

Bank of Tianjin Co., LTD.*

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



2020 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 the China Banking and Insurance Regulatory Commission
“China” or “PRC”	the People’s Republic of China, excluding Hong Kong, Taiwan and Macau for the purposes of this annual report
“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”	For the year ended 31 December 2020
“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	SUN Ligu
Authorised Representatives	SUN Ligu, NGAI Wai Fung
Board Secretary	DONG Xiaodong
Joint Company Secretaries	DONG Xiaodong, NGAI Wai Fung
Registered Address and Headquarters Address	No. 15 Youyi Road, Hexi District, Tianjin, China
Principal Place of Business in Hong Kong	40/F, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong
Customer Service Telephone	956056
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

Company Profile

Finance Permit Institution Number	B0108H212000001
Listing Place of Stock	The Stock Exchange of Hong Kong Limited
Stock Name	Bank of Tianjin
Stock Code	1578
H Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong
Legal Advisor as to PRC Laws	GRANDALL LAW FIRM (TIANJIN)
Legal Advisor as to Hong Kong Laws	Paul Hastings 21-22/F, Bank of China Tower 1 Garden Road Hong Kong
Auditors	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					
	2020	2019	Year-on-year Change between 2020 and 2019	2018	2017	2016
(Amounts in thousands of Renminbi, unless otherwise stated)						
Rate of change (%)						
OPERATING RESULTS						
Interest income	30,553,932	32,268,052	(5.3)	27,487,524	27,894,735	25,202,576
Interest expense	(16,907,490)	(19,045,250)	(11.2)	(20,781,987)	(19,493,523)	(14,843,351)
NET INTEREST INCOME	13,646,442	13,222,802	3.2	6,705,537	8,401,212	10,359,225
Investment income	1,738,108	1,429,901	21.6	3,793,253	–	–
Fee and commission income	2,447,096	2,308,570	6.0	1,881,805	2,112,839	1,442,473
Fee and commission expense	(136,561)	(42,284)	223.0	(344,211)	(79,374)	(40,421)
NET FEE AND COMMISSION INCOME	2,310,535	2,266,286	2.0	1,537,594	2,033,465	1,402,052
Net trading losses	(1,204,497)	(210,873)	471.2	(145,176)	(157,018)	(56,748)
Net gain arising from derecognition of financial assets measured at amortised cost	25,832	115,163	(77.6)	132,526	–	–
Other income, gains or losses	680,284	230,441	195.2	114,480	(134,343)	110,207
OPERATING INCOME	17,196,704	17,053,720	0.8	12,138,214	10,143,316	11,814,736
Operating expenses	(3,952,952)	(3,988,677)	(0.9)	(3,447,071)	(3,102,593)	(3,767,642)
Impairment losses under expected credit loss (ECL) model, net of reversals	(8,230,793)	(7,430,105)	10.8	(3,481,867)	(2,131,853)	(2,352,964)
Share of results of associates	22,125	(1,693)	(1,406.9)	8,233	(25,932)	16,244

Summary of Accounting Data and Financial Indicators

	For the year ended 31 December					
	2020	2019	Year-on-year Change between 2020 and 2019	2018	2017	2016
(Amounts in thousands of Renminbi, unless otherwise stated)						
	Rate of change (%)					
PROFIT BEFORE TAX	5,035,084	5,633,245	(10.6)	5,217,509	4,882,938	5,710,374
Income tax expense	(691,671)	(1,024,584)	(32.5)	(987,422)	(939,874)	(1,192,470)
PROFIT FOR THE YEAR	4,343,413	4,608,661	(5.8)	4,230,087	3,943,064	4,517,904
Profit for the year attributable to						
Equity holders of the Bank	4,307,585	4,547,971	(5.3)	4,181,248	3,916,386	4,522,053
Non-controlling interests	35,828	60,690	(41.0)	48,839	26,678	(4,149)
Earnings per share attributable to equity holders of the Bank (Expressed in RMB Yuan per share)						
– Basic	0.71	0.75	(5.3)	0.69	0.65	0.77

Summary of Accounting Data and Financial Indicators

	For the year ended 31 December					
	2020	2019	Year-on-year Change between 2020 and 2019	2018	2017	2016
(Amounts in thousands of Renminbi, unless otherwise stated)						
Rate of change (%)						
MAJOR INDICATORS OF ASSETS/LIABILITIES						
Total assets	687,760,199	669,401,117	2.7	659,339,903	701,913,589	657,310,107
Of which: loans and advances to customers	295,752,349	281,229,242	5.2	276,943,278	241,637,249	207,854,530
Total liabilities	633,812,209	618,224,334	2.5	611,619,166	657,157,727	615,555,327
Of which: due to customers	355,981,854	350,996,365	1.4	342,877,165	357,857,635	365,470,957
Share capital	6,070,552	6,070,552	–	6,070,552	6,070,552	6,070,552
Equity attributable to equity holders of the Bank	53,130,224	50,394,845	5.4	46,999,489	44,083,453	41,709,929
Total Equity	53,947,990	51,176,783	5.4	47,720,737	44,755,862	41,754,780

Summary of Accounting Data and Financial Indicators

	For the year ended 31 December					
	2020	2019	Year-on-year Change between 2020 and 2019	2018	2017	2016
PROFITABILITY INDICATORS (%)						
Return on average total assets ⁽¹⁾	0.64	0.69	(0.05)	0.62	0.58	0.74
Return on average equity ⁽²⁾	8.26	9.32	(1.06)	9.15	9.12	12.05
Net interest spread ⁽³⁾	1.98	1.88	0.10	1.23	0.81	1.43
Net interest margin ⁽⁴⁾	2.26	2.21	0.05	1.59	1.25	1.76
Net fee and commission income to operating income	13.44	13.29	0.15	12.67	20.05	11.87
Cost-to-income ratio ⁽⁵⁾	21.80	22.20	(0.40)	27.18	29.42	27.52
ASSET QUALITY INDICATORS (%)						
Non-performing loan ratio ⁽⁶⁾	2.16	1.98	0.18	1.65	1.50	1.48
Allowance coverage ratio ⁽⁷⁾	183.45	220.58	(37.13)	250.37	193.81	193.56
Allowance to gross loan ratio ⁽⁸⁾	3.96	4.36	(0.40)	4.13	2.91	2.87

Summary of Accounting Data and Financial Indicators

	For the year ended 31 December					
	2020	2019	Year-on-year Change between 2020 and 2019	2018	2017	2016
CAPITAL ADEQUACY RATIO INDICATORS (%)						
<i>Calculated based on Capital Administrative Measures</i>						
Core tier-one capital adequacy ratio ⁽⁹⁾	11.12	10.62	0.50	9.83	8.64	9.48
Tier-one capital adequacy ratio ⁽¹⁰⁾	11.12	10.63	0.49	9.84	8.65	9.48
Capital adequacy ratio ⁽¹¹⁾	14.48	15.24	(0.76)	14.53	10.74	11.88
Total equity to total assets	7.84	7.65	0.19	7.24	6.38	6.35
OTHER INDICATORS (%)						
Loan-to-deposit ratio ⁽¹²⁾	87.06	85.05	2.01	85.59	69.56	58.57
Liquidity ratio ⁽¹³⁾	60.57	51.38	9.19	50.29	35.41	34.39
Percentage of loans to the single largest customer ⁽¹⁴⁾	4.35	4.38	(0.03)	5.02	6.36	7.83
Percentage of loans to the top ten customers ⁽¹⁵⁾	32.79	31.76	1.03	29.47	41.55	35.76

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 core tier-one capital, net of core tier-one capital deductions, by risk-weighted assets.
- (10) Calculated by dividing tier-one capital, net of tier-one capital deductions, by risk-weighted assets.
- (11) Calculated by dividing total capital, net of capital deductions, by risk-weighted assets.
- (12) Loan-deposit ratios as of 31 December 2019 and 31 December 2020 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.
- (13) Liquidity ratio is calculated in accordance with the formula promulgated by the China Banking and Insurance Regulatory Commission.
- (14) Calculated by dividing total loans to the single largest customer by net capital.
- (15) Calculated by dividing total loans to the top ten customers by net capital.

Chairman's Statement



SUN Liguó
Chairman

Chairman's Statement

In 2020, the internal and external environments and situations became more complicated due to the influence of factors such as the global and domestic epidemic prevention and control, and the benefits financial institutions conceded to the real economy, which brought unprecedented and severe challenges to banking industry as a whole, especially to small and medium banks. During the year, the Bank earnestly and thoroughly implemented the relevant work arrangements of the Party Central Committee, the State Council and regulatory agencies, actively gave full play to the leading role of finance, fully supported the epidemic prevention and control and the resumption of work and production of enterprises, save financing costs for enterprises and strive to serve small, medium and micro-sized enterprises. During the year, the Board of Directors of the Bank earnestly implemented a market-oriented operation philosophy, successfully completed the selection and appointment of professional managers, and ensured the orderly transition of the tasks of the senior management; the Bank unwaveringly followed its strategic planning and the task objectives of the "Ten Major Projects (2.0)", continuously consolidated and deepened the dual-track development strategy of "transformation + innovation", continued to strengthen the support of information technology, upheld compliance in innovation, and effectively put in more efforts to increase the efficiency of risk management. The Bank ensured its major regulatory indicators to meet the regulatory requirements and built an operating mechanism that coordinated scientific development of efficiency, quality and scale.

2020 marked the closing year of the Bank's Strategic Development Plan for 2016-2020. With the strong support of all Shareholders and the collective efforts of the Board of Directors and the senior management of the Bank, more than 6000 employees of the Bank resolutely carried out various work arrangements, worked together and worked hard, and once again achieved outstanding results, setting a record high in annual operating income and pre-provision profits since the establishment 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.

After nearly three years of implementation of the transformation, it has fully proved that the Bank's strategic planning and implementation measures are in line with the current and next-stage development needs of the Bank. 2021 marks the first year to implement the "14th Five-Year" Plan in the PRC and embark on a new journey to fully build a modernised socialist country. Standing at a new historical intersection, the Bank will continue to carry out the new development concept, adhere to high quality development, maintain determination on strategic goals, further deepen reform and innovation, continue to diversify integrated business operations, and continuously enhance vitality and efficiency. The Bank will promote the implementation of "Ten Major Projects (3.0)" with all efforts to lay the foundation for the future development of building a modernised socialist city commercial bank, and celebrate the centenary of the Communist Party of China with outstanding results.



SUN Liguao
Chairman

President's Statement



WU Hongtao
President

President's Statement

Looking back on the past year, Bank of Tianjin has achieved significant progress.

In the face of the global epidemic and uncertain international and domestic economic and financial circumstances and other complex situations, we adhered to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, and implemented the spirit of the 19th National Congress and the 2nd, 3rd, 4th and 5th plenary session of 19th CPC Central Committee. With the unerring guidance of the Municipal Party Committee and the Municipal Government, the support of our customers, and the hard work of all employees of the Bank, we remained steadfast in our strategic goals and demonstrated extraordinary efforts in an extraordinary year. We coordinated the prevention and control of epidemic, supported the resumption of work and production of the real economy and our own reform and development work, and successfully formulated our strategic development plan and implemented the "Ten Major Projects (2.0)". Operating income for the year was RMB17.20 billion, representing an increase of 0.8%; total assets were RMB687.76 billion, representing an increase of 2.7%; total liabilities were RMB633.81 billion, representing an increase of 2.5%. These results showed a successful conclusion of the 13th Five-Year Plan.

Over the past year, we have achieved remarkable results in our epidemic prevention and control work. Faced with the sudden outbreak of COVID-19, the Bank acted quickly and resolutely implemented the arrangement as instructed by the senior authorities. We studied the ten specific measures aiming to refine the prevention and control of the epidemic immediately, and formulated various prevention and control measures with regard to supply guarantee, standby for emergency response, operation adjustment, plan preparation, reporting procedures, temperature measurement and disinfection in a short period of time. Party members and officials at all levels had taken the lead role in the frontline, and our staff held fast to their own posts and worked all-out in concerted effort. We steadily promoted the resumption of work and production while offering uninterrupted financial services. As a result, we successfully achieved the goal of "Everyone and everywhere are fine with good services and performance".

Over the past year, we have greatly improved the quality and efficiency of our services. During the epidemic, the Bank actively fulfilled its social responsibilities, established an emergency financing mechanism, and created a green review channel for loan approval. The Bank also actively participated in the underwriting of the MOF's RMB1 trillion special COVID-19 bond, the three major policy banks' pandemic bonds and various anti-epidemic corporate bonds in an effort to support corporate financing needs. The retail business displayed "exceptional development", with the scale of personal deposits reaching a new level while year-on-year growth hitting a new high for the past five years. Our card issuance and revenue both achieved new breakthroughs, and the operating income from credit cards exceeded RMB100 million. The Bank firmly implemented the "outlet remodelling" plan and completed the upgrading and transformation of all of the Bank's outlets, thus achieving the goal of "uplifting the overall image of Bank of Tianjin and rapidly improving the front-office service of our outlets".

President's Statement

Over the past year, we continued to reinforce our risk management and internal control capabilities. We strengthened the responsibility of risk control entities by improving the independent risk control system from both the customers' and the business partners' perspectives. We ensured resolute control on loans from initial assessment to intended application of loan, and promoted the setting up of a review and approval mechanism to move risk prevention and control forward. We made every effort to collect and settle non-performing assets, thereby maximising the recovery of loan. We continued to pay close attention to internal control and compliance; our efforts included laying a foundation for compliance development, resolute implementation of regulatory requirements, strict adherence to regulatory guidelines, and facilitate the rectification of regulatory issues through the establishment of ledger accounts and regular reporting. The Bank strictly carried out investigation of non-compliances, and persistently pursued accountability for violations. We also strengthened the construction of a compliance culture, improved the overall quality and professional ethics of employees, so as to lead a culture of ethic and integrity in the financial sector.

Over the past year, we persistently optimised our corporate governance. We have successfully recruited senior management professional managers from the market, restructured the management team of the head office, and put in place management mechanisms and systems for professional managers to accelerate market-oriented reforms. We also streamlined the management of subsidiaries, strengthened control over their shareholding and supervised them in preventing and defusing risks, and guided village banks to fulfil their responsibilities of inclusive finance. We made our greatest effort to promote the construction of a talent pool, absorb and attract talents through multiple channels, enhance manpower exchange and training, optimise team structure, and stimulate talent vitality.

Over the past year, we have steadily enhanced our technological level. With the building of active-active data centre and construction of Phase II IT Framework Planning Implementation Project, the Bank realised the overall goal of "Linking the past achievements and future development through standardising project and framework" and unlocked the six major business values, in support of the digital transformation of the whole Bank. The Bank has improved its six major technology management systems, including IT operation and network security, which significantly enhanced our ability of technology innovation and independent control. We have been certified with CMMI and ISO20000 standard that put us in the lead in terms of software development and system operation management capabilities.

The year 2021 marks the centenary of the Chinese Communist Party and the first year of the country's "14th Five-Year" Plan. It is a crucial year for building a moderately prosperous society in all respects and embarking on a new journey of building a modernised socialist country, as well as a critical year for Bank of Tianjin to herald a new chapter of high-quality development under the "14th Five-Year" Plan.

President's Statement

Looking ahead to 2021, the Bank is determined to face up to any challenges. Standing at the historical intersection of the Two Centenary Goals, Bank of Tianjin will actively adapt to the new development stage, implement the new development philosophy and build a new development pattern. We will stick to the "six dimensions (六個銀行)" development goal, the dual-track strategy and adhere to the Party's leadership over state-owned enterprises and the direction of the reform of state-owned enterprises. We will further promote the various tasks of the "Year of Fine Management" while pursuing innovation and compliance, and continue to make great strides towards building a modernised socialist city commercial bank.



WU Hongtao
President

Management Discussion and Analysis

I ENVIRONMENT AND PROSPECTS

Looking back to 2020, in the face of harsh and difficult conditions in China and abroad, particularly the severe impact of the COVID-19 outbreak, China launched programs for pandemic prevention and control as well as economic and social development, conscientiously conducted “Six Stabilisation” work and fully achieved “Six Protection”. The central government implemented numerous financial strategies that built the foundation for serving the real economy, which effectively facilitated the development of inclusive finance and helped enterprises to resume work and production smoothly and overcome the challenges. Hence, China was able to achieve remarkable results: took the lead in controlling the pandemic, resuming work and production, and attaining economic growth. The Chinese economy is showing a stable recovery trend. It has made major progress in technology innovation and important breakthroughs in “Reform and Opening”, and secured the well-being of its people. These achievements demonstrate the strength and resilience of the Chinese economy and its role as the major power that drives the economic recovery of the world.

Looking forward to 2021, as the first year of the “14th Five-Year Plan”, there will be many uncertainties regarding the development of the pandemic and the situations abroad. The world economy remains in a complicated and grim state, and its recovery is unstable and uneven. The economy of our country relies on the new pattern of development, in which the national cycle acts as the main body and forms a synergy with the international cycle. China will further reveal the potential of its domestic economy so that its economy stays within a reasonable range. The Chinese economy is improving steadily, and its underlying trend towards long-term improvement has remained unchanged. The Chinese macroeconomic policies will keep their continuity, stability, and sustainability. China will continue to implement proactive fiscal policies and prudent monetary policies and maintain the necessary support for economic recovery. Under the guidance of such policies, financial institutions will pay more attention to serving the real economy, supporting the manufacturing industries as well as small, medium and micro-sized enterprises, and speeding up industrial transformation as well as innovation and progress. Facing challenges and opportunities, the Bank will strictly abide by the central financial policies and regulatory requirements, integrate development into the strategy of serving the nation. Headquartered in Tianjin and serving Beijing, Tianjin, Hebei, Binhai New Area, Xiong’an New Area, Yangtze River Economic Belt, two-city Economic Circle in Chengdu-Chongqing area, and other key regions, the Bank will take the “14th Five-Year Plan” strategic plan as an action guide, actively build core competitiveness and comprehensively enhance the business performance and overall strength of Bank of Tianjin.

