6	Bank of Tianjin, Lushui Road sub-branch	No. 15 & 16, Ground Floor Store, Block 10, Baojujiayuan, south side of the Wushui Road, Jinnan District, Tianjin	300000
7	Bank of Tianjin, Jingu Road sub-branch	No. 1-3, Ground Floor, Zonglv Yuan 4, Gelinxiaocheng, west side of Jingu Road, Shuanggang Town, Jinnan District, Tianjin	300350
8	Bank of Tianjin, Xiqing sub-branch	Junction of Guangming Road and Xinhua Road, Yangliuqing, Xiqing District, Tianjin	300380
9	Bank of Tianjin, Zhangjiawo sub-branch	No. 60, Yutai Road, Xiqing District, Tianjin	300380
10	Bank of Tianjin, Zhongbei Town sub-branch	1-A-2-01-05, 1/F New City Center I-A, 3 Wanhui Road, Zhongbei Town, Xiqing District, Tianjin	300393
11	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
12	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
13	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
14	Bank of Tianjin, Xinyibai Avenue sub-branch	North side of Xinyibai Avenue, Beichen District, Tianjin	300420
15	Bank of Tianjin, Wuqing sub-branch	No. 143, Quanwang Road, Wuqing District, Tianjin	301799
16	Bank of Tianjin, Jinghu sub-branch	Ground Floor, Scientific Research Service Building, Huidareli Group, Jianing Road, Xiazhuozhuang Street, Wuqing District, Tianjin	301700

## List of Branches

No.	Name of Branch	Address	Postcode
17	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
18	Bank of Tianjin, Yongyangxi Road sub-branch	Ground Floor, No. 12-2, Shengshixinyuan, south side of Yongyangxi Road, Xincheng, Wuqing District, Tianjin	301799
19	Bank of Tianjin, Baodi sub-branch	No. 52, Nancheng Road, Baodi District, Tianjin	301800
20	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
21	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
22	Bank of Tianjin, Jizhou sub-branch	8-102, Qixing Garden, west side of Guangming Road North, Jizhou District, Tianjin	301900
23	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
24	Bank of Tianjin, Zhouhewan sub-branch	Extension No. 8, No. 5, Qingchi West Street, Zhouhewan, Xincheng, Jizhou District, Tianjin	301900
25	Bank of Tianjin, Jinghai sub-branch	105 & 106, Building 7, Jinxiujiayuan (location of original Jinghai County Party Committee), Jinghai District, Tianjin	301600
26	Bank of Tianjin, Dongfanghong Road sub-branch	Commercial Area B, Haixinyuan, Dongfanghong Road, Jinghai District, Tianjin	301600
27	Bank of Tianjin, Ninghe sub-branch	No. 66, Guangming Road, Lutai Town, Ninghe District, Tianjin	301500
28	Bank of Tianjin, Panzhuang sub-branch	Panzhuang Village, Panzhuang Town, Ninghe District, Tianjin	301508
29	Bank of Tianjin, First central sub-branch	Kangning Building, junction of Xikang Road and Hanyang Road, Heping District, Tianjin	300070
30	Bank of Tianjin, Rongsheng sub-branch	No. 179 & 181, Chengdu Road, Heping District, Tianjin	300070
31	Bank of Tianjin, Kaifeng sub-branch	No. 11, Nanma Road, Heping District, Tianjin	300022
32	Bank of Tianjin, Jianye sub-branch	No. 33, Qixiangtai Road, Heping District, Tianjin	300070
33	Bank of Tianjin, Baoli sub-branch	Block B, No. 18, Guizhou Road, Heping District, Tianjin	300051
34	Bank of Tianjin, Hongtong sub-branch	No. 75, Yingkou Road, Heping District, Tianjin	300040
35	Bank of Tianjin, Laolian sub-branch	No. 95, Jianshe Road, Heping District, Tianjin	300041
36	Bank of Tianjin, Huafeng sub-branch	No. 74, Jianshe Road, Heping District, Tianjin	300040
37	Bank of Tianjin, Jianshe Road sub-branch	Next to No. 82, Jianshe Road, Heping District, Tianjin	300042



## List of Branches

No.	Name of Branch	Address	Postcode
38	Bank of Tianjin, Xiangsheng sub-branch	Ground Floor, Block B, Building 5, Changshou Apartment, Rongye Street, Heping District, Tianjin	300021
39	Bank of Tianjin, Jinsheng sub-branch	No. 32, Xinxing Road, Heping District, Tianjin	300070
40	Bank of Tianjin, Jingong sub-branch	No. 72, Jiefang North Road, Heping District, Tianjin	300041
41	Bank of Tianjin, Shiye sub-branch	No. 157, Dagu North Road, Heping District, Tianjin	300040
42	Bank of Tianjin, Dali Road sub-branch	No. 86, Dali Road, Heping District, Tianjin	300050
43	Bank of Tianjin, Small Business Financial Services Center	2/F, No. 86, Dali Road, Heping District, Tianjin	300050
44	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
45	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
46	Bank of Tianjin, Haihe East Road sub-branch	No. 52, Haihe East Road, Hebei District, Tianjin	300010
47	Bank of Tianjin, Second central sub-branch	Zhonghao International Automobile Building, No. 62, Longchang Road, Hexi District, Tianjin	300201
48	Bank of Tianjin, Jinhe sub-branch	No. 676, Dagu South Road, Hexi District, Tianjin	300200
49	Bank of Tianjin, Jincui sub-branch	Next to Donglou Bridge, Dagu South Road, Hexi District, Tianjin	300200
50	Bank of Tianjin, Dagu South Road sub-branch	No. 04-05, Ground Floor, Building 1, Liuyuan Apartment, Dagu South Road, Hexi District, Tianjin	300222
51	Bank of Tianjin, Ruide sub-branch	Ground Floor, Taidayuan, No. 68, Jiulong Road, Hexi District, Tianjin	300204
52	Bank of Tianjin, Jinxi sub-branch	No. 28, Xiamen Road, Hexi District, Tianjin	300203
53	Bank of Tianjin, Xilian sub-branch	Ground Floor, Tianjin Library, Tianjin Culture Center, Pingjiang Road, Hexi District, Tianjin	300201
54	Bank of Tianjin, Shaoxing Road sub-branch	No. 105, Ground Floor Store, Senmiao Apartment, Pingshan Road, Hexi District, Tianjin	300074
55	Bank of Tianjin, Chentang Park sub-branch	106 Chentang Science and Technology Business Service Center, No. 20, Dongting Road, Hexi District, Tianjin	300220
56	Bank of Tianjin, Jinhua sub-branch	Extension No. 14, No. 16, Heiniucheng Road, Hexi District, Tianjin	300210
57	Bank of Tianjin, Rongcheng sub-branch	No. 75, Heiniucheng Road, Hexi District, Tianjin	300061