Management Discussion and Analysis

II CORPORATE STRATEGIES

Facing the severe and complicated economic situation at home and abroad, especially the serious impact of the COVID-19 epidemic, the Bank has won the battle against the epidemic and promoted healthy economic development by seriously studying and implementing the important speeches and instructions of General Secretary Xi Jinping and fully implementing the central government's financial policies as well as a series of policies and measures of the Tianjin municipal government. On the one hand, we focused on prevention and control of the epidemic, and on the other hand we supported enterprises, especially small, medium and micro enterprises, to resume work and production, helped the real economy "win both battles and gain win-win", thus having done a solid job in establishing the "Six Stabilisation (六穩)" tasks and fully implementing the "Six Protection (六保)" missions to achieve the goals of "Everyone and everywhere are fine with good services and good performance (人沒事、點沒事、服務好、業績好)". Firstly, through careful deployment, we studied and refined the ten specific measures for epidemic prevention and control at the first instance, and refined them into 17 measures closely following the development of the epidemic to swiftly devise various preventive and control measures including material assurance, emergency duty, operation adjustment, plan preparation, report request, temperature measurement and disinfection, etc. Secondly, we seriously developed a work plan to steadily promote resumption of work and production. We organised and developed a number of work resumption plans to achieve precise management. In the early stage of the epidemic, we adopted flexible working system by way of shift A and B rotation as well as key positions shift rotation to reduce gathering of personnel and ensure continuity of management and business. Thirdly, we played our role in "fighting against the epidemic" by insisting on rotating operation of all its outlets and providing ongoing financial services to the community, thus effectively meeting financial needs of the public. We established a rapid response mechanism for fund requirement for production of epidemic prevention materials, gave access to channel for reviewing green loans, and provided emergency financing amounting to RMB2.656 billion to support enterprises providing epidemic prevention materials in Tianjin, which was included in the "21 Beneficial Measures for Enterprises (惠企21條)" of Tianjin. The Bank proactively implemented central financial policies and carried out rediscounting business with the Tianjin Branch of the People's Bank of China, which amounted to approximately RMB6.29 billion. It also extended approximately RMB11.65 billion of funds eligible for refinancing in total. The Bank revitalised its financing channels, invested approximately RMB1.56 billion in corporate credit bonds for epidemic prevention and control, and underwrote special government bonds, three major policy banks' anti-epidemic financial debt, and epidemic prevention and control corporate bonds of RMB3.75 billion. Fourthly, we actively fulfilled our social responsibilities by organising and promoting branches to increase their services to micro and small enterprises, inclusive loans to small and micro enterprises increased by 113.7% year-on-year, while number of small and micro enterprises customers grew by 27.9% year-on-year, successfully completing the "dual increase and control (兩增兩控)" regulatory target requirement for small and micro enterprise loans. At the same time, the Bank established the "White Warrior Caring Fund" (白衣戰士關愛基金) with Red Cross Society of China Tianjin Branch and donated RMB5 million.

Management Discussion and Analysis

While supporting epidemic prevention and control, the Bank continued to implement the dual-track strategy of “transformation + innovation”, complied with the financial policies implemented by the Communist Party of China Central Committee, the State Council and banking regulatory authority, closely in the course of its own business development, actively innovated its financial products and met the various customers’ financial needs with professional and precise services. Firstly, to serve the real economy, the Bank stepped up its efforts on loan business. Net loans and advances to customers increased by 5.2% from the end of 2019, of which our medium and long-term manufacturing loans increased by 25% as compared to the same period of last year. The Bank optimised its inclusive financial services channels by extending the user reach of “e-loans for taxpayers” (銀稅e貸) and “e-loans for supermarkets” (商超e貸) online and innovating and developing inclusive financial product “Tianhangyongbei” (天行用唄). Loans granted to over 20,000 small and micro customers through above channels had accumulated to approximately RMB7.73 billion with a minimum interest rate of 3.95%, realising the precise support of the Bank’s financial services. Secondly, the Bank upheld the operating principle of “taking deposits as the primary job of the Bank” (存款立行) by diversifying its product portfolio of corporate banking and personal banking. It continued to promote the “Four Tailor-made Approaches” for corporate businesses in a bid to realise better quality and efficiency for its deposit business. The balance of amount due to customers increased by 1.4% as compared to the end of 2019, while the average cost of our customer deposits decreased by 38 basis points as compared to the same period last year. Thirdly, the Bank continued to promote the personal business with omni-channel coverage online and offline, so as to use internet channels to attract customers. Personal Asset Under Management (AUM) amounted to RMB169.8 billion, representing an increase of 13.2% as compared to the beginning of the year. The number of credit cards newly issued increased by 486,800 with credit card overdrafts increasing by 28.3%. Three types of smart outlets including “comprehensive outlet”, “flagship outlet” and “light outlet” had been put into operation, and customers’ experience and satisfaction have been greatly improved. Fourthly, for the financial market and investment banking businesses, we insisted on the “return to our origins”, stepped up efforts in standardised asset investment and underwriting, and aimed at enhancing the abilities of investment research and sales transactions. The Bank strengthened its initiative debt marketing and optimised its debt structure; it also stressed qualifications attained by new businesses and product innovation, put great efforts in building centres for innovation products and initiative debt as well as a channel platform between other banks and clients. In 2020, the bond transactions conducted by the Bank amounted to RMB6.5 trillion, representing an increase of 18% as compared to the same period last year. As a Category A inter-bank lead underwriter, the Bank had underwritten a total of RMB29.5 billion in inter-bank market bonds, representing an increase of 638.2% as compared to the same period last year, which facilitated the transformation of the Bank

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towards capital-light and asset-light businesses. Fifthly, the Bank continued to optimise and enhance the system of asset management products, and the proportion of existing net-value products increased from 50% in the beginning of the year to 89%. The Bank launched the wealth management products of enhanced fixed income, cyclical net worth products as well as a variety of wealth management products for exclusive customers, successfully meeting customers' needs for diversified asset allocation. Sixthly, the Bank focused simultaneously on its development and risk control, and promoted the establishment of a pre-examination and approval work mechanism. It also established an external reference information tracking mechanism for credit review and extension as well as a quarterly tracking and analysis mechanism for regional economies and key industries. The Bank strengthened its post-loan inspections, and effectively safeguarded the Bank against any risks. Seventhly, the development of information technology was steadily promoted, with the investment in technology increased by 19.0% as compared to the same period last year to RMB690 million. Phase II construction of IT Framework Planning Implementation Project has satisfied its overall operational conditions. The main construction of the building of active-active data centre has made significant progress, and the active-active drills of Wuqing and Xiqing data centre were both completed. The Bank also obtained the certifications of CMMI and ISO 20000, which proved that its software research and development and systematic maintenance and management capabilities have met international standards.

In 2020, the Bank realised operating income of RMB17.2 billion, representing an increase of 0.8% as compared to the same period last year. Profit before allowance increased by 1.6% to RMB13.27 billion as compared to the same period last year. With prudent consideration made on the impact on our asset quality brought by the epidemic, impairment provisions amounted to RMB8.23 billion, representing an increase of 10.8% as compared to the same period last year, which resulted in a net profit of RMB4.34 billion, representing a decrease of 5.8% as compared to the same period last year. The Bank's net interest margin increased by 5 basis points as compared to the same period last year to 2.26%. Net interest spread increased by 10 basis points as compared to the same period last year to 1.98%. Interest margin and interest spread demonstrated a "double increment". The main operating businesses performed well and net interest income reached RMB13.65 billion, representing an increase of 3.2% as compared to the same period last year. The Bank's investment income amounted to RMB1.74 billion, representing an increase of 21.6% as compared to the same period last year. Net fee and commission income amounted to RMB2.31 billion, representing an increase of 2.0% as compared to the same period last year. In terms of assets, the Bank's support for the real economy was further strengthened. As of the end of the Reporting Period, net loans and advances to customers amounted to RMB295.75 billion, representing an increase of 5.2% as compared to the same period last year. The Bank's investment portfolio

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was further optimised, with the scale of bond investment increased by 33.4% as compared to the same period last year to RMB190.67 billion. Two kinds of non-bidding investments including asset management plans and trust beneficiary rights were reduced by 27.3% to RMB86.76 billion. In terms of liabilities, the Bank utilised multiple channels to reduce its finance costs. The average cost of our interest-bearing liabilities dropped by 43 basis points, which directly increased the Bank's profit margin. The Bank also stepped up its marketing efforts for customers' deposit-taking business, with the balance of amount due to customers increased by 1.4% as compared to the same period last year to RMB355.98 billion. The average cost of due to customers dropped by 38 basis points as compared to the same period last year. Capital adequacy ratio was 14.48%, which slightly dropped by 0.76 percentage point in comparison to the end of 2019. The decrease was mainly attributable to the Bank's voluntary redemption of tier-two capital bonds with a face value of RMB5 billion in 2020. Tier-one capital adequacy ratio and core tier-one capital adequacy ratio were both 11.12%, 0.49 and 0.50 percentage point higher than those as at the end of 2019, respectively. Under the impact of the epidemic and weakened repayment ability of certain customers, the non-performing loan ratio of the Bank was 2.16% as at the end of 2020. The Bank actively responded to authority directives and increased the disposal amount of its non-performing loans. The scale of write-off and transfers for non-performing loans using provisions increased by 94.8% year-on-year compared to 2019, resulting in a decrease in the provision coverage ratio to 183.45%. All other major regulatory indicators were in compliance with relevant requirements.

In 2021, the Bank will adhere to normalisation management of epidemic prevention and control by strictly implementing various epidemic prevention measures, and will continue to insist on the new development concept of "putting quality first and giving priority to performance" while maintaining determination on strategic goals and historical patience. With the "14th Five-Year Plan" as the action guide, we will further enhance refined management; deeply integrate refined management in business operation, internal management and customer service; and focus on management, quality and service with efficiency to realise dual improvement in operation development and management services. Meanwhile, we will lawfully strengthen new business formats such as Internet finance and smart finance, forge core competitiveness through financial reform and innovation to win the initiative for future development; further adjust and optimise the business structure; deepen, optimise and refine the financial business and strive for achieving new business performance; guide financial resources, financial policies, and financial services to converge in the real economy, endeavour to enhance the ability to support the real economy, realise high quality development in services, and diligently making the Bank a modernised socialist city commercial bank.

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III ANALYSIS OF THE INCOME STATEMENT

	For the year ended 31 December		Rate of change (%)
	2020	2019	
<i>(Amounts in thousands of Renminbi, unless otherwise stated)</i>			
Interest income	30,553,932	32,268,052	(5.3)
Interest expense	(16,907,490)	(19,045,250)	(11.2)
NET INTEREST INCOME	13,646,442	13,222,802	3.2
Investment income	1,738,108	1,429,901	21.6
Fee and commission income	2,447,096	2,308,570	6.0
Fee and commission expense	(136,561)	(42,284)	223.0
NET FEE AND COMMISSION INCOME	2,310,535	2,266,286	2.0
Net trading losses	(1,204,497)	(210,873)	471.2
Net gain arising from derecognition of financial assets measured at amortised cost	25,832	115,163	(77.6)
Other income, gains or losses	680,284	230,441	195.2
OPERATING INCOME	17,196,704	17,053,720	0.8
Operating expenses	(3,952,952)	(3,988,677)	(0.9)
Impairment losses under expected credit loss (ECL) model, net of reversals	(8,230,793)	(7,430,105)	10.8
Share of results of associates	22,125	(1,693)	(1,406.9)
PROFIT BEFORE TAX	5,035,084	5,633,245	(10.6)
Income tax expense	(691,671)	(1,024,584)	(32.5)
PROFIT FOR THE YEAR	4,343,413	4,608,661	(5.8)

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For the year ended 31 December 2020, the Bank's profit before tax decreased by 10.6% from RMB5,633.2 million for the year ended 31 December 2019 to RMB5,035.1 million and the profit for the year decreased by 5.8% from RMB4,608.7 million for the year ended 31 December 2019 to RMB4,343.4 million.

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

For the year ended 31 December 2020, the Bank's net interest income amounted to RMB13,646.4 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 RMB1,738.1 million. The sum of two was RMB15,384.5 million, a growth of 5.0% as compared to the figure as at 31 December 2019 measured in the same standard. The Bank's net interest spread increased from 1.88% for the year ended 31 December 2019 to 1.98% for the year ended 31 December 2020, primarily due to the fact that the average cost of our interest-bearing liabilities decreased by 0.43 percentage point to 2.77%. The Bank's net interest margin increased from 2.21% for the year ended 31 December 2019 to 2.26% for the year ended 31 December 2020, because the Bank's net interest income⁽¹⁾ increased by 5.0% for the year ended 31 December 2020.

Note:

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

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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 2019 and 2020.

	For the year ended 31 December					
	Average balance	2020 Interest income ⁽⁸⁾	Average yield (%)	Average balance	2019 Interest income ⁽⁸⁾	Average yield (%)
<i>(Amounts in millions of RMB, except for percentages)</i>						
Interest-earning assets						
Loans and advances to customers	293,039.0	19,373.4	6.61	300,548.7	20,311.1	6.76
Investment securities and other financial assets, including	316,147.8	11,772.4	3.72	290,948.6	11,856.5	4.08
– Trust beneficiary rights, funds, wealth management products, asset management plans and other assets ⁽¹⁾	143,135.7	5,520.1	3.86	143,651.8	5,864.0	4.08
– Debt securities investment	173,012.1	6,252.3	3.61	147,296.8	5,992.5	4.07
Amounts due from banks and other financial institutions ⁽²⁾	22,061.6	551.0	2.50	19,903.4	806.7	4.05
Deposits with banks and other financial institutions	8,702.0	41.7	0.48	7,359.2	76.1	1.03
Balances with central bank	40,652.9	557.5	1.37	44,763.3	650.5	1.45
Total interest-earning assets (include assets at FVTPL)	680,603.3	32,296.0	4.75	663,523.2	33,700.9	5.08
Allowance for impairment losses	(17,094.7)			(15,369.6)		
Non-interest-earning assets ⁽³⁾	21,433.9			18,931.2		
Total assets	684,942.5	32,296.0	4.72	667,084.8	33,700.9	5.05

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	For the year ended 31 December					
	Average balance	2020 Interest expense ⁽⁸⁾	Average cost (%)	Average balance	2019 Interest expense ⁽⁸⁾	Average cost (%)
<i>(Amounts in millions of RMB, except for percentages)</i>						
Interest-bearing liabilities						
Due to customers	352,277.5	9,223.4	2.62	338,551.6	10,162.6	3.00
Deposit from banks and other financial institutions	39,702.4	1,157.9	2.92	37,159.7	1,129.0	3.04
Amounts due to banks and other financial institutions ⁽⁴⁾	72,870.7	1,427.3	1.96	61,594.6	1,827.7	2.97
Debt securities issued	109,069.0	3,877.1	3.55	135,498.4	5,176.6	3.82
Lease liabilities	1,116.5	49.4	4.42	1,063.0	52.0	4.89
Borrowings from central bank	35,933.0	1,176.4	3.27	20,957.8	700.3	3.34
Total interest-bearing liabilities (include liabilities at FVTPL)	610,969.1	16,911.5	2.77	594,825.1	19,048.2	3.20
Non-interest-bearing liabilities ⁽⁵⁾	19,915.4			20,434.8		
Total liabilities	630,884.5	16,911.5	2.68	615,259.9	19,048.2	3.10
Net interest income		15,384.5			14,652.7	
Net interest spread⁽⁶⁾			1.98			1.88
Net interest margin⁽⁷⁾			2.26			2.21

Notes:

- (1) Also consists of other debt financing products.
- (2) Consists of financial assets held under resale agreements and placements with banks and other financial institutions.
- (3) 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.
- (4) Consists of financial assets sold under repurchase agreements, financial liabilities held for trading and placements from banks and other financial institutions.
- (5) Consists of interest payables, sundry taxes payable, other payables, provision related to litigations, salaries and benefits payables, dividends payable and derivative financial liabilities, etc.
- (6) Calculated as the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities.
- (7) Calculated by dividing net interest income by the daily average balance of total interest-earning assets.
- (8) Includes net interest income from financial instruments at FVTPL, i.e., the figure under the item "investment income".

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2 Interest Income

For the year ended 31 December 2020, the interest income of the Bank (including the interest income at FVTPL) decreased by 4.2% to RMB32,296.0 million from RMB33,700.9 million for the year ended 31 December 2019, the average yield of our interest-earning assets decreased by 33 basis points from 5.08% for the year ended 31 December 2019 to 4.75% for the year ended 31 December 2020, primarily in response to the COVID-19 pandemic in 2020, various economic and financial policies were introduced in the PRC to encourage banks and financial institutions to provide more credit support to corporations and individuals for the benefits of small and micro enterprises by ways of providing loans with lower interest rates, reduction in handling fees, delay in the repayment of loans and providing credit support to small and micro enterprises, which resulted in certain impacts on interest income of the Bank for 2020.

Interest income from loans and advances to customers

For the year ended 31 December 2020, interest income from our loans and advances to customers decreased by 4.6% from RMB20,311.1 million for the year ended 31 December 2019 to RMB19,373.4 million for the year ended 31 December 2020, primarily due to the decrease of 2.5% in average balance of our loans and advances to customers from RMB300,548.7 million for the year ended 31 December 2019 to RMB293,039.0 million for the year ended 31 December 2020, and the decrease of 15 basis points in the average yield of our loans and advances to customers from 6.76% for the year ended 31 December 2019 to 6.61% for the year ended 31 December 2020. The average balance of our loans and advances to customers remained essentially stable. The decrease in the average yield of our loans and advances to customers was primarily due to the Bank's active implementation of the national policy that encourages a reduction in financing costs of real economy, which reduced the interest rates for loans and served the real economy.

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

For the year ended 31 December 2020, interest income from trust beneficiary rights, funds, wealth management products, asset management plans and other assets decreased by 5.9% from RMB5,864.0 million for the year ended 31 December 2019 to RMB5,520.1 million for the year ended 31 December 2020, primarily due to the fact that the average balance of our trust beneficiary rights, funds, wealth management products, asset management plans and other assets decreased by 0.4% from RMB143,651.8 million for the year ended 31 December 2019 to RMB143,135.7 million for the year ended 31 December 2020, and the average yield of our trust beneficiary rights, funds, wealth management products, asset management plans and other assets decreased by 22 basis points from 4.08% for the year ended 31 December 2019 to 3.86% for the year ended 31 December 2020. The decrease in average balance of trust beneficiary rights, funds, wealth management products, asset management plans and other assets was primarily due to our Bank's active adjustment in the asset structure and continuous reduction in the corresponding scale of assets. The decrease in the average yield was primarily due to the decrease in market interest rate.