## List of Branches

No.	Name of Branch	Address	Postcode
58	Bank of Tianjin, Heiniucheng Road sub-branch	202-203, Extension No. 1, Lidabolan, Heiniucheng Road, Hexi District, Tianjin	300381
59	Bank of Tianjin, Donghai sub-branch	No. 33, Huanhu Middle Road, Hexi District, Tianjin	300060
60	Bank of Tianjin, Yinlian sub-branch	No. 26 & 28, Shuangshui Road, Hexi District, Tianjin	300222
61	Bank of Tianjin, Xietong sub-branch	No. 10, Nanjing Road, Hexi District, Tianjin	300042
62	Bank of Tianjin, Huiyuan sub-branch	South Ground Floor, Building 1, Huaxiafuyu Plaza, Jiefang South Road, Hexi District, Tianjin	300202
63	Bank of Tianjin, Guhai Road sub-branch	No. 423, Jiefang South Road, Hexi District, Tianjin	300210
64	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
65	Bank of Tianjin, Tianma sub-branch	No. 12, Xiyuan Street, Youyi Road, Hexi District, Tianjin	300061
66	Bank of Tianjin, Tanjiang Road sub-branch	Unit 17, Ground Floor, Chuanshuiyuan Estate (Public Building III), Suijiang Street, Hexi District, Tianjin	300221
67	Bank of Tianjin, Zhujiang Road sub-branch	Junction of Zhujiang Road and Xueyuan Road, Hexi District, Tianjin	300222
68	Bank of Tianjin, Limin Road sub-branch	No. 89, Xinanlou Weidi Road, Hexi District, Tianjin	300201
69	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
70	Bank of Tianjin, Qixiangtai Road sub-branch	Extension No. 11, No. 89, Fenghuangcheng, junction of Qixiangtai Road and Pingquan Road, Hexi District, Tianjin	300074
71	Bank of Tianjin, Third central sub-branch	Area A2, Shengxinyuan, Nanmenwai Street, Nankai District, Tianjin	300100
72	Bank of Tianjin, Jinhui sub-branch	No. 248, Baidi Road, Nankai District, Tianjin	300192
73	Bank of Tianjin, Xingke sub-branch	No. 200, Anshan West Road, 1895 Tianjin University Architecture and Creation Building, Nankai District, Tianjin	300073
74	Bank of Tianjin, Kemao Street sub-branch	No. 428, Anshan West Road, Nankai District, Tianjin	300193
75	Bank of Tianjin, Xinyuan sub-branch	No. 23, Changjiang Road, Nankai District, Tianjin	300190
76	Bank of Tianjin, Changkang sub-branch	Extension No. 18, No. 628, Changjiang Road, Nankai District, Tianjin	300111
77	Bank of Tianjin, Yinshan sub-branch	Ground Floor, Xingtai Apartment, No. 66, Nanfeng Road, Nankai District, Tianjin	300192
78	Bank of Tianjin, Jinshan sub-branch	102-103, No. 1289, Nanma Road, Nankai District, Tianjin	300100

## List of Branches

No.	Name of Branch	Address	Postcode
79	Bank of Tianjin, Rongyuan sub-branch	No. 467, Huanghe Road, Nankai District, Tianjin	300110
80	Bank of Tianjin, Guangkaiwuma Road sub-branch	No. 294, Huanghe Road, Nankai District, Tianjin	300110
81	Bank of Tianjin, Nankaierwei Road sub-branch	No. 43, Huanghe Road, Nankai District, Tianjin	300102
82	Bank of Tianjin, Xingnan sub-branch	No. 14, 16 & 18, Huaianhuan Road, Nankai District, Tianjin	300193
83	Bank of Tianjin, Lingbin Road sub-branch	No. 96-98, Lingbin Road, Nankai District, Tianjin	300381
84	Bank of Tianjin, Xianyang Road sub-branch	Ground Floor, Door 3, Building 9, Jialingbeili, Xianyang Road, Nankai District, Tianjin	300122
85	Bank of Tianjin, Huanghe Road sub-branch	Extension No. 10 & 11, No. 65, Xianyang Road, Nankai District, Tianjin	300111
86	Bank of Tianjin, Shuishang Gongyuan Road sub-branch	No. 46, Shuishang Gongyuan West Road, Nankai District, Tianjin	300191
87	Bank of Tianjin, Shuishang Gongyuan East Road sub-branch	Building 7, Yangguang Apartment, Nankai District, Tianjin	300381
88	Bank of Tianjin, Weijin South Road sub-branch	No. 70, Weijin South Road, Nankai District, Tianjin	300381
89	Bank of Tianjin, Tianda 1st sub-branch	Siji Village, Tianjin University, Nankai District, Tianjin	300072
90	Bank of Tianjin, Xima Road sub-branch	No. 140 & 142, Nankaisanma Road, Nankai District, Tianjin	300101
91	Bank of Tianjin, Yuanyin Road sub-branch	Ground Floor, Building 8, Yuanyinbeili, Yuanyin Road, Wangdingdi, Nankai District, Tianjin	300191
92	Bank of Tianjin, Chengjiang Road sub-branch	Ground Floor, Building 16, Huaningbeili, Chengjiang Road, Nankai District, Tianjin	300190
93	Bank of Tianjin, Keji sub-branch	No. 6, Meiyuan Road, Huayuan Industrial Park, Nankai District, Tianjin	300384
94	Bank of Tianjin, Wanhua sub-branch	No. 148-1, Yingshui Road, Huayuan Industrial Park, New Industrial Park, Tianjin	300384
95	Bank of Tianjin, Haitai Road sub-branch	Room 101, Door 3, Block F, Haitai Green Industry Base, No. 6, Haitai Fazhan 6th Road, Huayuan Industrial Park, Binhai Hi-tech Zone, Tianjin	300384
96	Bank of Tianjin, Haihe Education Park (Beiyang Zone) sub-branch	No. 104, Xinyuan South Road, Tianjin University, Haihe Education Park, Tianjin	300350

## List of Branches

No.	Name of Branch	Address	Postcode
97	Bank of Tianjin, Fourth central sub-branch	Ground Floor, 1-3/F, Fujian Building, Huaxing Road, Hedong District, Tianjin	300011
98	Bank of Tianjin, Donglian sub-branch	Tianshan Road, Wanxin Village, Hedong District, Tianjin	300162
99	Bank of Tianjin, Dongxin sub-branch	Extension No. 1, No. 2, No. 40, Jintang Road, Hedong District, Tianjin	300182
100	Bank of Tianjin, Dongyin sub-branch	Extension No. 3, No. 80, Jintang Road, Hedong District, Tianjin	300170
101	Bank of Tianjin, Daqiao Road sub-branch	Outpatient hall, the 3rd Central Hospital, No. 83, Jintang Road, Hedong District, Tianjin	300170
102	Bank of Tianjin, Jintang Road sub-branch	Ground Floor, No. 2, Door 1, Building 2, Youainanli, Zhongshanmen, Jintang Road, Hedong District, Tianjin	300180
103	Bank of Tianjin, Hedong sub-branch	101 & 102, Yitingyuan, Liuwei Road, Hedong District, Tianjin	300012
104	Bank of Tianjin, Jiahua sub-branch	No. 17-5, Jiahuali, Chenglinzhuang Road, Hedong District, Tianjin	300161
105	Bank of Tianjin, Taixing South Road sub-branch	Ground Floor, No. 3, Building 1, Jinwan Apartment, No. 100, Chenglinzhuang Road, Hedong District, Tianjin	300160
106	Bank of Tianjin, Weiguo Road sub-branch	No. 163, Weiguo Road, Hedong District, Tianjin	300250
107	Bank of Tianjin, Chengguang Road sub-branch	No. 71, Taixing South Road, Hedong District, Tianjin	300162
108	Bank of Tianjin, Zhongxin North Road sub-branch	No. 41, Zhongxin North Road, Hedong District, Tianjin	300181
109	Bank of Tianjin, Zile Plaza sub-branch	No. 148, Gate 4, 5, 6, Building 2, Zile Plaza, Hedong District, Tianjin	300180
110	Bank of Tianjin, Changzhou Road sub-branch	No. 22, Changzhou Road, Hedong District, Tianjin	300250
111	Bank of Tianjin, Fifth central sub-branch	Ground Floor, Hongji Garden, Shizilin Street, Hebei District, Tianjin	300143
112	Bank of Tianjin, Bada Road sub-branch	No. 23, Minzu Road, Hebei District, Tianjin	300010
113	Bank of Tianjin, Xingbei sub-branch	Ground Floor, Building 1, Huiyingli Community, No. 10, Zengchan Road, Hebei District, Tianjin	300250
114	Bank of Tianjin, Zhenbei sub-branch	Building 2, Shuyuanli, Zhongshan North Road, Hebei District, Tianjin	300241
115	Bank of Tianjin, Zhongshan Road sub-branch	Ground Floor, Zerenli Building, Zhongshan Road, Hebei District, Tianjin	300142