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Interest income from debt securities investment

Interest income from debt securities investment increased by 4.3% from RMB5,992.5 million for the year ended 31 December 2019 to RMB6,252.3 million for the year ended 31 December 2020, primarily due to the fact that the average balance of debt securities investment increased by 17.5% from RMB147,296.8 million for the year ended 31 December 2019 to RMB173,012.1 million for the year ended 31 December 2020. The increase in the average balance of our debt securities investment was primarily because the Bank enhanced the allocation of standardised bond products such as treasury bonds, local government bonds, policy bank bonds, and enhanced the reserve level of high quality current assets while continuously supporting national and local economic construction and development as well as financing demands from entities.

Interest income from amounts due from banks and other financial institutions

Interest income from amounts due from banks and other financial institutions decreased by 31.7% from RMB806.7 million for the year ended 31 December 2019 to RMB551.0 million for the year ended 31 December 2020, primarily due to the fact that the average yield of the amounts due from banks and other financial institutions decreased by 155 basis points from 4.05% for the year ended 31 December 2019 to 2.50% for the year ended 31 December 2020. The decrease in the average yield of amounts due from banks and other financial institutions was primarily 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 45.2% from RMB76.1 million for the year ended 31 December 2019 to RMB41.7 million for the year ended 31 December 2020, primarily due to the decrease of 55 basis points in the average yield of deposits with banks and other financial institutions from 1.03% for the year ended 31 December 2019 to 0.48% for the year ended 31 December 2020. The decrease in the average yield of our deposits with banks and other financial institutions was due to the decrease in market interest rate.

Interest income from balances with central bank

Interest income from balances with central bank decreased by 14.3% from RMB650.5 million for the year ended 31 December 2019 to RMB557.5 million for the year ended 31 December 2020, primarily due to the decrease of 9.2% in the average balance of our balances with central bank from RMB44,763.3 million for the year ended 31 December 2019 to RMB40,652.9 million for the year ended 31 December 2020, and the decrease of 8 basis points in the average yield of our balances with central bank from 1.45% for the year ended 31 December 2019 to 1.37% for the year ended 31 December 2020.

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3 Interest Expense

Our interest expense (including the interest expense at FVTPL) decreased by 11.2% from RMB19,048.2 million for the year ended 31 December 2019 to RMB16,911.5 million for the year ended 31 December 2020, primarily due to the decrease of 43 basis points in the average cost of our interest-bearing liabilities from 3.20% for the year ended 31 December 2019 to 2.77% for the year ended 31 December 2020. The decrease in the average cost of our interest-bearing liabilities was primarily due to a decrease in the average cost of due to customers, 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 decreased by 9.2% from RMB10,162.6 million for the year ended 31 December 2019 to RMB9,223.4 million for the year ended 31 December 2020, primarily due to the decrease of 38 basis points in the average cost of due to customers from 3.00% for the year ended 31 December 2019 to 2.62% for the year ended 31 December 2020. The decrease in our average cost 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.

Interest expense on deposits from banks and other financial institutions

Our interest expense on deposits from banks and other financial institutions increased by 2.6% from RMB1,129.0 million for the year ended 31 December 2019 to RMB1,157.9 million for the year ended 31 December 2020, primarily due to the increase of 6.8% in the average balance of the deposits from banks and other financial institutions from RMB37,159.7 million for the year ended 31 December 2019 to RMB39,702.4 million for the year ended 31 December 2020. The increase in the average balance of the deposits from banks and other financial institutions primarily reflected the adjustment in our Bank's liability structure and increase in the scale of the deposits from banks and other financial institutions.

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Interest expense on amounts due to banks and other financial institutions

Our interest expense on amounts due to banks and other financial institutions decreased by 21.9% from RMB1,827.7 million for the year ended 31 December 2019 to RMB1,427.3 million for the year ended 31 December 2020, primarily due to the decrease of 101 basis points in the average cost of the amounts due to banks and other financial institutions from 2.97% for the year ended 31 December 2019 to 1.96% for the year ended 31 December 2020. The decrease in the average cost of 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 25.1% from RMB5,176.6 million for the year ended 31 December 2019 to RMB3,877.1 million for the year ended 31 December 2020, primarily due to the decrease of 19.5% in the average balance of debt securities issued from RMB135,498.4 million for the year ended 31 December 2019 to RMB109,069.0 million for the year ended 31 December 2020, and the decrease of 27 basis points in the average cost of debt securities issued from 3.82% for the year ended 31 December 2019 to 3.55% for the year ended 31 December 2020. The decrease in the average balance of our debt securities issued was primarily due to our Bank's reduction in the scale of corresponding liabilities. 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 2020, our interest expense on lease liabilities amounted to RMB49.4 million, representing a decrease of 5.0% as compared to RMB52.0 million for the year ended 31 December 2019, primarily due to the decrease of 47 basis points in our average cost of lease liabilities from 4.89% for the year ended 31 December 2019 to 4.42% for the year ended 31 December 2020.

Interest expense on borrowings from central bank

Our interest expense on borrowings from central bank increased by 68.0% from RMB700.3 million for the year ended 31 December 2019 to RMB1,176.4 million for the year ended 31 December 2020, primarily due to the increase of 71.5% in the average balance of borrowings from central bank from RMB20,957.8 million for the year ended 31 December 2019 to RMB35,933.0 million for the year ended 31 December 2020. The increase in our average balance of borrowings from central bank was primarily due to our Bank's larger scale of this business in the beginning of the year.

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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, and 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 2020 was RMB1,738.1 million, representing an increase of 21.6% as compared to the investment income of RMB1,429.9 million for the year ended 31 December 2019, which was primarily due to an increase 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 2019 and 2020.

	For the year ended 31 December			
	2020	2019	Change in amount	Rate of change (%)
<i>(Amounts in millions of RMB, except percentages)</i>				
Fee and commission income				
Wealth management service fees	1,516.9	1,428.0	88.9	6.2
Agency commission and underwriting service fees	552.4	387.4	165.0	42.6
Settlement and clearing fees	169.7	196.0	(26.3)	(13.4)
Consultancy fees	91.7	145.3	(53.6)	(36.9)
Acceptance and guarantee commitment fees	75.8	73.5	2.3	3.1
Bank card fees	38.0	74.7	(36.7)	(49.1)
Other	2.6	3.7	(1.1)	(29.7)
Subtotal	2,447.1	2,308.6	138.5	6.0
Fee and commission expense	(136.6)	(42.3)	(94.3)	222.9
Net fee and commission income	2,310.5	2,266.3	44.2	2.0

Our net fee and commission income increased by 2.0% from RMB2,266.3 million for the year ended 31 December 2019 to RMB2,310.5 million for the year ended 31 December 2020. The increase in our net fee and commission income was primarily due to the increase in agency commission and underwriting service fees.

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6 Net Trading Losses

Net trading losses arise from the net 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 RMB1,204.5 million for the year ended 31 December 2020, while the Bank's net trading losses amounted to RMB210.9 million for the year ended 31 December 2019. The main reason was because of the increased fluctuation in the changes in fair value of financial assets which was mainly due to market fluctuation.

7 Operating Expenses

The following table sets forth the principal components of our operating expenses for the years ended 31 December 2019 and 2020.

	For the year ended 31 December			
	2020	2019	Change in amount	Rate of change (%)
<i>(Amounts in millions of RMB, except percentages)</i>				
Operating expenses				
Staff costs	2,068.6	2,318.8	(250.2)	(10.8)
Sundry taxes	204.0	202.1	1.9	0.9
Other general and administrative expenses	508.4	478.2	30.2	6.3
Office expenses	421.9	344.4	77.5	22.5
Rental and property management expenses	74.1	120.6	(46.5)	(38.6)
Depreciation and amortisation	676.0	524.6	151.4	28.9
Total operating expenses	3,953.0	3,988.7	(35.7)	(0.9)
Cost-to-income ratio⁽¹⁾	21.8%	22.2%	–	(0.40)

Note:

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

Our operating expenses decreased by 0.9% from RMB3,988.7 million for the year ended 31 December 2019 to RMB3,953.0 million for the year ended 31 December 2020. The decrease was primarily due to a decrease in staff costs.

For the years ended 31 December 2019 and 2020, our cost-to-income ratio (excluding sundry taxes) was 22.2% and 21.8%, respectively.

Management Discussion and Analysis

Staff costs

Staff costs are the largest component of our operating expenses, which amounted to RMB2,068.6 million for the year ended 31 December 2020, representing a decrease of 10.8% as compared to RMB2,318.8 million for the year ended 31 December 2019.

	For the year ended 31 December			
	2020	2019	Change in amount	Rate of change (%)
<i>(Amounts in millions of RMB, except percentages)</i>				
Salaries, bonuses and allowances	1,579.5	1,657.9	(78.4)	(4.7)
Social insurance	116.0	279.2	(163.2)	(58.5)
Housing funds	124.1	119.1	5.0	4.2
Staff welfare	81.1	110.4	(29.3)	(26.5)
Labor union fees and staff education expenses	36.4	50.0	(13.6)	(27.2)
Contribution to annuity funds	131.5	102.2	29.3	28.7
Total	2,068.6	2,318.8	(250.2)	(10.8)

Sundry taxes

Sundry taxes amounted to RMB204.0 million for the year ended 31 December 2020, representing an increase of 0.9% as compared to RMB202.1 million for the year ended 31 December 2019.

Office expenses and rental and property management expenses

The office expenses and rental and property management expenses amounted to RMB496.0 million for the year ended 31 December 2020, representing an increase of 6.7% as compared to RMB465.0 million for the year ended 31 December 2019.

Other general and administrative expenses

Our other general and administrative expenses amounted to RMB508.4 million for the year ended 31 December 2020, representing an increase of 6.3% as compared to RMB478.2 million for the year ended 31 December 2019.

Depreciation and amortisation

Depreciation and amortisation, including right-of-use assets, amounted to RMB676.0 million for the year ended 31 December 2020, representing an increase of 28.9% as compared to RMB524.6 million for the year ended 31 December 2019.

Management Discussion and Analysis

8 Impairment Losses under Expected Credit Loss (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			
	2020	2019	Change in amount	Rate of change (%)
<i>(Amounts in millions of RMB, except percentages)</i>				
Loans and advances to customers at amortised costs	7,297.4	5,083.1	2,214.3	43.6
Loans and advances to customers at fair value through other comprehensive income ("FVTOCI")	21.9	12.1	9.8	81.0
Credit commitments	(41.5)	109.5	(151.0)	(137.9)
Financial assets held under resale agreements	–	78.7	(78.7)	(100.0)
Debt instruments measured at amortised costs	597.6	1,925.5	(1,327.9)	(69.0)
Debt instruments measured at FVTOCI	356.3	75.9	280.4	369.4
Deposits with banks and other financial institutions	6.0	2.6	3.4	130.8
Placements with banks and other financial institutions	4.8	61.4	(56.6)	(92.2)
Other assets	(11.7)	81.3	(93.0)	(114.4)
Total	8,230.8	7,430.1	800.7	10.8

Our impairment losses under ECL model, net of reversals for the year ended 31 December 2020 were RMB8,230.8 million, representing an increase of 10.8% as compared to RMB7,430.1 million for the year ended 31 December 2019, which was primarily due to the fact that the Bank strengthened the overall provision of its assets, and the more sufficient impairment provision reflected the 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			
	2020	2019	Change in amount	Rate of change(%)
	<i>(Amounts in millions of RMB, except percentages)</i>			
Profit before tax	5,035.1	5,633.2	(598.1)	(10.6)
Tax calculated at applicable statutory tax rate of 25%	1,258.8	1,408.3	(149.5)	(10.6)
Income tax at concessionary rate	(1.4)	(12.6)	11.2	(88.9)
Underprovision/(Overprovision) of tax in prior years	2.5	(12.6)	15.1	(119.8)
Tax effect of expenses not deductible for tax purpose	36.5	54.7	(18.2)	(33.3)
Tax effect of income not taxable for tax purposes ⁽¹⁾	(604.7)	(413.2)	(191.5)	46.3
Income tax expenses	691.7	1,024.6	(332.9)	(32.5)

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 2020 was RMB691.7 million, representing a decrease of 32.5% as compared to RMB1,024.6 million for the year ended 31 December 2019. The decrease was primarily due to an increase in the income not taxable.

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 2020		As of 31 December 2019	
	Amount	% of the total (%)	Amount	% of the total (%)
<i>(Amounts in millions of RMB, except percentages)</i>				
ASSETS				
Gross amount of loans and advances to customers	307,822.4	44.8	293,945.7	43.9
Allowance for impairment losses	(12,070.1)	(1.8)	(12,716.5)	(1.9)
Loans and advances to customers, net ⁽¹⁾	295,752.3	43.0	281,229.2	42.0
Investment securities and other financial assets, net	312,323.2	45.4	296,512.8	44.3
Financial assets held under resale agreements	600.2	0.1	8,174.2	1.2
Cash and balances with central bank	47,831.5	7.0	59,303.1	8.9
Deposits with banks and other financial institutions	7,831.2	1.1	6,888.5	1.0
Placements with banks and other financial institutions	10,693.2	1.6	5,414.0	0.8
Derivative financial assets	9.7	0.0	167.3	0.0
Other assets ⁽²⁾	12,718.9	1.8	11,712.0	1.8
TOTAL ASSETS	687,760.2	100.0	669,401.1	100.0

Notes:

- (1) As of 31 December 2020, the Bank's loans and advances to customers with a total amount of RMB 8,212.0 million (excluding interests) were in the process of disposal and were classified as normal or special mention in the five-category loan classification. However, such loans and advances were classified as stage 3 loans in the financial statements. The relevant asset disposals were approved at the general meeting of the Bank on 24 February 2021.
- (2) Consist primarily of property and equipment, right-of-use assets, deferred tax assets, interests in associates, prepaid expenses, repossessed assets, intangible assets and other receivables, etc.

As of 31 December 2020, our total assets amounted to RMB687,760.2 million, representing an increase of 2.7% as compared to RMB669,401.1 million as of 31 December 2019. The increase was primarily due to an increase in our investment securities and other financial assets as well as loans and advances to customers this year.

Management Discussion and Analysis

Loans and advances to customers

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

	As of 31 December 2020		As of 31 December 2019	
	Amount	% of the total (%)	Amount	% of the total (%)
<i>(Amounts in millions of RMB, except percentages)</i>				
Corporate loans	145,451.5	47.2	148,463.7	50.5
Personal loans	134,982.3	43.9	127,142.3	43.3
Finance lease receivables	3,121.3	1.0	4,865.5	1.7
Discounted bills	24,267.3	7.9	13,474.2	4.5
Total	307,822.4	100.0	293,945.7	100.0

Corporate loans

Our corporate loans amounted to RMB145,451.5 million as of 31 December 2020, representing a decrease of 2.0% as compared to RMB148,463.7 million as of 31 December 2019.

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

	As of 31 December 2020		As of 31 December 2019	
	Amount	% of the total (%)	Amount	% of the total (%)
<i>(Amounts in millions of RMB, except percentages)</i>				
Short-term loans (one year or less)	43,609.7	30.0	58,898.0	39.7
Medium and long-term loans (over one year)	101,841.8	70.0	89,565.7	60.3
Total corporate loans	145,451.5	100.0	148,463.7	100.0

Short-term loans as a percentage of our corporate loan portfolio decreased from 39.7% as of 31 December 2019 to 30.0% as of 31 December 2020 and our medium and long-term loans as a percentage of our corporate loan portfolio increased from 60.3% as of 31 December 2019 to 70.0% as of 31 December 2020. The changes in the above percentages of our corporate loan portfolio were primarily due to the Bank's compliance with the policies of regulatory authorities and stepped up the mid-to-long-term financing support for the real economy.

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 2020		As of 31 December 2019	
	Amount	% of the total (%)	Amount	% of the total (%)
	<i>(Amounts in millions of RMB, except percentages)</i>			
Working capital loans	73,449.8	50.5	79,369.4	53.5
Fixed asset loans	61,635.8	42.4	55,467.6	37.4
Trade finance	6,836.5	4.7	8,509.7	5.7
Others ⁽¹⁾	3,529.4	2.4	5,117.0	3.4
Total corporate loans	145,451.5	100.0	148,463.7	100.0

Note:

(1) Consist primarily of advances under bank acceptances and letters of credit issued by us and corporate overdrafts.

Our working capital loans amounted to RMB73,449.8 million as of 31 December 2020, representing a decrease of 7.5% as compared to RMB79,369.4 million as of 31 December 2019, which was primarily due to the fact that the Bank further adjusted and optimised the credit structure.

Our fixed assets loans amounted to RMB61,635.8 million as of 31 December 2020, representing an increase of 11.1% as compared to RMB55,467.6 million as of 31 December 2019, which was primarily due to the fact that the Bank further adjusted and optimised the credit structure.

Our trade finance amounted to RMB6,836.5 million as of 31 December 2020, representing a decrease of 19.7% as compared to RMB8,509.7 million as of 31 December 2019, which was primarily due to the decrease in financing demands from customers.

Our other corporate loans amounted to RMB5,117.0 million and RMB3,529.4 million as of 31 December 2019 and 31 December 2020.

Management Discussion and Analysis

Personal loans

Our personal loans amounted to RMB134,982.3 million as of 31 December 2020, representing an increase of 6.2% as compared to RMB127,142.3 million as of 31 December 2019. This increase was mainly attributable to the increase in residential mortgage loans and personal business loans.

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

	As of 31 December 2020		As of 31 December 2019	
	Amount	% of the total (%)	Amount	% of the total (%)
<i>(Amounts in millions of RMB, except percentages)</i>				
Personal consumption loans	86,895.0	64.3	91,660.2	72.1
Residential mortgage loans	25,506.2	18.9	22,352.2	17.6
Personal business loans	20,339.4	15.1	11,382.9	8.9
Credit card overdrafts	2,241.7	1.7	1,747.0	1.4
Total personal loans	134,982.3	100.0	127,142.3	100.0

Our personal consumption loans amounted to RMB86,895.0 million as of 31 December 2020, representing a decrease of 5.2% as compared to RMB91,660.2 million as of 31 December 2019. The decrease in our personal consumption loans was primarily due to: firstly, the outbreak of COVID-19, which curbed personal consumption needs across the country to a certain extent and had a greater impact on the demands for personal consumption loans and financing; secondly, a slight decrease of the balance of personal consumption loans at the end of 2020 due to the fact that the Bank actively adjusted the structure of personal consumption loan structure based on the principle of "Selecting the Best of the Best".