## List of Branches

No.	Name of Branch	Address	Postcode
116	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
117	Bank of Tianjin, Jincheng sub-branch	Ground Floor, Fangjingmingju, junction of Jinzhonghe Street and Zengchan Road, Hebei District, Tianjin	300150
118	Bank of Tianjin, Wuhao Road sub-branch	No. 24, Wangchuanchang 5th Road, Hebei District, Tianjin	300150
119	Bank of Tianjin, Beiningwan sub-branch	No. 179, No. 177-183 (odd No.), Yingxian Road, Hebei District, Tianjin	300402
120	Bank of Tianjin, Yuguan Road sub-branch	1/F, No. 376, Yuguan Road, Hebei District, Tianjin	300232
121	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
122	Bank of Tianjin, Sixth Central sub-branch	No. 187, Qinjian Road, Hongqiao District, Tianjin	300130
123	Bank of Tianjin, Hongxin sub-branch	No. 84, Xiqing Road, Hongqiao District, Tianjin	300122
124	Bank of Tianjin, Hongyin sub-branch	Room 101, Gate 61, Xiangju Apartment, Guangrong Road, Hongqiao District, Tianjin	300130
125	Bank of Tianjin, Xiangtan Road sub-branch	No. 11, Xiangtan Road, Hongqiao District, Tianjin	300133
126	Bank of Tianjin, Jieyuan Road sub-branch	Ground Floor, 7-102, Minghuali, Jieyuan Road, Hongqiao District, Tianjin	300121
127	Bank of Tianjin, Fuxing Road sub-branch	Ground Floor, No. 16, Kanghuali, Fuxing Road, Hongqiao District, Tianjin	300121
128	Bank of Tianjin, Guanyinhao sub-branch	No. 5, Dongma Road, Nankai District, Tianjin	300090
129	Bank of Tianjin, Binhai branch	E2ABC, No. 20, Plaza East Road, Binhai Finance Street, the Third Street, Economic and Technology Development District, Tianjin	300457
130	Bank of Tianjin, Haibin sub-branch	No. 2048, Shanghai Road, Tanggu District, Tianjin	300450
131	Bank of Tianjin, Hangzhou Road sub-branch	No. 8, Zhongxin North Road, Tanggu District, Tianjin	300451
132	Bank of Tianjin, Tanggu sub-branch	No. 289, 295 & 301, Yingkou Road, Tanggu District, Tianjin	300450
133	Bank of Tianjin, Heping Road sub-branch	No. 9, Heping Road, Tanggu District, Tianjin	300450
134	Bank of Tianjin, Oil North Road sub-branch	No. 79, Dongyan Road, Tanggu District, Tianjin	300452

## List of Branches

No.	Name of Branch	Address	Postcode
135	Bank of Tianjin, Chunguang Road sub-branch	No. 617, Xingfujiayuan, Chunguang Road, Tanggu District, Tianjin	300456
136	Bank of Tianjin, Hebei Road sub-branch	No. 25, Hebei Road, Tanggu District, Tianjin	300451
137	Bank of Tianjin, Road No. 3 sub-branch	Door 2, Building 24, Ziyunyuan, No. 3462, Xingang Road No. 3, Tanggu District, Tianjin	300456
138	Bank of Tianjin, Station North Road sub-branch	No. 830 & 836, Station North Road, Tanggu District, Tianjin	300451
139	Bank of Tianjin, Jinzhou Road sub-branch	No. 1024, Jinzhou Road, Tanggu District, Tianjin	300451
140	Bank of Tianjin, Hebin Road sub-branch	No. 228, Hebin Road, Binhai New Village, Bohai Oil, Tanggu District, Tianjin	300452
141	Bank of Tianjin, Hekou Road sub-branch	No. 2-37, Hekou Road, Tanggu District, Tianjin	300452
142	Bank of Tianjin, Zhejiang Road sub-branch	Ground Floor, Door 1, Building 7, Huianli, Tanggu District, Tianjin	300450
143	Bank of Tianjin, Gangkou Road sub-branch	No. 25, Xingangerhao Road, Tanggu District, Tianjin	300450
144	Bank of Tianjin, Baoshan Road sub-branch	No. 3807, Tangguxin North Road, Binhai New Area, Tianjin	300451
145	Bank of Tianjin, Yuanyang City sub-branch	No. 138, Yuanyang Central Road, Tanggu, Binhai New Area, Tianjin	300450
146	Bank of Tianjin, Guangzhou Road sub-branch	No. 1156, Fuzhou Road, Tanggu, Binhai New Area, Tianjin	300450
147	Bank of Tianjin, Hangu sub-branch	No. 77, Xinkai Middle Road, Hangu, Binhai New Area, Tianjin	300480
148	Bank of Tianjin, Dagang sub-branch	No. 75, Yingbin Street, Dagang District, Tianjin	300270
149	Bank of Tianjin, Xingfu Road sub-branch	East No. 1, No. 666, Xingfu Avenue, Dagangyoutian, Dagang District, Tianjin	300280
150	Bank of Tianjin, Yingxin Street sub-branch	No. 96, Yingxin Street, Dagang, Binhai New Area, Tianjin	300270
151	Bank of Tianjin, Shengli Road sub-branch	Binhai House Trading Center, Dagang District, junction of Guangming Avenue and Chuangye Road, Dagangyoutian, Tianjin	300280
152	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

## List of Branches

No.	Name of Branch	Address	Postcode
153	Bank of Tianjin, Development Area sub-branch	No. 76, Dongting Road, Economic Development Zone, Tianjin	300457
154	Bank of Tianjin, Tianbao sub-branch	Room 101 & 201, Block B, No. 27, the Second Street, Economic-Techonological Development Area, Tianjin	300457
155	Bank of Tianjin, the Second Street sub-branch	No. H3-103, 203, G/H Area, TEDA MSD, No. 61, the Second Street, Economic-Techonological Development Area, Tianjin	300457
156	Bank of Tianjin, the Third Avenue sub-branch	No. 31-6, Building 1, No. 31, the Third Avenue, Economic-Techonological Development Area, Tianjin	300457
157	Bank of Tianjin, Huanghai Road sub-branch	No. 21-9, the Second Street, Development District, Tianjin	300457
158	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
159	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
160	Bank of Tianjin, Tianjin Free-Trade Zone branch	Building 2, Finance Center, No. 158, West 3rd Road, Tianjin Airport Logistics Processing Zone	300308
161	Bank of Tianjin, Beijing branch	Xuanwumen Building, No. 73, Dongheyan Hutong, Xicheng District, Beijing	100052
162	Bank of Tianjin, Beijing Finance Street sub-branch	Building A33, Erlong Road, Xicheng District, Beijing	100032
163	Bank of Tianjin, Beijing Guangqumen sub-branch	101-02, 1/F, Floor 3, Guangqujiayuan, Dongcheng District, Beijing	100022
164	Bank of Tianjin, Beijing Dongzhimen sub-branch	101, 1/F & 201, 2/F, Building 1, No. 46, Dongzhimenwai Street, Dongcheng District, Beijing	100027
165	Bank of Tianjin, Beijing Dongcheng sub-branch	Ground Floor, No. 8, Chaoyangmennei Street, Dongcheng District, Beijing	100010
166	Bank of Tianjin, Beijing Chaowai sub-branch	No. 0185, Ground Floor & No. 1133 Office, Chaowai SOHO, B6 Chaowai Street, Chaoyang District, Beijing	100020
167	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
168	Bank of Tianjin, Beijing Xinxingqiao sub-branch	Ground Floor, No. 21 and Office, 10/F, Fuxing Road, Haidian District, Beijing	100036
169	Bank of Tianjin, Beijing Zhongguancun sub-branch	Ground Floor, 1-E & 1-F, Yuanzhongyuelai, No. 15, Haidian Middle Street, Haidian District, Beijing	100080