Our residential mortgage loans amounted to RMB25,506.2 million as of 31 December 2020, representing an increase of 14.1% as compared to RMB22,352.2 million as of 31 December 2019. The increase in our residential mortgage loans was primarily due to the fact that having made due research of the market and the industry, the Bank increased its KPI assessment through adjusting its product pricing strategy. The Bank spared no efforts to expand channel resources and effectively mobilised branch marketing enthusiasm, reversing the trend of year-on-year decline in mortgage lending in the past three years, with the annual release of loans exceeding RMB6 billion, representing an increase of over 200% year-on-year. In the process of developing business, a number of excellent branches such as Shijiazhuang branch emerged and made outstanding contributions in loan placement and channel construction. The percentage of the Bank's personal residential loans is in accordance with regulatory requirements.

Management Discussion and Analysis

Our personal business loans amounted to RMB20,339.4 million as of 31 December 2020, representing an increase of 78.7% as compared to RMB11,382.9 million as of 31 December 2019. The increase in our personal business loans was primarily due to the fact that in 2020, the Bank effectively implemented the central financial policy to support small and micro enterprises and individual entrepreneurs to resume work and production, and further reduced the interest rate of inclusive loans to small and micro customers. Focusing on online loan products such as “e-loans for taxpayers” (銀稅e貸), “e-loans for supermarkets” (商超e貸) and “Tianhangyongbei-Microfinance” (天行用唄—小微商戶經營貸) targeting individuals, we continued to enhance the application and promotion of online “contactless” loan products. As such, our business scale and client base in this sector realised a significant growth.

Our credit card overdrafts amounted to RMB1,747.0 million and RMB2,241.7 million as of 31 December 2019 and 31 December 2020. The increase in the amount of credit card overdrafts was primarily due to the growing number of customers of Meituan Dianping co-branded credit card product business with the number of credit cards newly issued of 486,800 in 2020, effectively leading to an increase in the amount of credit card overdrafts.

Finance lease receivables

Our finance lease receivables decreased by 35.8% to RMB3,121.3 million as of 31 December 2020 as compared to RMB4,865.5 million as of 31 December 2019, primarily due to the impact of COVID-19 epidemic in 2020 and a slowdown in the pace of the launch of finance lease projects.

Discounted bills

Discounted bills represented an important component of our portfolio of loans and advances to customers. Our discounted bills increased by 80.1% from RMB13,474.2 million as of 31 December 2019 to RMB24,267.3 million as of 31 December 2020, primarily due to the Bank's active adjustment in the asset structure to increase the scale of this business.

Investment securities and other financial assets

As of 31 December 2020, the balance of our investment securities and other financial assets amounted to RMB312,323.2 million, representing an increase of 5.3% as compared to RMB296,512.8 million as of 31 December 2019, primarily due to the further adjustment in our asset portfolio which continuously reduced allocation to assets management plans and other investment businesses of other financial institutions while increasing the business scales in debt securities that were highly liquid and standardised.

Management Discussion and Analysis

The following table sets forth the components of our investment securities and other financial assets as of 31 December 2019 and 31 December 2020.

	As of 31 December 2020		As of 31 December 2019	
	Amount	% of the total (%)	Amount	% of the total (%)
<i>(Amounts in millions of RMB, except percentages)</i>				
Debt securities				
Debt securities measured at amortised cost	129,632.0	41.3	98,191.6	33.0
Debt securities measured at fair value through other comprehensive income	54,908.5	17.6	42,723.6	14.4
Debt securities measured at fair value through profit or loss	6,129.6	2.0	1,973.9	0.7
Allowance for impairment losses	(202.8)	(0.1)	(256.6)	(0.1)
Subtotal	190,467.3	60.8	142,632.5	48.0
Funds	22,051.8	7.1	23,306.2	7.9
Wealth management products issued by other financial institutions	305.4	0.1	–	–
Trust beneficiary rights and assets management plans, net				
Asset management plans	55,440.6	17.8	69,919.1	23.6
Trust beneficiary rights	31,322.4	10.0	49,437.4	16.7
Other debt financing products	14,531.1	4.7	12,942.6	4.4
Allowance for impairment losses	(3,828.7)	(1.2)	(3,177.2)	(1.1)
Subtotal	97,465.4	31.3	129,121.9	43.6
Equity investments				
Equity investments measured at fair value through profit or loss	468.6	0.2	58.6	0.0
Equity investments measured at fair value through other comprehensive income	1,564.7	0.5	1,393.6	0.5
Subtotal	2,033.3	0.7	1,452.2	0.5
Total investment securities and other financial assets, net	312,323.2	100.0	296,512.8	100.0

Management Discussion and Analysis

Debt securities

The following table sets forth the components of our debt securities as of 31 December 2019 and 31 December 2020.

	As of 31 December 2020		As of 31 December 2019	
	Amount	% of the total (%)	Amount	% of the total (%)
	<i>(Amounts in millions of RMB, except percentages)</i>			
PRC government bonds	65,170.7	34.2	48,770.4	34.1
Debt securities issued by PRC policy banks	75,766.1	39.8	52,342.6	36.7
Debt securities issued by PRC corporate issuers	24,080.4	12.6	17,716.4	12.4
Debt securities issued by PRC banks and other financial institutions	3,659.3	1.9	1,902.0	1.3
Asset-backed securities	21,993.6	11.5	22,157.7	15.5
Total	190,670.1	100.0	142,889.1	100.0

Our holding of debt securities issued by the PRC government increased by 33.6% from RMB48,770.4 million as of 31 December 2019 to RMB65,170.7 million as of 31 December 2020, primarily due to the Bank's proper adjustment in the asset structure, which increased the scale of deployment of high-quality current assets.

Our holding of debt securities issued by PRC policy banks increased by 44.8% from RMB52,342.6 million as of 31 December 2019 to RMB75,766.1 million as of 31 December 2020, primarily due to the Bank's proper adjustment in the asset structure, increasing the scale of deployment of high quality current assets.

Our holding of debt securities issued by PRC corporate issuers increased by 35.9% from RMB17,716.4 million as of 31 December 2019 to RMB24,080.4 million as of 31 December 2020, primarily due to an overall increase in the scale of debt securities of the Bank, while the proportion of our corporate bonds remained stable overall.

Our holding of debt securities issued by PRC banks and other financial institutions increased by 92.4% from RMB1,902.0 million as of 31 December 2019 to RMB3,659.3 million as of 31 December 2020.

Our holding of asset-backed securities decreased by 0.7% from RMB22,157.7 million as of 31 December 2019 to RMB21,993.6 million as of 31 December 2020, remaining essentially stable.

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 2019 and 31 December 2020.

	As of 31 December 2020		As of 31 December 2019	
	Amount	% of the total (%)	Amount	% of the total (%)
	<i>(Amounts in millions of RMB, except percentages)</i>			
Debt instruments measured at amortised cost	187,348.8	60.0	188,580.6	63.6
Financial assets measured at FVTOCI	59,488.0	19.0	48,387.6	16.3
Financial assets at FVTPL	65,486.4	21.0	59,544.6	20.1
Total	312,323.2	100.0	296,512.8	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 2019 and 31 December 2020.

	As of 31 December 2020		As of 31 December 2019	
	Amount	% of the total (%)	Amount	% of the total (%)
<i>(Amounts in millions of RMB, except percentages)</i>				
Analysed by collateral type:				
Bonds	–	–	7,574.0	88.4
Bills	993.5	100.0	993.5	11.6
Gross amount	993.5	100.0	8,567.5	100.0
Allowance for impairment losses	(393.3)		(393.3)	
Net amount	600.2		8,174.2	

Our financial assets held under resale agreements amounted to RMB600.2 million as of 31 December 2020, representing a decrease of 92.7% as compared to RMB8,174.2 million as of 31 December 2019, primarily due to the fact that the Bank properly adjusted the asset structure and decreased the scale of deployment of such assets.

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 RMB47,831.5 million as of 31 December 2020, representing a decrease of 19.3% as compared to RMB59,303.1 million as of 31 December 2019.

Deposits with banks and other financial institutions amounted to RMB7,831.2 million as of 31 December 2020, representing an increase of 13.7% as compared to RMB6,888.5 million as of 31 December 2019. The increase was primarily due to our Bank's active adjustment of the asset structure and proper increase of the asset scale of deposits with banks and other financial institutions.

Placements with banks and other financial institutions amounted to RMB10,693.2 million as of 31 December 2020, representing an increase of 97.5% as compared to RMB5,414.0 million as of 31 December 2019. The increase was primarily due to our Bank's active adjustment of the asset structure and proper increase of the asset scale of placements with banks and other financial institutions.

Management Discussion and Analysis

Our derivative financial assets amounted to RMB9.7 million as of 31 December 2020, representing a decrease of 94.2% as compared to RMB167.3 million as of 31 December 2019, primarily due to a year-on-year decrease in the changes in fair value which was mainly due to market fluctuation.

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 8.6% from RMB11,712.0 million as of 31 December 2019 to RMB12,718.9 million as of 31 December 2020, primarily due to the increase in other receivables.

Pledge of assets

As of 31 December 2020, the details of pledge of our assets are set out in note 53 and 54.1 to the consolidated financial statements in this annual report.

2 Liabilities

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

	As of 31 December 2020		As of 31 December 2019	
	Amount	% of the total (%)	Amount	% of the total (%)
<i>(Amounts in millions of RMB, except percentages)</i>				
Due to customers	355,981.9	56.2	350,996.4	56.8
Debt securities issued	108,711.6	17.1	120,669.7	19.5
Deposit from banks and other financial institutions	47,492.0	7.5	45,385.1	7.3
Financial assets sold under repurchase agreements	60,492.7	9.5	32,994.0	5.3
Placements from banks and other financial institutions	25,809.8	4.1	21,198.6	3.4
Financial liabilities held for trading	472.8	0.1	412.2	0.1
Borrowings from central bank	25,318.8	4.0	36,629.4	5.9
Income tax payable	437.6	0.1	1,693.5	0.3
Derivative financial liabilities	675.0	0.1	39.8	0.0
Other liabilities ⁽¹⁾	8,420.0	1.3	8,205.6	1.4
TOTAL LIABILITIES	633,812.2	100.0	618,224.3	100.0

Note:

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

Management Discussion and Analysis

As of 31 December 2020, our total liabilities were RMB633,812.2 million, representing an increase of 2.5% as compared to RMB618,224.3 million as of 31 December 2019.

Due to customers

As of 31 December 2020, our due to customers amounted to RMB355,981.9 million, representing an increase of 1.4% as compared to RMB350,996.4 million as of 31 December 2019.

The following table sets forth our due to customers by product type and maturity profile of deposits as of 31 December 2019 and 31 December 2020.

	As of 31 December 2020		As of 31 December 2019	
	Amount	% of the total (%)	Amount	% of the total (%)
<i>(Amounts in millions of RMB, except percentages)</i>				
Corporate deposits				
Demand	174,256.3	49.0	180,184.0	51.3
Time ⁽¹⁾	78,449.5	22.0	79,839.0	22.7
Subtotal	252,705.8	71.0	260,023.0	74.0
Personal deposits				
Demand	19,588.6	5.5	21,692.8	6.2
Time ⁽¹⁾	68,220.1	19.2	51,473.9	14.7
Subtotal	87,808.7	24.7	73,166.7	20.9
Others ⁽²⁾	15,467.4	4.3	17,806.7	5.1
Total due to customers	355,981.9	100.0	350,996.4	100.0

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) Consist primarily of pledged deposits, funds deposited with us for remittance and temporary deposits.

Management Discussion and Analysis

Our corporate deposits decreased by 2.8% from RMB260,023.0 million as of 31 December 2019 to RMB252,705.8 million as of 31 December 2020. The decrease in our corporate deposits was primarily due to the fact that the Bank proactively adjusted and optimised the debt structure to enhance the quality of its debts.

Our personal deposits increased by 20.0% from RMB73,166.7 million as of 31 December 2019 to RMB87,808.7 million as of 31 December 2020. The increase in the amount of personal deposits was mainly due to the increase in the sales of our major time deposit products such as "Happy certificates of deposit (幸福存單)" and "Large-denomination certificates of deposit (大額存單)". The Bank adjusted the product elements in accordance with customers' needs, changed the single wealth management sales mindset of the sales staff in a timely manner, and guided customers to purchase the Bank's large-denomination certificates of deposit, happy certificates of deposit and agency trust products by providing wealth asset allocation to enhance the comprehensive service capability to cope with market changes. The Bank's personal deposits grew by approximately RMB15 billion over the previous year, being the highest year-on-year increase in the past five years.

Debt securities issued

As of 31 December 2020, our debt securities issued amounted to RMB108,711.6 million, representing a decrease of 9.9% as compared to RMB120,669.7 million as of 31 December 2019. The decrease in our debt securities issued was primarily due to our extension to more financing channels to get other fund support.

Deposit from banks and other financial institutions

As of 31 December 2020, our deposits from banks and other financial institutions amounted to RMB47,492.0 million, representing an increase of 4.6% as compared to RMB45,385.1 million as of 31 December 2019. The increase in our deposits from banks and other financial institutions primarily reflected the adjustment in our Bank's liability structure which increased the scale of this business.

Financial assets sold under repurchase agreements

As of 31 December 2020, our financial assets sold under repurchase agreements amounted to RMB60,492.7 million, representing an increase of 83.3% as compared to RMB32,994.0 million as of 31 December 2019. The increase in our financial assets sold under repurchase agreements was primarily due to the adjustment in our Bank's liability structure which increased the scale of this business.

Management Discussion and Analysis

Placements from banks and other financial institutions

As of 31 December 2020, our placements from banks and other financial institutions amounted to RMB25,809.8 million, representing an increase of 21.8% as compared to RMB21,198.6 million as of 31 December 2019. The increase in placements from banks and other financial institutions was primarily due to the adjustment in our Bank's liability structure which increased the scale of this business.

Financial liabilities held for trading

As of 31 December 2020, our financial liabilities held for trading amounted to RMB472.8 million, representing an increase of 14.7% as compared to RMB412.2 million as of 31 December 2019. The increase in our financial liabilities held for trading was primarily due to the adjustment in our Bank's business structure which increased the scale of this business.

Borrowings from central bank

As of 31 December 2020, our borrowings from central bank amounted to RMB25,318.8 million, representing a decrease of 30.9% as compared to RMB36,629.4 million as of 31 December 2019. The decrease in our borrowings from central bank was primarily because the Bank gained fund support through other channels.

Income tax payable

As of 31 December 2020, our income tax payable amounted to RMB437.6 million, representing a decrease of 74.2% as compared to RMB1,693.5 million as of 31 December 2019.

Derivative financial liabilities

As of 31 December 2020, our derivative financial liabilities amounted to RMB675.0 million, representing an increase of 1,596.0% as compared to RMB39.8 million as of 31 December 2019.

Other liabilities

Our other liabilities mainly include lease liabilities, other payables, settlement payable, salaries and benefits payable, dividends payable and sundry taxes payable, etc. Our other liabilities increased by 2.6% from RMB8,205.6 million as of 31 December 2019 to RMB8,420.0 million as of 31 December 2020, primarily due to the increase in other payables.

Contingent liabilities

As of 31 December 2020, details of the Bank's contingent liabilities are set out in note 51 to the consolidated financial statements in this annual 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 2020		As of 31 December 2019	
	Amount	% of the total (%)	Amount	% of the total (%)
<i>(Amounts in millions of RMB, except percentages)</i>				
EQUITY				
Share capital	6,070.6	11.3	6,070.6	11.9
Capital reserve	10,731.1	19.9	10,731.1	21.0
Investment revaluation reserve	(390.9)	(0.7)	88.6	0.2
Surplus reserve	3,352.5	6.2	3,352.5	6.5
General reserve	9,213.6	17.1	9,198.3	18.0
Retained earnings	24,153.3	44.7	20,953.8	40.9
Equity attributable to equity holders of the Bank	53,130.2	98.5	50,394.9	98.5
Non-controlling interests	817.8	1.5	781.9	1.5
TOTAL EQUITY	53,948.0	100.0	51,176.8	100.0

As of 31 December 2020, our shareholders' equity amounted to RMB53,948.0 million, representing an increase of 5.4% as compared to RMB51,176.8 million as of 31 December 2019. As of 31 December 2020, our equity attributable to equity holders of the Bank was RMB53,130.2 million, representing an increase of 5.4% as compared to RMB50,394.9 million as of 31 December 2019. The increase in the shareholders' equity for the year ended 31 December 2020 was mainly due to the supplement to equity from the net profit of the Bank.

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 2019 and 31 December 2020.

	As of 31 December 2020	As of 31 December 2019
	<i>(Amounts in millions of RMB)</i>	
Acceptances	24,312.1	32,085.8
Undrawn corporate loans limit	20,591.2	23,471.6
Undrawn credit card limit	13,950.7	6,924.5
Letters of credit	7,921.4	8,642.5
Letters of guarantee	944.6	1,248.6
Total	67,720.0	72,373.0

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 2019 and 31 December 2020.

	As of 31 December 2020		As of 31 December 2019	
	Amount	% of the total ⁽¹⁾ (%)	Amount	% of the total ⁽¹⁾ (%)
<i>(Amounts in millions of RMB, except percentages)</i>				
Normal	286,945.6	93.22	274,802.4	93.49
Special mention	14,297.3	4.64	13,378.2	4.55
Subtotal	301,242.9	97.86	288,180.6	98.04
Substandard	4,001.3	1.30	3,130.8	1.07
Doubtful	2,008.5	0.65	2,071.1	0.70
Loss	569.7	0.19	563.2	0.19
Subtotal	6,579.5	2.14	5,765.1	1.96
Gross amount of loans and advances to customers	307,822.4	100.00	293,945.7	100.00

As of 31 December 2020, according to the five-category loan classification, the normal loans amounted to RMB286,945.6 million, accounting for 93.22% of all the loans of the Bank, representing an increase of RMB12,143.2 million as compared to that as of 31 December 2019. Loans classified as special mention were RMB14,297.3 million, accounting for 4.64% of all loans, representing an increase of RMB919.1 million as compared to that as of 31 December 2019. The non-performing loans were RMB6,579.5 million, representing an increase of RMB814.4 million as compared to that as of 31 December 2019 with a non-performing loan ratio⁽¹⁾ of 2.14%, representing an increase of 0.18 percentage point as compared to that as of 31 December 2019, primarily due to the weakened repayment ability of individual corporate customers and individual customers of the Bank.