## List of Branches

No.	Name of Branch	Address	Postcode
170	Bank of Tianjin, Beijing Xizhimen sub-branch	No. 52, North Street, Xizhimen, Haidian District, Beijing	100082
171	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
172	Bank of Tianjin, Beijing Fengtai sub-branch	Unit 01, F1 and F2, Commercial Building, No. 232 West Shiliuzhuang Street, Fengtai District, Beijing	100070
173	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
174	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
175	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
176	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
177	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
178	Bank of Tianjin, Shijiazhuang branch	No. 49, Yuhua East Road, Qiaoxi District, Shijiazhuang, Hebei	50000
179	Bank of Tianjin, Baoding branch	No. 3108, Fuxing Middle Road, Baoding, Hebei	71000
180	Bank of Tianjin, Baoding Zhuozhou sub-branch	No. 293, Fanyang Middle Road, Zhuozhou, Hebei	72750
181	Bank of Tianjin, Tangshan branch	No. 99, Xinhua West Road, Lubei District, Tangshan, Hebei	63000
182	Bank of Tianjin, Tangshan Fenghuangxincheng sub-branch	No. 131 & 133, Xingyuan Road, Lubei District, Tangshan, Hebei	63000
183	Bank of Tianjin, Tangshan Xinhua sub-branch	No. 517, Yuhua West Road, Lubei District, Tangshan, Hebei	63000
184	Bank of Tianjin, Tangshan Hi-tech District sub-branch	No. 110, Jianshe North Road, Hi-tech Development Zone, Tangshan, Hebei	63020
185	Bank of Tianjin, Tangshan Fengnan sub-branch	No. 82, 84 & 86, Jiaoyu Street, Fengnan District, Tangshan, Hebei	63000
186	Bank of Tianjin, Tangshan Caofeidian sub-branch	No. 198 & 200, Jianshe Avenue, Caofeidian District, Tangshan, Hebei	63299
187	Bank of Tianjin, Tangshan Laoting sub-branch	No. 8, Dazhao Road, Laoting County, Tangshan, Hebei	63000
188	Bank of Tianjin, Tangshan Qianan sub-branch	103, Building 1, Junfuyuan, Huiquan Street, Qianan, Hebei	64000



## List of Branches

No.	Name of Branch	Address	Postcode
189	Bank of Tianjin, Tangshan Zunhua sub-branch	No. 1 & 2, Ground Floor, Kaiyuanjiezu, Wenbai Road, Zunhua, Hebei	64200
190	Bank of Tianjin, Shanghai branch	Baojing Business Building, No.1859, Expo Avenue, Pudong New Area, Shanghai	200002
191	Bank of Tianjin, Shanghai Huangpu sub-branch	Room 1B, Hi-Tech King World West Building Area F, No. 666 Beijing East Road, Huangpu District, Shanghai	200001
192	Bank of Tianjin, Shanghai Xuhui sub-branch	1 & 3/F, No. 2119, Xietu Road, Xuhui District, Shanghai	200032
193	Bank of Tianjin, Shanghai Changning sub-branch	Part of west side of 1/F, No. 2111, Yanan West Road, Changning District, Shanghai	200051
194	Bank of Tianjin, Shanghai Jing'an sub-branch	Street Front Shop, 1-2/F, No. 1056, Changde Road, Jing'an District, Shanghai	200040
195	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
196	Bank of Tianjin, Shanghai Putuo sub-branch	1 & 2/F, No. 108, Guangxin Road, Putuo District, Shanghai	200061
197	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
198	Bank of Tianjin, Shanghai Lujiazui sub-branch	Room 101 & 1201, China Shipbuilding Tower, No. 1, Pudong Avenue, Pudong New Area, Shanghai	200120
199	Bank of Tianjin, Shanghai Fushan sub-branch	Room 1A, 1/F, No. 450, Fushan Road, Pudong New Area, Shanghai	200122
200	Bank of Tianjin, Shanghai Minhang sub-branch	1/F, No. 1058, Caobao Road, Minhang District, Shanghai	201101
201	Bank of Tianjin, Jinan branch	1-109, Building 2 & 5, Area 1 Sanjianruifuyuan, No. 20999, Jingshi Road, Shizhong District, Jinan	250001
202	Bank of Tianjin, Jinan Shizhong sub-branch	3F, No. 2666, Shop B2-002, No. 2688, Erhuannan Road, Shizhong District, Jinan	250022
203	Bank of Tianjin, Jinan Lixia sub-branch	Yanjie Building, No. 14958, Courtyard 14966, Jingshi Road, Jinan	250014
204	Bank of Tianjin, Jinan Quancheng sub-branch	Jiefangge Business Center, No. 187, Heihuquan North Road, Lixia District, Jinan	250001
205	Bank of Tianjin, Jinan Dianliu sub-branch	No. 5006-9, Erhuan East Road, Lixia District, Jinan	250014