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 2020		As of 31 December 2019	
	Amount	% of the total (%)	Amount	% of the total (%)
	<i>(Amounts in millions of RMB, except percentages)</i>			
Real estate	35,926.5	24.2	35,254.4	23.1
Leasing and business services	23,428.4	15.8	22,454.9	14.6
Manufacturing	23,253.0	15.7	26,373.2	17.2
Wholesale and retail	22,138.6	14.9	23,834.4	15.5
Construction	17,593.5	11.8	17,205.7	11.2
Water, environment and public facilities management	11,727.5	7.9	13,145.1	8.6
Transportation, storage and postal services	3,188.2	2.1	3,608.9	2.4
Finance	3,103.9	2.1	2,662.6	1.7
Production and supply of electricity, heat, gas and water	2,603.0	1.8	2,952.5	1.9
Resident services, repair and other services	1,061.7	0.7	1,822.0	1.2
Agriculture, forestry, animal husbandry and fishery	1,016.5	0.7	610.5	0.4
Culture, sports and entertainment	881.9	0.6	671.4	0.4
Accommodation and catering	744.3	0.5	742.7	0.5
Information transmission, software and information technology services	679.7	0.5	609.3	0.4
Scientific research and technical services	456.4	0.3	272.7	0.2
Mining	366.7	0.2	657.8	0.4
Health and social services	354.3	0.2	257.3	0.2
Education	48.7	0.0	40.4	0.0
Public administration, social security and social organisation	0.0	0.0	153.4	0.1
Total corporate loans⁽¹⁾	148,572.8	100.0	153,329.2	100.0

Note:

(1) Consist of finance lease receivables.

Management Discussion and Analysis

In 2020, the Bank actively supported the development of the real economy with its loans structure further optimised. As of 31 December 2020, loans provided to customers in the industries of (i) real estate, (ii) leasing and business service, (iii) manufacturing, (iv) wholesale and retail, and (v) construction represented the top five largest components of the Bank's corporate loans. As of 31 December 2020 and 31 December 2019, the balance of loans provided to the corporate customers in these five industries were RMB122,340.0 million and RMB125,122.6 million, respectively, accounting for 82.4% and 81.6% of the total corporate loans and advances issued by the Bank, respectively. The percentage of the Bank's real estate loans is in accordance with regulatory requirements.

Distribution of Non-Performing Corporate Loans by Industry

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

	As of 31 December 2020			As of 31 December 2019		
	Amount	% of the total (%)	NPL ratio ⁽¹⁾ (%)	Amount	% of the total (%)	NPL ratio ⁽¹⁾ (%)
<i>(Amounts in millions of RMB, except percentages)</i>						
Manufacturing	1,722.9	45.6	7.41	1,834.3	42.5	6.96
Wholesale and retail	1,620.3	43.0	7.32	1,768.1	41.0	7.42
Construction	208.6	5.5	1.19	251.6	5.8	1.46
Accommodation and catering	74.5	2.0	10.01	74.5	1.7	10.03
Leasing and business services	47.5	1.3	0.20	0.0	0.0	0.00
Transportation, storage and postal services	41.8	1.1	1.31	47.8	1.1	1.32
Agriculture, forestry, animal husbandry and fishery	30.3	0.8	2.98	10.7	0.2	1.75
Real estate	19.2	0.5	0.05	61.2	1.4	0.17
Scientific research and technical services	5.9	0.2	1.29	12.0	0.3	4.40
Mining	0.0	0.0	0.00	209.9	4.9	31.91
Information transmission, software and information technology services	0.0	0.0	0.00	46.9	1.1	7.70
Total non-performing corporate loans⁽²⁾	3,771.0	100.0	2.54	4,317.0	100.0	2.82

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 6.96% and 7.41% as of 31 December 2019 and 31 December 2020, respectively. As of 31 December 2019 and 31 December 2020, non-performing corporate loans to borrowers in this industry accounted for 42.5% and 45.6% of our total non-performing corporate loans, respectively. As of 31 December 2020, the Bank's balance of non-performing corporate loans from manufacturing decreased by 6.1% year-on-year. The increase in the non-performing loan ratio for our corporate loans to borrowers in the manufacturing industry was primarily due to the decreased profitability of certain manufacturing customers leading to weakened repayment ability as resulted from the impact of COVID-19 epidemic.

As of 31 December 2020, the balance of non-performing corporate loans of our wholesale and retail industry decreased by 8.4% year-on-year. The non-performing loan ratios for our corporate loans in the wholesale and retail industry were 7.42% and 7.32% as of 31 December 2019 and 31 December 2020, respectively. As of 31 December 2019 and 31 December 2020, non-performing corporate loans to borrowers in this industry accounted for 41.0% and 43.0% of our total non-performing corporate loans, respectively. The decrease of our non-performing loan ratio for our corporate loans to borrowers in the wholesale and retail industry was primarily because the Bank strengthened the collection and resolution of non-performing loans in 2020.

As of 31 December 2020, the Bank's balance of non-performing corporate loans from the construction industry decreased by 17.1% year-on-year. The non-performing loan ratios for our corporate loans in the construction industry were 1.46% and 1.19% as of 31 December 2019 and 31 December 2020, respectively. As of 31 December 2019 and 31 December 2020, non-performing corporate loans to borrowers in this industry accounted for 5.8% and 5.5% of our total non-performing corporate loans, respectively. The decrease in our non-performing loan ratio for our corporate loans to borrowers in the construction industry was primarily because the Bank strengthened the collection and resolution of non-performing loans in 2020.

The non-performing loan ratios for our corporate loans in the accommodation and catering industry were 10.03% and 10.01% as of 31 December 2019 and 31 December 2020, respectively. As of 31 December 2019 and 31 December 2020, non-performing corporate loans to borrowers in this industry accounted for 1.7% and 2.0% of our total non-performing corporate loans, respectively. The decrease in our non-performing loan ratio for our corporate loans to borrowers in the accommodation and catering industry primarily reflects that the Bank strengthened the collection and resolution of non-performing loans in 2020.

The non-performing loan ratios for our corporate loans in the leasing and business services were 0.00% and 0.20% as of 31 December 2019 and 31 December 2020, respectively. As of 31 December 2019 and 31 December 2020, non-performing corporate loans to borrowers in this industry accounted for 0.0% and 1.3% of our total non-performing corporate loans, respectively. The increase in our non-performing loan ratio for our corporate loans to borrowers in the leasing and business services was primarily due to the decrease in profitability of certain customers of the Bank in the leasing and business services, resulting in a weakened repayment ability.

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 2020			As of 31 December 2019		
	Amount	% of the total (%)	NPL ratio ⁽¹⁾ (%)	Amount	% of the total (%)	NPL ratio ⁽¹⁾ (%)
<i>(Amounts in millions of RMB, except percentages)</i>						
Corporate loans⁽²⁾						
Working capital loans	3,508.9	53.3	4.78	3,903.7	67.7	4.92
Fixed asset loans	129.2	2.0	0.21	62.5	1.1	0.11
Trade finance	0.0	0.0	0.00	22.9	0.4	0.27
Others ⁽³⁾	132.9	2.0	3.77	327.9	5.7	6.41
Subtotal	3,771.0	57.3	2.54	4,317.0	74.9	2.82
Discounted bills	0.0	0.0	0.00	28.6	0.5	0.21
Subtotal	0.0	0.0	0.00	28.6	0.5	0.21
Personal loans						
Personal consumption loans	2,092.4	31.8	2.41	885.3	15.3	0.97
Personal business loans	572.9	8.7	2.82	448.7	7.8	3.94
Residential mortgage loans	100.0	1.5	0.39	55.7	1.0	0.25
Credit card overdrafts	43.2	0.7	1.93	29.8	0.5	1.72
Subtotal	2,808.5	42.7	2.08	1,419.5	24.6	1.12
Total non-performing loans	6,579.5	100.0	2.14	5,765.1	100.0	1.96

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 decreased from 2.82% as of 31 December 2019 to 2.54% as of 31 December 2020, with a 12.6% decrease in our non-performing corporate loans from RMB4,317.0 million to RMB3,771.0 million. The decrease in our non-performing corporate loans was primarily because the Bank strengthened the collection and resolution of non-performing loans.

The non-performing loan ratio for our personal loans increased from 1.12% as of 31 December 2019 to 2.08% as of 31 December 2020, with a 97.9% increase in our non-performing personal loans from RMB1,419.5 million as of 31 December 2019 to RMB2,808.5 million as of 31 December 2020. The increase in the non-performing loan ratio for our personal loans was primarily due to weakened repayment ability of certain individual customers resulted from the impact of COVID-19 epidemic. The increase in our non-performing personal loan balances from 31 December 2019 was primarily due to the increase in non-performing balance of personal consumption loans.

The non-performing loan ratio for our discounted bills decreased from 0.21% as of 31 December 2019 to 0.00% as of 31 December 2020 and our non-performing loans for discounted bills decreased from RMB28.6 million as of 31 December 2019 to RMB0.0 million as of 31 December 2020. The decrease in the non-performing loan ratio for our discounted bills was primarily because the Bank strengthened the collection and resolution of non-performing loans in 2020.

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 2019 and 31 December 2020.

	As of 31 December 2020			As of 31 December 2019		
	Amount	% of the total (%)	NPL ratio ⁽¹⁾ (%)	Amount	% of the total (%)	NPL ratio ⁽¹⁾ (%)
	<i>(Amounts in millions of RMB, except percentages)</i>					
Tianjin	1,463.0	22.2	1.16	1,585.5	27.4	1.36
Beijing	514.7	7.8	3.24	397.0	6.9	1.60
Shandong Province	1,175.0	17.9	3.31	891.0	15.5	2.61
Shanghai	1,960.3	29.8	2.43	1,039.1	18.0	1.44
Hebei Province	808.1	12.3	3.09	1,663.5	28.9	7.20
Sichuan Province	641.3	9.7	2.81	178.2	3.1	0.81
Ningxia	17.1	0.3	1.81	10.8	0.2	1.17
Total non-performing loans	6,579.5	100.0	2.14	5,765.1	100.0	1.96

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 2019 and 31 December 2020.

	As of 31 December 2020		As of 31 December 2019	
	Amount	% of the total (%)	Amount	% of the total (%)
<i>(Amounts in millions of RMB, except percentages)</i>				
Unsecured loan	118,069.5	38.4	109,527.3	37.3
Guaranteed loan	96,701.7	31.4	97,674.7	33.2
Collateralised loans ⁽¹⁾	70,600.8	22.9	68,449.1	23.3
Pledged loans ⁽¹⁾	22,450.4	7.3	18,294.6	6.2
Total loans and advances to customers	307,822.4	100.0	293,945.7	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 2020, the Bank's total loans to its largest single borrower accounted for 4.35% of its regulatory capital while total loans to its top ten customers accounted for 32.79% of its regulatory capital, which were in compliance with regulatory requirements.

a. Indicators of concentration

Major regulatory indicators	Regulatory standard	As of 31 December 2020	As of 31 December 2019
Loan concentration ratio for the largest single customer (%)	<=10	4.35	4.38
Loan concentration ratio for the top ten customers (%)	<=50	32.79	31.76

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 our loan exposure to our top ten largest single borrowers as of the date indicated.

Industry	As of 31 December 2020			Classification	
	Amount	% of the total loans (%)	% of regulatory capital ⁽¹⁾ (%)		
<i>(Amounts in millions of RMB, except percentages)</i>					
Borrower A	Construction	2,998.5	0.97	4.35	Normal
Borrower B	Leasing and business services	2,938.0	0.96	4.27	Normal
Borrower C	Real estate	2,416.0	0.79	3.51	Normal
Borrower D	Manufacturing	2,349.0	0.76	3.41	Normal
Borrower E	Manufacturing	2,279.4	0.74	3.31	Normal
Borrower F	Real estate	2,255.0	0.73	3.27	Normal
Borrower G	Leasing and business services	1,895.0	0.62	2.75	Normal
Borrower H	Manufacturing	1,858.8	0.60	2.70	Normal
Borrower I	Wholesale and retail	1,797.0	0.59	2.61	Special mention
Borrower J	Wholesale and retail	1,794.0	0.58	2.61	Normal
Total		22,580.7	7.34	32.79	

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 2020, the loan balance of the largest single borrower of the Bank was RMB2,998.5 million, accounting for 0.97% of the total amount of loans of the Bank, and the total amount of loans of the top ten single borrowers was RMB22,580.7 million, representing 7.34% 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 2020		As of 31 December 2019	
	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	4,577,681	1.49	3,689,078	1.25
Past due 90 days to 1 year	5,496,738	1.78	1,902,002	0.65
Past due 1 to 3 years	1,531,285	0.50	2,018,500	0.69
Past due more than 3 years	679,052	0.22	1,767,617	0.60
Total	12,284,756	3.99	9,377,197	3.19

Changes to allowance for impairment losses of loans

The allowance for impairment losses of loans decreased by 5.1% from RMB12,716.4 million as of 31 December 2019 to RMB12,070.1 million as of 31 December 2020. The decrease was primarily due to the fact that the Bank strengthened the write-off of its non-performing assets.

	As of 31 December 2020		As of 31 December 2019	
	Amount	NPL ratio ⁽²⁾ (%)	Amount	NPL ratio ⁽²⁾ (%)
<i>(Amounts in millions of RMB, except percentages)</i>				
Beginning of the year	12,716.4	1.96	11,845.7	1.64
Net provisions for the year ⁽¹⁾	7,297.5		5,083.1	
Write-off and transfers	(8,126.5)		(4,172.0)	
Recovery	297.5		70.9	
Other changes	(114.8)		(111.3)	
End of the year	12,070.1	2.14	12,716.4	1.96

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			
	2020		2019	
	Amount	% of the total (%)	Amount	% of the total (%)
<i>(Amounts in millions of RMB, except percentages)</i>				
Tianjin	8,974.7	52.2	8,933.2	52.4
Shanghai	3,297.3	19.2	2,915.1	17.1
Sichuan Province	1,408.1	8.2	1,233.0	7.2
Beijing	1,361.6	7.9	1,887.4	11.1
Shandong Province	1,276.3	7.4	1,245.1	7.3
Hebei Province	797.1	4.6	724.5	4.2
Ningxia	81.6	0.5	115.4	0.7
Total	17,196.7	100.0	17,053.7	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			
	2020		2019	
	Amount	% of the total (%)	Amount	% of the total (%)
	<i>(Amounts in millions of RMB, except percentages)</i>			
Corporate Banking Business	6,267.9	36.4	6,455.7	37.9
Personal Banking Business	6,534.3	38.1	6,335.8	37.2
Treasury Operations Business	4,341.2	25.2	4,228.9	24.7
Others ⁽¹⁾	53.3	0.3	33.3	0.2
Total	17,196.7	100.0	17,053.7	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 2019, our Bank's capital adequacy ratio met the regulatory requirements under such regulations. As of 31 December 2020, the capital adequacy ratio was 14.48%, which slightly dropped by 0.76 percentage point in comparison to the ratio as of 31 December 2019 and tier-one capital adequacy ratio and core tier-one capital adequacy ratio were 11.12% and 11.12%, respectively, which were 0.49 and 0.50 percentage point higher than those as of 31 December 2019, respectively. The slight decrease in our capital adequacy ratio was mainly due to the redemption of the tier-two capital bonds with the face value of RMB5 billion in 2020, while the increase in tier-one capital adequacy ratio and core tier-one capital adequacy ratio was primarily due to increased capital from internal sources as a result of increased earnings.

Management Discussion and Analysis

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

	As of 31 December 2020	As of 31 December 2019
Core capital		
– Share capital	6,070.6	6,070.6
– Capital reserve and investment revaluation reserve	10,340.2	10,819.7
– Surplus reserve	3,352.5	3,352.5
– General reserve	9,213.6	9,198.3
– Retained earnings	24,153.3	20,953.8
– Non-controlling interests that may be included	213.8	206.9
Total core capital	53,344.0	50,601.8
Core tier-one capital	53,344.0	50,601.8
Core tier-one capital deductible items	(484.8)	(396.5)
Net core tier-one capital	52,895.2	50,205.3
Net tier-one capital	52,887.7	50,232.9
Tier-two capital		
– Net tier-two capital instruments and related premiums	10,420.0	16,260.0
– Surplus allowance for impairment losses on loans	5,490.6	5,516.5
– Non-controlling interests that may be included	57.0	55.2
Total tier-two capital	15,967.6	21,831.7
Net capital	68,855.3	72,064.6
Total risk-weighted assets	475,546.0	472,772.3
Core tier-one capital adequacy ratio (expressed in percentage)	11.12	10.62
Tier-one capital adequacy ratio (expressed in percentage)	11.12	10.63
Capital adequacy ratio (expressed in percentage)	14.48	15.24

As of 31 December 2020, the Bank's leverage ratio was 7.38%.

Management Discussion and Analysis

	As of 31 December 2020	As of 31 December 2019
Leverage ratio	7.38%	7.12%

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 2020, we continuously enhanced our comprehensive risk management system and improved our risk control, continued to facilitate the establishment of an integrated and comprehensive risk management system through which we have managed to successfully meet relevant regulatory requirements, mitigate risks associated with general unstable economic conditions, and secure the sustainable development of our business. In particular, the 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 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. Our Bank is exposed to credit risks primarily associated with 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 risks so as to control credit risks 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 is developing an internal rating system on credit risks for retail and non-retail business to effectively manage the review, monitoring and risk alerts in the course of our credit extension, so as to further enhance our credit risk control capability.

Operational risk

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

Our Bank has improved our operational risk management system. We have implemented 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 strictly adheres to 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. Multi-dimensional educative activities have been carried out across the Bank to enhance risk prevention and warning education.