## List of Branches

No.	Name of Branch	Address	Postcode
206	Bank of Tianjin, Jinan Licheng sub-branch	Building 27, No. 47, Huayuan Road, Licheng District, Jinan	250199
207	Bank of Tianjin, Jinan Dongcheng sub-branch	1 & 2/F, Auxiliary Building of Geological Technology Building, No. 521, Jingde Street, northwest corner of the intersection of Tangye Middle Road and Jingde Street, Licheng District, Jinan, Shandong	250109
208	Bank of Tianjin, Jinan Huaiyin sub-branch	Building 1 & 2, east side, Ground Floor, Commercial and Residential Building, Shunchengyuan Community, No. 24916, Jingshi Road, Huaiyin District, Jinan	250022
209	Bank of Tianjin, Jinan Xicheng sub-branch	Financial Service Hall, northeast corner, 1/F, Jinan Baoye Building, southwest corner of the intersection of Lashanhe West Road and Rizhao Road, Huaiyin District, Jinan, Shandong	250117
210	Bank of Tianjin, Jinan Tianqiao sub-branch	No. 965, 975 & 985, Minghu West Road, Jinan	250000
211	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
212	Bank of Tianjin, Jinan Changqing sub-branch	No. S1-A14, 2345 Ziwei Road, Science and Technology Park, College Town, Changqing District, Jinan	250399
213	Bank of Tianjin, Jinan Hi-tech District sub-branch	No. 5006, Aoti Middle Road, Hi-tech District, Jinan	250101
214	Bank of Tianjin, Jinan Zhangqiu sub-branch	Shop 104, Building 16, Qilujianqiao Community, No. 35, Mingshuishuangshan Street, Zhangqiu District, Jinan	250299
215	Bank of Tianjin, Dongying branch	No. 55, Fuqian Street, Dongying District, Dongying	257000
216	Bank of Tianjin, Dongying Xicheng sub-branch	Jindu Tower, No. 680-1, Yellow River Road, Dongying District, Dongying	257061
217	Bank of Tianjin, Taian branch	No. 483, Dongyue Street, Taian, Shandong	271000
218	Bank of Tianjin, Yantai branch	No. 16 Hengshan Road, Economic and Technological Development District, Yantai, Shandong	264006
219	Bank of Tianjin, Chengdu branch	No. 688, Tianfu Avenue Middle, Hi-tech District, Chengdu, Sichuan	610041
220	Bank of Tianjin, Chengdu Jingjiang sub-branch	No. 318 & 328, Tongying Street, Jinjiang District, Chengdu, Sichuan	610065
221	Bank of Tianjin, Chengdu Binjiang sub-branch	No. 10, Binjiang West Road, Jinjiang District, Chengdu, Sichuan	610021

## List of Branches

No.	Name of Branch	Address	Postcode
222	Bank of Tianjin, Chengdu Qingyang sub-branch	No. 53 & Attachment No. 1-2, No. 53, Jinyang Road, Qingyang District, Chengdu, Sichuan	610072
223	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
224	Bank of Tianjin, Chengdu Wuhou sub-branch	No. 1, 1/F, Building 1, No. 518, Lidu Road, Wuhou District, Chengdu, Sichuan	610047
225	Bank of Tianjin, Chengdu Chenghua sub-branch	No. 69, 71, 73, 75; No. 204 of Building 1, No. 67, Section 2, Fuqing Road, Chenghua District, Chengdu, Sichuan	610057
226	Bank of Tianjin, Luzhou branch	No. 189, Chunjingxia Road, Jiangyang District, Luzhou, Sichuan	646000



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