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 undertakes the ultimate responsibility for 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 scale 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 data 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 and Disposal of Bank of Tianjin 《天津銀行信息科技風險監測評估與處置管理辦法》. Meanwhile, since the outbreak of the COVID-19 epidemic, the Bank timely formulated a bankwide business continuity management work plan in response to the epidemic, carried out the information technology outsourcing risk screening, and strictly prevented the epidemic and information technology risks.

Management Discussion and Analysis

X BUSINESS REVIEW

Corporate Banking Business

In 2020, as to our corporate banking business, we focused on serving the real economy, insisted on the return to our origins and steadily promoted the innovation and development of the Company's business. The Bank continuously improved the layout of corporate banking and the structure of corporate customers by adhering the principal of "Four Tailor-made Approaches", allocated credit resources into the strategic emerging industries and innovative technologies, supported all walks of life to resume operation and the demand for steady supply of finance following the pandemic, stepped up its efforts on credit in green and environmental industries, strategic emerging industries, advanced manufacturing industries, and industries including the new generation of information technology, integrated circuits, high-end equipment, new materials and biomedical industry, so as to provide high-quality financial services for the development of real economy.

For the year ended 31 December 2020, our operating income from corporate banking business amounted to RMB6,267.9 million, accounting for 36.4% of the total operating income over the same period, representing a decrease of 2.9% as compared to the same period last year.

As of 31 December 2020, the balance of our corporate loans (excluding discounted bills and finance leases receivable) amounted to RMB145,451.5 million, representing a decrease of 2.0% as compared to that of 31 December 2019. As of 31 December 2020, our total corporate deposits amounted to RMB252,705.8 million, representing a decrease of 2.8% as compared to that of 31 December 2019.

The Bank has thoroughly implemented the decisions and deployment of Party Central Committee and the State Council on the ecological civilisation construction, and the work arrangements of financial regulatory authorities on the development of green finance, and adhered to the principal of ecological priority and green development, actively provided credit support and financial services for green industry and energy-saving and environment-friendly enterprises, so as to promote the recovery and the high-quality development of green economy. As of the end of the Reporting Period, our balance on energy saving and green projects and service loans reached RMB7.44 billion.

In 2020, the Bank's transaction banking business focused on the strategic planning requirements of "speeding up to set up a modern transaction bank", strengthened product application, supported the resumption of work and production, served small and micro enterprises to successfully complete various tasks and meet the targets throughout the year. For the year ended 31 December 2020, the intermediary business income of our transaction banking business amounted to RMB251.8 million.

Management Discussion and Analysis

Personal Banking Business

In 2020, the Bank's retail business was severely affected by the epidemic. We further implemented the "boundless connections" business development strategy to efficiently promote implementation of its measures, resulting in high quality development in its business indicators, with many indicators reaching record highs. The Bank was also honored the "Outstanding Retail Bank Award (傑出零售銀行獎)" in the 2020 Financial Sector Leadership China Annual Awards (2020 金融界領航中國年度評選) and the "Best Credit Card Cross-Sectors Partnership of the Year Award (年度最佳信用卡跨界合作獎)" hosted by the 2020 Financial Digital Development Alliance (2020年金融數字化發展聯盟). The Bank proactively explored local market, continued to strengthen cooperation with social security authorities of Tianjin, enriched the functions and rights of social security cards and actively promote the use of social security cards to issue social insurance benefits, thus significantly increasing the customers of and deposits in current saving accounts of the social security cards. The Bank also successfully obtained the qualification of third generation social security card issuer, and undertook the third generation social security card debut ceremony in the Binhai New Area. The Bank intensively explored the financial and non-financial needs of customers in various scenarios so as to explore financial innovation close to the lives of the general public and serve for people's livelihood, providing customers with comprehensive three-dimensional services.

For the year ended 31 December 2020, the operating income from our personal banking business amounted to RMB6,534.3 million, accounting for 38.1% of our total operating income over the same period and representing an increase of 3.1% as compared to the same period of last year.

As of 31 December 2020, balance of our personal loans reached RMB134,982.3 million, accounting for 43.9% of our total loans to customers. As of 31 December 2020, our personal consumption loans, residential mortgage loans, personal business loans and credit card overdrafts amounted to RMB86,895.0 million, RMB25,506.2 million, RMB20,339.4 million and RMB2,241.7 million, respectively, and accounted for 64.3%, 18.9%, 15.1% and 1.7%, respectively, of our total personal loans. As of the same date, our total personal deposits amounted to RMB87,808.7 million, representing an increase of 20.0% as compared to that on 31 December 2019.

In 2020, on the basis of maintaining the rapid development of the "Meituan Joint Credit Card (美團聯名信用卡)" product, the Bank's credit card business continued to improve the product functions and successively opened up the product's upstream and downstream SMS installment (上下行短信分期), one-click installment (一鍵分期), flexible installment (靈活分期) as well as cash installment within the credit limit and cash installment within the exclusive account limit for different transactions, limits and channels, meeting the needs for funds of different customer groups while enhancing customer experience. Meanwhile, with improving prevention and control of the COVID-19, the Bank actively supported the full resumption of work and production of the consumer catering industry by making full use of the "Bank of Tianjin Credit Card Official WeChat (天津銀行信用卡官方微信)", the "Bank of Tianjin Official WeChat (天津銀行官方微信)" and Meituan's platform channels to promote featured rights and benefits activities of Meituan's Joint Credit Card such as "Order take-away and save 6 yuan every day (訂外賣·天天減6元)", "Swipe card every day and get a red packet for every pay (天天刷·筆筆抽紅包)" and "Eat gourmet and get 50% off on top of discount every week (吃美食·周周折上5折)" to help recovery of the real economy in the consumer sector.

Management Discussion and Analysis

Small and Micro Inclusive Financial Services

In 2020, especially since the outbreak of the epidemic, our Bank has responded quickly, thoroughly implemented the work arrangements of the Party Central Committee, the State Council and regulatory agencies about strengthening the work deployment for financial supports to small and micro enterprises. These include resolutely taking helping small and micro enterprises solve their difficulties as the top priority of current tasks, organising and promoting branches to strengthen service access to small and micro enterprises, actively realising the spirit of financial support policies by increasing the proportion of inclusive loans to small and micro enterprises, and further reducing the interest rate for loans to small and micro enterprises to fully satisfy their financing needs in areas such as epidemic prevention and production as well as work and production resumption, hence providing more accurate and efficient small and micro inclusive financial services for the development of the real economy.

Our Bank has established a comprehensive small and micro inclusive financial services system. In terms of organisational system, special committees under the Board of Directors and senior management at the head office level have been set up to be responsible for the establishment, development and management of the small and micro inclusive financial services system, while branches at all levels are responsible for devoting to small and micro inclusive financial services and building a long-term mechanism for small and micro inclusive financial services at multiple levels through special policy support, building special teams and improving professional ability. In 2020, our Bank continued to implement the “dual-track” strategy for online and offline businesses and empower the small and micro inclusive finance areas with technology which focused on small and micro inclusive financial customers, using big data technologies and relevant electronic channels and the help of online loan products such as “e-Loan for taxpayers” (銀稅e貸), “e-Loan for supermarkets” (商超e貸) and “Tianhangyongbei-Small and micro merchant business loan” (天行用唄—小微商戶經營貸) to quickly and efficiently release credit funds to realise full access to long-tail, first loan and inclusive customer groups, providing small and micro customer groups with “precise dripping and irrigation” of financial running water, hence effectively helping their recovery and resume work and production of the real economy. As of 31 December 2020, our inclusive loans to small and micro enterprises amounted to RMB25,508.1 million, representing an increase of 113.7% as compared to 31 December 2019. Number of clients for inclusive loans to small and micro enterprises increased by 27.9% to 507,592. In 2020, the weighted average interest rate of newly released inclusive loans to small and micro enterprises was 7.56%, representing a decrease of 2.37 percentage points over the same period in 2019.

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 2020, 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 RMB37 million and net profit of RMB7.7 million in 2020, respectively. Ningxia Tongxin Village Bank (寧夏同心村鎮銀行), our another consolidated subsidiary, recorded operating income of RMB44.6 million and net profit of RMB23.2 million in 2020, respectively. As of 31 December 2020, our inclusive agriculture-related loan balance amounted to RMB2,231.1 million, among which, the inclusive agriculture-related loan balance in Tianjin reached RMB1,026.0 million, representing an increase of 41.9% as compared to that of 31 December 2019.

Management Discussion and Analysis

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 2020, total assets and net profit of Bank of Tianjin Financial Leasing Co., Ltd. amounted to RMB8,253.6 million and RMB60.5 million, respectively.

Treasury Operations Business

In 2020, guided by regulatory policies, the Bank adhered to the dual-track strategy of “transformation + innovation”, continuously optimised the business structure of the financial market and strengthened refined management of risk compliance to fully utilise the advantages of financial market products and interbank channels; focused on four areas including improving our investment in assets, strengthening debt management, increasing product innovation and deepening customer marketing; intensified allocation of standardised and high-liquidity assets such as bonds, asset-backed securities, and public funds, etc.; actively engaged in self-operation and trading on behalf of clients of bonds, foreign exchange, derivatives and precious metals; expanded our source of financing, decreased liability cost, strengthened active debt management to continuously improve the FICC (Fixed income, Currency & Commodity) product business system that integrates investment and financing and trading business, while kept on building it as centres of the Bank’s significant profit, innovation products, financial market trading as well as a channel between other banks and clients to promote the high quality development of financial market business.

As of 31 December 2020, our operating income in treasury operations business was RMB4,341.2 million, accounting for 25.2% of our Bank’s total operating income, representing an increase of 2.7% as compared to the same period last year.

As of 31 December 2020, our Bank possessed business qualifications such as a member of Ministry of Finance book-entry treasury bond underwriting syndicates; local government bond underwriting syndicates in Tianjin, Shanghai, Hebei and Shandong; financial debt underwriting syndicates of the three major policy banks (China Development Bank, China Export-Import Bank and Agricultural Development Bank of China); A-class lead underwriting qualification for debt financing instruments of non-financial enterprise in the inter-bank market; the license for hedging derivatives trading; qualifications of core dealer of CRMW instruments; issuing institution of CRMW and issuing institution of credit-linked notes, business qualifications for interbank gold price asking transactions through the Shanghai Gold Exchange; as well as business qualifications including qualification for interest rate swaps and standard bond forward business, online interbank depository participant, and membership of China Foreign Exchange Trade System for inter-bank forex trading in Shanghai Free-Trade Zone (上海自貿區). During 2020, the Bank has successively obtained several business qualifications including qualification as one of the first batch of institutions trading interest rate swap options and interest rate collar options in the inter-bank market, qualification to undertake real-time interest rate swap transactions, qualification as type A member of the Shanghai Gold Exchange international business, business qualification as trustee for debt financing instruments of non-financial enterprise and successively carried out the first blockchain receivable transfer business of the Yindeng Center, the first foreign currency repurchase business with domestic bonds as collateral, successfully participated in the first-day trading of the agricultural development bonds forward contract, and actively participated in the linked LPR asset investment transaction business, laying a solid foundation for exploration into and development of our new business.

Management Discussion and Analysis

In 2020, in respect of financial market business, the Bank was awarded the “Core Traders”, “Outstanding Bond Market Traders” and “Innovation Award for Trading Mechanism” in Interbank Local Currency Market in 2020 by National Interbank Funding Centre of China, and awarded the “Top 100 Outstanding Self-operated Traders in Settlement” in 2020 by China Central Depository & Clearing Co., Ltd. Bond lending business was ranked eighth in terms of “Bond Lending Transaction Settlement-January to December 2020” of China Central Depository & Clearing Co., Ltd., ranking 57 places higher as compared with 2019. The Bank obtained good result by being ranked No. 1 in the volume of spot trading of government bonds as a member of Ministry of Finance book-entry treasury bond underwriting syndicates in 2020. Relying on its outstanding performance in the interbank bond market, the Bank has been granted awards including “Outstanding Underwriter in Interbank Market”, “Best Progress Award”, “Most Socially Responsible Award”, and “Special Variety Award” by the China Development Bank in 2020, “Outstanding Underwriter” and “Special Contribution Award” of financial bonds by China Export-Import Bank in 2020, and “Award of Having Most Potential” of financial bonds by Agriculture Development Bank of China in 2020. With outstanding performance in the “X-Series” trading, the Bank was successively ranked among the monthly lists of “X-Repo” and “X-Lending”. Regarding investment banking business, the Bank won several awards such as the “Golden Jubilee Award • 2020 Outstanding Investment Bank (金禧獎•2020 優秀投資銀行)”, the “Best Underwriter of Credit Bonds-Outstanding City Commercial Bank Award (最佳信用類債券承銷商 — 卓越城商行獎)”, the “Bond Underwriting Fast Progress Award (債券承銷快速進步獎)” and the “Best Underwriter of NAFMII issued Bonds Award (最佳 NAFMII 債券承銷商 — 卓越城商行)”. In respect of asset management business, the Bank was awarded “2020 Outstanding Bank of the Banking Industry in terms of Wealth Management Information Registration Work (2020年度銀行業理財登記優秀銀行)” with its outstanding performance in the work of registering wealth management information.

Money Market Transactions

For the year ended 31 December 2020, 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 strengthened money market transactions. In 2020, our transaction volume in the local currency money market was RMB14.42 trillion, representing a year-on-year increase of 45%, and our transaction volume in the foreign currency money market was US\$218.836 billion, representing a year-on-year increase of 63%; our transaction volume in the bill market amounted to RMB133.626 billion, representing a year-on-year increase of 340.2%. While meeting our liquidity needs, our activities in the market increased significantly.

Secondly, we broadened our liability channels. On the one hand, we flexibly utilised various money market tools including certificates of deposit, bond repurchase, inter-bank placement, inter-bank foreign currency placement and MLF (中期借貸便利) to obtain financial support and reduced finance costs while ensuring liquidity security; on the other hand, we actively developed business methods such as rediscounting and refinancing through the People’s Bank of China to serve the financing needs of the real economy.

Management Discussion and Analysis

Fixed Income Business

For the year ended 31 December 2020, the Bank further strengthened research and analysis on the change of financial market and policy environment, and proactively participated in bond sales and trading business, continued to optimise asset allocation, and strived to improve profitability.

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. The Bank continuously leveraged 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, Shanghai, Hebei, Shandong and other regions. In 2020, the accumulated underwriting amount of treasury bonds, local government bonds and policy bank bonds amounted to RMB155.8 billion, representing a year-on-year increase of 79%. The Bank also actively participated in the underwriting of financial bonds in the theme against the epidemic by three major policy banks, and the underwriting of trillions of special national bonds against the epidemic by the Ministry of Finance, which were recognised through a letter of appreciation from the Department of Treasury under the Ministry of Finance. We have actively fulfilled our social responsibilities while further expanded our source of non-interests income.

Secondly, we engaged further in bond transactions, strengthened market analysis, grasped opportunities of market fluctuations to carry out bond transactions while achieving higher gains. In 2020, our scale in spot trading amounted to RMB6.5 trillion, an increase of 18% year-on-year; our transaction volume of bond lending was RMB341.94 billion, a year-on-year increase of 16 times, and our participation in the market further increased.

Thirdly, we continued to optimise our investment portfolio, enhanced the quality of investment in assets and improved the comprehensive contribution for business. In 2020, the Bank continued to moderately allocated high-grade credit bonds, asset-backed securities and other corporate credit bonds, while actively participated in the investment in epidemic prevention and control bonds issued by companies as well as effectively built up support for economic development of service entities, taking into account economic and social benefits.

Management Discussion and Analysis

Forex and Precious Metal Transactions

For the year ended 31 December 2020, the Bank continuously consolidated and enhanced the capabilities and standards of the foreign exchange and precious metal business, laying the foundation for practically promoting financial market business transformation and innovation. Our Bank further accelerated the building of relationship among 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. During the year, our total volume of foreign exchange transactions amounted to US\$255.03 billion, a year-on-year increase of 73%; our total volume of precious metal transactions amounted to RMB3.392 billion, representing a year-on-year increase of 138.2%.

We actively carried out foreign currency repurchase innovation business. In 2020, we successfully launched the first foreign currency repurchase business with domestic bonds as collateral. As of the end of the year, foreign currency repurchase transactions amounted to approximately US\$34.8 billion, a transaction volume which was at the forefront of the market. While enriching the Bank's foreign currency financing instruments, lowering the cost of foreign currency financing and releasing facility limits, the transactions will further provide the liquidity of our bonds under custody in Shanghai Clearing House and improving its efficiency.

Treasury Business Conducted on Behalf of Customers

For the year ended 31 December 2020, the wealth management business of 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 2020, 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 customer cycle type and the enhanced fixed income type. By the end of 2020, the size of net worth wealth management products reached RMB88,736.4 million, representing an increase in its proportion to the overall figure to 89% from 50% at the beginning of the year.

Secondly, we optimised asset allocation and strengthened portfolio management. 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 continuously 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 proactive management of equity assets. With the overall downward trend in market interest rates, through strengthening portfolio management, the Bank ensured that profitability of its wealth management business maintained a good level.

Management Discussion and Analysis

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 2020, the proportion of our basic core wealth management customers increased to 95% from 81% at the beginning of the year. In particular, the size of our existing wealth management business for individuals reached RMB91,812.5 million and its proportion to the overall figure also increased to 92% from 78% at the beginning of the year.

As of 31 December 2020, the total outstanding amount of wealth management products issued by us was RMB99,975.5 million, representing a decrease of 9.5% year-on-year. For the year ended 31 December 2020, the net fee and commission income from the wealth management products issued by the Bank amounted to RMB1,516.9 million, representing an increase of 6.2% year-on-year.

Investment Banking Business

In 2020, the Bank’s investment banking business vigorously developed in the businesses of bond underwriting and asset securitisation. During the pandemic, the Bank underwrote epidemic prevention and control bonds of RMB1.52 billion, which involves lead underwriting of epidemic prevention and control ultra-short-term financing bonds of RMB200 million for Tasly Holding Group, being the first Credit Risk Mitigation Warrant (CRMW) for epidemic prevention and control issued by a city commercial bank in China. The Bank also underwrote RMB200 million for Lionbridge Leasing, which was the first epidemic prevention and control bond issued to private leasing corporation in the national interbank market. Through lead underwriting inter-bank bonds, the Bank raised RMB15.65 billion for enterprises in the city, representing a year-on-year increase of 139.48% and ranking the first among corporate financial institution in Tianjin. The Bank has effectively served local economy and promoted the realisation of “win twice in two fights”.

In 2020, as Category A inter-bank lead underwriter, the Bank has underwritten a total of RMB29.5 billion in inter-bank market bonds. Among the bonds, the Bank underwrote national inter-bank market asset-backed notes (ABN) in an aggregate of RMB9,088 million, representing a year-on-year increase of 749% and ranking the fourth among city commercial banks. The bonds were consisted of the underwriting of small and micro business loans asset-backed notes (ABN) of RMB2 billion, which helped small, medium and micro-sized enterprises to broaden financing channels, and the lead underwriting of asset-backed commercial papers (ABCP) with an aggregate of RMB4,388 million. The Bank successfully launched mergers and acquisitions loan business with strengthened control, which could be used in project capital and provided mid and long-term capital support for the key construction project “Annual Production of 5Gwh of Lithium-ion Power Battery Project” of Tianjin City for 2020, effectively serving the real economy.

International Business

For the year ended 31 December 2020, our Bank’s international settlement volume amounted to US\$5,857.1 million.

Changes in Share Capital and Information on Shareholders

I. CHANGES IN SHARES OF THE BANK

Share capital

As of 31 December 2020, 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 2020		Changes during the Reporting Period	31 December 2020	
	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%	(869,536)	3,978,132,102	65.53%
Domestic natural persons	326,951,121	5.39%	869,536	327,820,657	5.40%
H shares	1,764,599,063	29.07%	–	1,764,599,063	29.07%
Other foreign shares	–	–	–	–	–
Total	6,070,551,822	100.00%	–	6,070,551,822	100.00%

Changes in Share Capital and Information on Shareholders

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

No.	Name of Shareholder	Total number of shares held at 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	Harbin Economic Development and Investment Co., Ltd. (哈爾濱經濟開發投資有限公司)	0	166,657,161	2.75
5	Tianjin Hi-tech Holding Group Co., Ltd. (天津海泰控股集團有限公司) ⁽¹⁾	149,056,239	149,056,239	2.46
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)	114,278,299	114,278,299	1.88
8	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
9	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
10	Tianjin Leadar Real Estate Co., Ltd. (天津立達房地產有限公司) ⁽²⁾	70,979,161	70,979,161	1.17
	Total	2,591,644,916	2,758,302,077	45.44

Notes:

- (1) Tianjin Hi-tech Holding Group Co., Ltd. (天津海泰控股集團有限公司) pledged its 149,056,239 Shares to Tianjin Branch of Industrial and Commercial Bank of China Limited (中國工商銀行股份有限公司天津市分行).
- (2) Tianjin Leadar Real Estate Co., Ltd. (天津立達房地產有限公司) pledged its 70,979,161 Shares to Tianjin Branch of China Minsheng Banking Corp., Ltd. (中國民生銀行股份有限公司天津分行).

Changes in Share Capital and Information on Shareholders

II. INFORMATION ON SHAREHOLDERS

As at 31 December 2020, the Bank had a total of 7,330 Shareholders.

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

As at 31 December 2020, 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 our Bank	Approximate % of the relevant class of Shares of the Bank
Tianjin Port Free Trade Zone Investment Co., Ltd. (天津保稅區投資有限公司) ⁽¹⁾	Beneficial owner	Domestic Shares	966,425,534	15.92	22.44
Tianjin Port Free Trade Zone Investment Holdings Co., Ltd. (天津保稅區投資控股集團有限公司) ⁽¹⁾	Interest of a controlled corporation	Domestic Shares	966,425,534	15.92	22.44
Australia and New Zealand Banking Group Limited (澳大利亞和新西蘭銀行集團有限公司) ⁽²⁾	Beneficial owner	H Shares	725,644,563	11.95	41.12
Tianjin Bohai Chemical Industry Group Co., Ltd. (天津渤海化工集團有限責任公司) ⁽³⁾	Beneficial owner	Domestic Shares	489,857,052	8.07	11.38
Tianjin Pharmaceutical Holdings Ltd. (天津市醫藥集團有限公司) ⁽⁴⁾	Interest of a controlled corporation	Domestic Shares	489,107,183	8.06	11.36
Jinshen Biological Medical Science and Technology Co., Ltd. (津滬深生物醫藥科技有限公司) ⁽⁴⁾	Interest of a controlled corporation	Domestic Shares	489,107,183	8.06	11.36
CSSC International Holding Company Limited ⁽⁵⁾	Beneficial owner	H Shares	303,193,000	4.99	17.18

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 our 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) ⁽⁵⁾	Interest of a controlled corporation	H Shares	303,193,000	4.99	17.18
Hong Kong Bohai Leasing Asset Management Corp., Limited (香港渤海租賃資產管理有限公司) ⁽⁶⁾	Beneficial owner	H Shares	106,993,500	1.76	6.06
Tianjin Bohai Leasing Co., Ltd. (天津渤海租賃有限公司) ⁽⁶⁾	Interest of a controlled corporation	H Shares	106,993,500	1.76	6.06
Bohai Leasing Co., Ltd. (渤海租賃股份有限公司) ⁽⁶⁾	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's Exchange (Stock Code: ANZ).
- (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.
- (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. Jinhushen Biological Medical Science and Technology Co., Ltd. (津滬深生物醫藥科技有限公司) is a controlling Shareholder of Tianjin Pharmaceutical Holdings Ltd. By virtue of the SFO, Jinhushen Biological Medical Science and Technology Co., Ltd. is 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) Tianjin Bohai Leasing Co., Ltd. (天津渤海租賃有限公司) is wholly-owned by Bohai Leasing Co., Ltd. (渤海租賃股份有限公司) (Stock Code: 000415.SZ). Hong Kong Bohai Leasing Asset Management Corp., Limited (香港渤海租賃資產管理有限公司) is wholly-owned by Tianjin Bohai Leasing Co., Ltd. As such, Bohai Leasing Co., Ltd. and Tianjin Bohai Leasing Co., Ltd. are deemed to be interested in the 106,993,500 Shares held by Hong Kong Bohai Leasing Asset Management Corp., Limited.

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, the 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 513. 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 RMB9.191 billion in total, representing 13.78% 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. SUN Ligu (孫利國)	57	Executive Director	11 May 2018
		Chairman	27 August 2020
Mr. WU Hongtao (吳洪濤)	49	Executive Director	15 January 2021
		President	23 November 2020
Ms. SUN Jingyu (孫靜宇)	52	Non-executive Director	8 June 2018
Ms. DONG Guangpei (董光沛)	40	Non-executive Director	30 June 2020
Mr. Alistair Marshall BULLOCH (布樂達)	63	Non-executive Director	11 May 2018
Mr. ZHAO Wei (趙煒)	51	Non-executive Director	11 May 2018
Mr. WANG Shunlong (王順龍)	44	Non-executive Director	30 June 2020
Ms. LI Jun (李峻)	48	Non-executive Director	8 June 2018
Mr. FENG Heping (封和平)	60	Independent Non-executive	11 May 2018
		Director	
Mr. LAW Yee Kwan, Quinn (羅義坤)	68	Independent Non-executive	11 May 2018
		Director	
Mr. JIN Qingjun (靳慶軍)	63	Independent Non-executive	11 May 2018
		Director	
Mr. HUA Yaogang (華耀綱)	63	Independent Non-executive	8 June 2018
		Director	
Mr. HE Jia (何佳)	66	Independent Non-executive	8 June 2018
		Director	

Note:

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

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

Directors, Supervisors, Senior Management and Employees

2. Supervisors

Name	Age	Position	Date of Appointment
Ms. FENG Xia (馮俠)	49	Employee Representative Supervisor	15 March 2018
		Chairwoman	15 June 2018
		Trade Union President	23 July 2019
Mr. YAO Tao (姚濤)	58	Employee Representative Supervisor	15 March 2018
Mr. YU Yang (于暘)	41	Shareholder Representative Supervisor	8 June 2018
Mr. ZHANG Lianming (張連明)	57	External Supervisor	11 May 2018
Mr. LIU Baorui (劉寶瑞)	63	External Supervisor	8 June 2018

Note:

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

According to the Articles of Association, a Supervisor may be re-elected and re-appointed upon expiry of his/her term of office. Where re-election is not carried out promptly after a Supervisor's term of office expires, the Supervisor shall continue to perform the duties owed by a Supervisor before a new Supervisor is elected to take up the office, according to laws and regulations, regulatory requirements 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. WU Hongtao (吳洪濤)	49	President	November 2020
Mr. TANG Yiping (唐一平)	53	Executive Vice President	December 2020
Mr. JIANG Hua (蔣華)	47	Vice President	November 2020
Mr. LIU Gangling (劉剛領)	44	Vice President	March 2021
Mr. XIA Zhenwu (夏振武)	51	Assistant to President	January 2008
Ms. DONG Xiaodong (董曉東)	42	Board Secretary	March 2021

4. 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, DONG Guangpei
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.	WANG Shunlong
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

On 9 January 2020, due to work adjustment, Mr. LIANG Jianfa tendered his resignation from the position of the executive Director of the Bank, a member of the Related Party Transactions Control Committee, the Risk Management Committee and the Inclusive Finance Development and Consumer Rights Protection Committee (formerly known as the Consumer Rights Protection Committee) under the Board, the vice president of the Bank and the 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.

On 20 March 2020, due to work adjustment, Mr. XIAO Jingxi tendered his resignation to the Board to resign from the position of non-executive Director of the Bank and member of the Audit 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. XIAO took effect on 30 June 2020. For details, please refer to the announcement of the Bank headed "Change of Non-executive Director" dated 20 March 2020, the announcement headed "(I) Poll Results of the 2019 Annual General Meeting held on Tuesday, May 12, 2020 and (II) Payment of the Final Dividend" dated 12 May 2020 and the announcement headed "Announcement on Approval of the Qualification of Directorship by the Regulatory Body" dated 30 June 2020.

The shareholders of the Bank approved the appointment of Ms. DONG Guangpei and Mr. WANG Shunlong (collectively the "New Directors") as non-executive Directors at the 2019 Annual General Meeting held on 12 May 2020. The CBIRC Tianjin Office has approved the New Directors to serve as directors of the Bank on 30 June 2020. The term of office of the New Directors commenced from 30 June 2020. For details, please refer to the announcement of the Bank headed "Change of Non-executive Director" dated 20 March 2020, the announcement headed "(I) Poll Results of the 2019 Annual General Meeting held on Tuesday, May 12, 2020 and (II) Payment of the Final Dividend" dated 12 May 2020 and the announcement headed "Announcement on Approval of the Qualification of Directorship by the Regulatory Body" dated 30 June 2020.

On 28 July 2020, by reasons of his age, Mr. LI Zongtang has tendered his resignation as the Chairman of the Bank, an executive Director, the chairman of the Strategic Development Committee, a member of the Nomination and Remuneration Committee and a member of the Inclusive Finance Development and Consumer Rights Protection Committee of the Board. Mr. LI Zongtang's resignation took effect from 28 July 2020. For details, please refer to the announcement of the Bank headed "Change of Chairman" published on 28 July 2020.

Directors, Supervisors, Senior Management and Employees

On 28 July 2020, the Bank convened a Board meeting, and elected Mr. SUN Liguó as the Chairman of the Bank, the chairman of the Strategic Development Committee and a member of the Nomination and Remuneration Committee of the Board. He performed the duties of the Chairman of the Bank before the approval of his qualification as the Chairman was obtained. The qualification of Mr. SUN Liguó as the Chairman of the Bank has been approved by CBIRC Tianjin Office on 27 August 2020. According to relevant regulations, the term of office of Mr. SUN Liguó as the Chairman of the Bank commenced from 27 August 2020. For details, please refer to the announcement of the Bank headed "Change of Chairman" published on 28 July 2020 and the announcement of the Bank headed "Announcement on Approval of the Qualification of Chairman; Re-designation of President" published on 27 August 2020. On 27 August 2020, Mr. SUN Liguó resigned as the President due to his re-designation. Mr. SUN Liguó's resignation took effect on 27 August 2020. From the same date till the appointment of Mr. WU Hongtao as the President of the Bank, Mr. SUN Liguó performed the duty of the President. For details, please refer to the announcement of the Bank headed "Announcement on Approval of the Qualification of Chairman; Re-designation of President" published on 27 August 2020.

On 12 October 2020, Ms. ZHANG Ying ceased to serve as vice president of our Bank due to work adjustment and was transferred from the Bank. Ms. ZHANG Ying's resignation took effect on 12 October 2020. For details, please refer to the announcement of the Bank headed "Resignation of Vice Presidents" dated 12 October 2020.

On 12 October 2020, Ms. ZHANG Furong ceased to serve as vice president of our Bank due to work adjustment. Ms. ZHANG Furong's resignation took effect on 12 October 2020. For details, please refer to the announcement of the Bank headed "Resignation of Vice Presidents" dated 12 October 2020. On 29 December 2020, due to the reason of age, Ms. ZHANG tendered her resignation from the position of the executive Director of the Bank, members of the Related Party Transactions Control Committee, the Nomination and Remuneration Committee and the Inclusive Finance Development and Consumer Rights Protection Committee under the Board, the secretary of the Board, a joint company secretary of the Bank and an authorised representative (appointed pursuant to Rule 3.05 of the Hong Kong Listing Rules). 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 Ms. ZHANG in relation to the Director and members of each committee of the Board took effect on 15 January 2021. For details, please refer to the announcement of the Bank headed "(I) Resignation of Executive Director, Secretary of the Board and Joint Company Secretary; (II) Appointment of Secretary of the Board and Joint Company Secretary; (III) Change of Authorised Representative; and (IV) Proposed Changes of Members of Committees of the Board" published on 29 December 2020 and the announcement of the Bank headed "Announcement on Approval of the Qualification of Directorship by the Regulatory Body" dated 15 January 2021.

Directors, Supervisors, Senior Management and Employees

On 12 October 2020, the Bank convened a Board meeting, and elected Mr. WU Hongtao as the President of the Bank. He replaced Mr. SUN Liguo and performed the duties of the president before the approval of his qualification as president. The qualification of Mr. WU as the President of the Bank has been approved by CBIRC Tianjin Office on 23 November 2020. For details, please refer to the announcement of the Bank headed "Appointment of Executive Director; Appointment of President and Vice Presidents" published on 12 October 2020 and the announcement of the Bank headed "Announcement on Approval of the Qualification of President" published on 25 November 2020. The shareholders of the Bank approved the appointment of Mr. WU Hongtao as an executive Director of the Bank at the 2020 First Extraordinary General Meeting held on 1 December 2020. The qualification of Mr. WU as an executive Director of the Bank has been approved by CBIRC Tianjin Office on 15 January 2021. The term of office of Mr. WU commenced from 15 January 2021. For details, please refer to the announcement of the Bank headed "Appointment of Executive Director; Appointment of President and Vice Presidents" dated 12 October 2020, the announcement headed "(I) Poll Results of the 2020 First Extraordinary General Meeting Held on Tuesday, December 1 2020 (II) Appointment of Director" dated 1 December 2020 and the announcement headed "Announcement on Approval of the Qualification of Directorship by the Regulatory Body" dated 15 January 2021.

On 12 October 2020, the Bank convened a Board meeting, and elected Mr. JIANG Hua and Mr. LIU Gangling as the vice presidents of the Bank. The qualification of Mr. JIANG Hua has been approved by CBIRC Tianjin Office on 27 November 2020. The qualification of Mr. LIU Gangling has been approved by CBIRC Tianjin Office on 18 March 2021. For details, please refer to the announcement of the Bank headed "Appointment of Executive Director; Appointment of President and Vice Presidents" published on 12 October 2020.

On 1 December 2020, Mr. WANG Feng resigned as assistant to President and Chief Information Officer (concurrently) of the Bank due to work adjustment and left the Bank. Mr. WANG Feng's resignation took effect on 1 December 2020.

On 29 December 2020, the Bank convened a Board meeting, and elected Mr. TANG Yiping as the executive vice president of the Bank. The qualification of Mr. TANG Yiping does not require approval by CBIRC Tianjin Office, and his appointment took effect on 29 December 2020.

On 29 December 2020, the Bank convened a Board meeting, and elected Ms. DONG Xiaodong as the secretary of the Board of the Bank, whose qualification has been approved by CBIRC Tianjin Office on 18 March 2021. For details, please refer to the announcement of the Bank headed "(I) Resignation of Executive Director, Secretary of the Board and Joint Company Secretary; (II) Appointment of Secretary of the Board and Joint Company Secretary; (III) Change of Authorised Representative; and (IV) Proposed Changes Of Members of Committees of the Board" dated 29 December 2020 and the announcement headed "Announcement on Approval of the Qualification of Secretary of the Board by the Regulatory Body" dated 18 March 2021.

Saved 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.

Directors, Supervisors, Senior Management and Employees

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

1. Directors

Mr. SUN Ligu (孫利國), aged 57. Mr. SUN has served as the secretary of the Party Committee of the Bank since July 2020. Mr. SUN was appointed as our executive Director in February 2017 and acted as our Chairman since August 2020, he is responsible for any duties related to the Party Committee of head office and the Board and is in charge of the audit work. He is also in charge of the management of Audit Department. From August 2016 to July 2020, Mr. SUN served as the deputy secretary of the Party Committee of the Bank. From February 2017 to August 2020, he served as the President 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

Mr. WU Hongtao (吳洪濤), aged 49. Mr. WU has served as the deputy secretary of the Party Committee of the Bank since September 2020. Mr. WU has served as our executive Director since January 2021 and acted as our President since November 2020. He is responsible for the overall work of our Bank's operation and management and is in charge of the assets and liabilities management. He is also in charge of the Assets and Liabilities Management Department. From January 2020 to September 2020, Mr. WU served as a partner and the president of Southern China area of New Hope Group; the president and executive director of Guangdong Huaxing Bank from November 2018 to October 2019; the president of Guangdong Huaxing Bank from February 2018 to November 2018; the deputy secretary of the party committee, vice chairman and president of Jiangxi Bank from May 2016 to January 2018; the vice chairman and president of Jiangxi Bank from December 2015 to May 2016; the deputy secretary of the party committee, vice chairman and president of Bank of Nanchang from March 2013 to December 2015; the party committee member and vice president of China Guangfa Bank, Guangzhou branch from April 2011 to March 2013; successively the supervisor of the research and development department, deputy general manager of the office, deputy general manager of the bank card department, deputy general manager of the financial interbank department, the general manager of the financial interbank and consolidation department and the general manager of the financial institution department of China Guangfa Bank from January 2001 to April 2011. From May 1997 to January 2001, Mr. WU successively served as the staff and deputy director of the office of China Guangfa Bank, Nanjing branch, and served as the staff of Gf Securities of China Guangfa Bank from August 1995 to May 1997.

From April 2020 to October 2020, Mr. WU served as the director of Shenzhen Gas Corporation Ltd. (601139.SH).

Mr. WU graduated from the department of international economics of the school of economics of Peking University in July 1995, and obtained a master's degree in laws from the department of laws and political science of East China Normal University with a major in political science in October 1997. He obtained a doctor's degree in economics from the department of finance of the East China Normal University with a major in global economics in July 2003. Mr. WU has also obtained the qualification of senior economist and the qualification as a lawyer in the People's Republic of China.

Ms. SUN Jingyu (孫靜宇), aged 52, 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

Ms. DONG Guangpei (董光沛), aged 40, was appointed as our non-executive Director in June 2020. She has served as the party branch secretary, executive director and general manager of Tianjin Port Free Trade Zone Investment Co., Ltd. (天津保稅區投資有限公司) since January 2020; the party branch secretary, executive director and vice general manager of Tianjin Port Free Trade Zone Investment Co., Ltd. from October 2019 to January 2020; the vice general manager of Tianjin Port Free Trade Zone Investment Co., Ltd. from September 2019 to October 2019 and the general manager assistant of Tianjin Port Free Trade Zone Investment Co., Ltd. from August 2018 to September 2019. Ms. DONG has served as the investment commissioner, investment manager and head of investment review department of Tianjin Port Free Trade Zone Investment Co., Ltd. from January 2011 to August 2018; the head of sales department of Tianjin Binhai Kaiyuan Property Development Co., Ltd. from January 2010 to December 2010; the head of sales department of Tianjin Tianbao Property Development Co., Ltd. from May 2005 to December 2009; the head of sales department of Hefu Huihuang Real Estate Marketing and Planning Co., Ltd. from December 2004 to May 2005; and the head of sales management department of Tianjin Shunchi Rongxin Real Estate Co., Ltd. from March 2004 to November 2004.

In addition to the above positions, Ms. DONG has served as a director of Tianjin Tianbao Energy Co., Ltd. (stock code: 01671.HK) from November 2019 and a supervisor of Tianjin Tianbao Infrastructure Co., Ltd. (stock code: 000965.SZ) from December 2018.

Ms. DONG graduated from the department of finance of Tianjin College of Finance and Economics with a bachelor's degree in economics in July 2003, and graduated from the department of international finance of Tianjin University of Finance and Economics with a master's degree in economics in December 2012. Ms. DONG has the qualifications of senior economist.

Mr. Alistair Marshall BULLOCH (布樂達), aged 63, 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.

Directors, Supervisors, Senior Management and Employees

Mr. ZHAO Wei (趙煒), aged 51, 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.

Mr. WANG Shunlong (王順龍), aged 44, was appointed as our non-executive Director in June 2020. Mr. WANG has been served as 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) since January 2020. From November 2016 to January 2020, Mr. WANG successively served as head of the investment department, head of the finance department and deputy chief economist of Tianjin Water Group Co., Ltd. (天津水務集團有限公司); from March 2012 to November 2016, Mr. WANG successively served as deputy chief accountant and chief accountant of Tianjin Water Works Group Co., Ltd. (天津市自來水集團有限公司); from March 2008 to March 2012, Mr. WANG successively served as head of financial assets department, deputy chief accountant and general manager assistant of Tianjin Pipeline Engineering Group Co., Ltd. (天津市管道工程集團有限公司); from July 2000 to March 2008, Mr. WANG successively served as finance chief, head of general management department and deputy chief accountant of TPEG Preinsulated Pipe Factory (天津市管道工程集團有限公司保溫管廠).

Mr. WANG studied in University of Shanghai for Science and Technology from September 1996 to July 2000 and obtained the bachelor's degree in management and he has the qualifications of senior accountant.

Ms. LI Jun (李峻), aged 48, 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 60, 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 Yinhua Fund 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 Chinese Certified Public Accountant qualification in May 1991.

Mr. LAW Yee Kwan, Quinn (羅義坤), aged 68, 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 and an Honourary University Fellowship from The Hong Kong University of Science and Technology in July 2020.

Directors, Supervisors, Senior Management and Employees

Mr. JIN Qingjun (靳慶軍), aged 63, 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 (安徽省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 China 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 63, 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 66, 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) from May 2014 to November 2020. 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 Xinlong Holding (Shenzhen Stock Exchange: 000955) since February 2020; (ii) the independent director of Junshi Biosciences (君實生物) (Hong Kong Stock Exchange: 01877) from December 2018 to July 2020; (iii) the independent director and remuneration committee chairman of Northern International (北方國際) (Shenzhen Stock Exchange: 000065) since May 2016; (iv) the independent director and chairman of related party transaction committee of Citic Securities (中信証券) (Shanghai Stock Exchange: 600030; Hong Kong Stock Exchange: 06030) since March 2016; (v) 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; (vi) the independent director and chairman of the board of directors audit committee of Tsinghua Tongfang (清華同方) (Shanghai Stock Exchange: 600100) from March 2015 to March 2020; (vii) the independent director of NEXGO (新國都) (Shenzhen Stock Exchange: 300130) from November 2012 to June 2019; (viii) 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) from October 2012 to October 2018; and (ix) 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.

Directors, Supervisors, Senior Management and Employees

Mr. HE's primary work experiences in non-listed companies include serving as: (i) the external director of CFHI Group Financial Corporation Limited* (中國一重集團財務有限公司) since December 2020; (ii) the independent director of China Galaxy International (銀河國際) since June 2016; (iii) the chairman of Sincere Capital (信熹資本) since March 2016; (iv) the independent director of Western Leadbank FMC (梅隴西部基金公司) from June 2010 to June 2013; and (v) 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.

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.

Mr. LI Zongtang (李宗唐), aged 61. From August 2016 to July 2020, Mr. LI served as the secretary of the Party Committee of the Bank. From February 2017 to July 2020, Mr. LI served as our executive Director and Chairman. 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 the cadre 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 the cadre and the deputy chief of the Metallurgy Section under the Second Finance and Taxation Management Division of Tianjin Financial Bureau. Mr. LI served as a finance and taxation specialist of the Metallurgy Section under the Second Finance and Taxation Management Division of Tianjin Financial Bureau (天津市財政局財稅管理二處冶金科) from October 1976 to March 1983.

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

Directors, Supervisors, Senior Management and Employees

Ms. ZHANG Furong (張富榮), aged 59. Ms. ZHANG served as our executive Director from December 2014 to January 2021 and served as the secretary of the Board of Directors of our Bank from July 2015 to December 2020. Ms. ZHANG served as the Vice President of the Bank from March 2016 to October 2020. Ms. ZHANG served as the chairman of Bank of Tianjin Financial Leasing Co., Ltd. (天銀金融租賃股份有限公司) from October 2017 to January 2021. Ms. ZHANG was a member of the Party Committee of our Bank from September 2009 to September 2020 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 July 2006 to May 2007. 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 March 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 July 1998. In September 2001, she obtained a master's degree in business administration from Wisconsin International University in Ukraine (美國威斯康辛國際大學烏克蘭分校). 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 55, 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 July 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, assistant to president, the deputy general manager, general manager of the Human Resources Department and Audit Department, head of the Office (Party Committee Office) and head of Party Committee Organization 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.

Mr. XIAO Jingxi (肖京喜), aged 58, served as our non-executive Director from June 2018 to June 2020. He has been the chief accountant of Tianjin Bohai Light Industry Investment Group Co., Ltd. (天津渤海輕工投資集團有限公司) since February 2020. From April 2015 to February 2020, he served as 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). 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.

Directors, Supervisors, Senior Management and Employees

2. Supervisors

Ms. FENG Xia (馮俠), aged 49, was appointed as our employee representative Supervisor in January 2018 and has been the Chairwoman of the Board of Supervisors of our Bank since January 2018. She is responsible for any duties related to the Board of Supervisors and trade union and is in charge of the daily work of party construction and tasks of human resources 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), Party Committee Inspection Work Office, Board of Supervisors Office, trade union and Youth League, and assists in the management of Audit Department. Ms. FENG has served as the deputy secretary of the Party Committee of our Bank since December 2017 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 December 2017. 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 November 2012 to June 2013. She served as the deputy secretary of the Tianjin Municipal Committee of the Communist Youth League from June 2007 to November 2012, deputy secretary and secretary of Tianjin Dongli District Youth League (天津市東麗區團委) from May 1998 to June 2007 and the clerk and the deputy director of office of the Tianjin Dongli District Township Economic Commission (天津市東麗區鄉鎮經濟委員會) from July 1994 to May 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 completed postgraduate courses in economics from Tianjin Municipal Party School of the Communist Party of China (中共天津市委黨校) 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.

Mr. YAO Tao (姚濤), aged 58, was appointed as our employee representative Supervisor in November 2014. From July 2015 to January 2021, he served as head of Party Committee Organization Department and from January 2014 to January 2021 as general manager of Human Resources Department. 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 director level the general office the Standing Committee of the Tianjin Municipal People's Congress, secretary of department level and cadre of section level of organization department of Tianjin Federation of Trade Unions from May 1991 to November 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.

Directors, Supervisors, Senior Management and Employees

Mr. YU Yang (于陽), aged 41, 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 the deputy general manager of Tianjin Jinrong Investment Service Group Co., Ltd. since January 2020. From October 2017 to January 2020, he served as assistant to the general manager of Tianjin Jinrong Investment Service Group Co., Ltd. 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 57, 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 chairman of Lixin Certified Tax Agents (Tian Jin) Co., Ltd. (立信稅務師事務所(天津)有限公司). 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.

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 63, 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.

Directors, Supervisors, Senior Management and Employees

3. Senior Management

Mr. WU Hongtao (吳洪濤), for biographical details of Mr. WU, please refer to “– III. Biographies of Directors, Supervisors and Senior Management – 1. Directors” of this section.

Mr. TANG Yiping (唐一平), aged 53, has served as our executive Vice President since December 2020, and is in charge of small and micro financial inclusion, personal banking, finance, operation and technology work. From September 2016 to December 2020, Mr. TANG served as deputy secretary of the Party Committee, vice chairman and president of Jinshang Bank (晉商銀行); from March 2015 to September 2016, he served as director and general manager of Agricultural Bank of China (Moscow) (中國農業銀行(莫斯科)有限公司); from February 2013 to March 2015, he served as the leader of the preparatory team of Moscow branch of Agricultural Bank of China; from July 1992 to February 2013, he successively served as a staff member of the planning division, deputy section chief of the planning division and human resource division and section chief and assistant to the director of the planning division; vice president of Hongling North Road Sub-branch, the deputy director (presiding over the work) of market development division, deputy division director (presiding over the work) of the comprehensive planning division, deputy division director of the personal business division (presiding over the work) and deputy division director (presiding over the work) and division director of the assets and liabilities management division; the secretary of the Party Committee and president of the Longgang Sub-branch (龍崗支行); head of the organization department of the Party Committee, general manager of human resources department, head of the Party Committee office, member of the Party Committee and the vice president of the Shenzhen Branch of Agricultural Bank of China (中國農業銀行深圳市分行).

Mr. TANG obtained a bachelor's degree in International Finance from the Economics Department of East China Normal University (華東師範大學) in September 1989 and obtained a master's degree in economics from Head Office of the People's Bank of China (中國人民銀行總行) in July 1992. Mr. TANG has also obtained the qualification of senior economist.

Mr. JIANG Hua (蔣華), aged 47, has served as our vice president since November 2020, and is in charge of risks management and internal control. Mr. JIANG served as the chief marketing officer and the president of Xuzhou Branch of Laishang Bank from July 2017 to September 2020. From August 2014 to July 2017, he served successively as the general manager of human resources management department and general manager of business department I of Nanjing branch of Bank of Ningbo. From June 2008 to July 2014, he served successively as the assistant to the head, the deputy director (presiding over the work), the director of office, the general manager of compliance management department, the vice president of trade union and the general manager of market expansion department V of Nanjing branch of HengFeng Bank. From November 2003 to June 2008, he served successively as the staff member of the cooperation and financial regulatory division, the staff member of office and the deputy chief of regulatory division of state-owned bank of Xuzhou Regulatory Branch of the CBRC. From July 1996 to November 2003, he served as a clerk of monetary credit and statistics department of operation division of the People's Bank of China Xuzhou Central Sub-branch.

Mr. JIANG graduated from the department of finance at Southwestern University of Finance and Economics in July 1996 majoring in monetary banking. He also obtained a master's degree in business administration and a doctor's degree in management from the School of Management at China University of Mining and Technology in July 2002 and July 2009, respectively. Mr. JIANG has also obtained the qualifications of accountant, legal profession, qualifications of first-class enterprise human resources managing personnel and senior economist.

Directors, Supervisors, Senior Management and Employees

Mr. LIU Gangling (劉剛領), aged 44, has served as our vice president since March 2021, and is in charge of the wholesale and financial market. Mr. LIU has served as the general manager of the asset management department of the Bank since March 2017; from August 2015 to March 2017, he served successively as the vice general manager of the interbank business department and the vice general manager (presiding over the work) of the asset management department of the Bank. Mr. LIU served as the chief officer of the global market department of Deutsche Bank (China) from June 2014 to August 2015; the chief officer of the financial market department of Standard Chartered Bank (China) in Northern China and Southern China from July 2006 to June 2014; the manager of the treasury department of Shenzhen branch of HSBC from April 2005 to July 2006. He worked successively in the planning and capital department and the assets management office of the capital transaction center of Hangzhou branch of Shenzhen Development Bank from August 2001 to April 2005, and served as the deputy manager of the assets management office of the capital transaction center of Shenzhen Development Bank from June 2004 to April 2005. Mr. LIU served in the finance department of Zhengzhou Zhongyuan Installation Company (鄭州中原安裝公司) from August 1998 to September 1999.

Mr. LIU graduated from the international finance department in the School of Management of Xi'an Jiaotong University in July 1998 and obtained a master's degree in applied economics from the School of Management of Xi'an Jiaotong University in July 2001. Mr. LIU has also obtained the qualification of intermediate economist.

Mr. XIA Zhenwu (夏振武), aged 51, 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 April 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 April 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 November 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

Ms. DONG Xiaodong (董曉東), aged 42, has served as the secretary of the Board of Directors of the Bank since March 2021, and is in charge of the daily work of the Board of Directors Office and strategic development work. She is also in charge of the Board of Directors Office and the Strategic Development Department. Ms. DONG served as general manager of the Strategic Development Department of the Bank from October 2018. She has successively served as deputy general manager and deputy general manager (presiding over the work) of the Strategic Development Department of the Bank from January 2017 to October 2018; the deputy director of Office of Legal Person of Tianjin Regulatory Bureau of China Banking Regulatory Commission (the "CBRC Tianjin office") from August 2014 to January 2017; a staff, a deputy director staff and a director staff of CBRC Tianjin office successively from September 2003 to August 2014, during which period she engaged in an exchange program at the Tianjin Branch of Shanghai Pudong Development Bank Co., Ltd. (上海浦東發展銀行天津分行) from February 2004 to January 2005; and a staff in the Tianjin Branch of the People's Bank of China (中國人民銀行天津分行) from July 2002 to September 2003.

Ms. DONG graduated from Tianjin University of Finance and Economics (天津財經學院) in July 2002, majoring in International Accounting and obtained a master's degree in economics from Tianjin University of Finance and Economics in December 2008. Ms. DONG has also obtained the qualification of intermediate economist.

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

Ms. ZHANG Ying (張穎), aged 45, served as the vice president of our Bank from September 2019 to October 2020. She was a member of the Party Committee of our Bank from September 2014 to September 2020, and served as the secretary of the disciplinary committee of our Bank from September 2014 to May 2019.

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.

Directors, Supervisors, Senior Management and Employees

Mr. WANG Feng (王峰), aged 48, served as assistant to President of the Bank from April 2017 to December 2020 and concurrently served as Chief Information Officer of our Bank from November 2019 to December 2020.

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 in Financing Savings Office (籌資儲蓄處) for China Construction Bank, Tianjin Branch. From October 1993 to March 1998, Mr. WANG successively served in 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 diploma, 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 Hong Kong 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 2020, no emolument was paid by the Bank to any of the Directors, Supervisors or the five highest paid individuals (including Directors, Supervisors and employees) as an inducement to join or upon joining the Bank or as compensation for loss of office.

Remuneration paid to the senior management⁽¹⁾ (excluding the Directors and Supervisors) by bands for the year ended 31 December 2020 is set out below:

	Number of employees	% of the total
Nil to RMB500,000	5	71.4%
RMB500,000 to RMB10,000,000	2	28.6%

Note:

- (1) During the year ended 31 December 2020, within the Bank's management members (including present and past members), Ms. ZHANG Furong and Mr. LIANG Jianfa are concurrently Directors. For the details of the remuneration of 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 CHAIRMAN, CHAIRMAN OF THE BOARD OF SUPERVISORS, PRESIDENT, VICE PRESIDENT OF THE BANK UPON ASSESSMENT IN 2019

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

Unit: RMB' 0,000

Name	Position	Beginning and end date of remuneration for the Year	Remuneration paid by the Bank before tax in 2019				Total (4)=(1)+(2)+(3)	Whether remunerated by shareholding companies or related party companies	Total remuneration before tax received from related party companies
			Remuneration payable (1)	Social insurance, contribution to annuity funds, supplemental medical insurance and housing funds deposited by the Company (2)	Other income in the form of money (indicate specific item in parallel) (3)				
SUN Liguo	Chairman (then President)	2019.1-2019.12	82.32	18.36	-	100.68	No	-	
FENG Xia	Chairwoman of the Board of Supervisors	2019.1-2019.12	74.09	18.36	-	92.45	No	-	
LI Zongtang	Former Chairman	2019.1-2019.12	82.32	18.36	-	100.68	No	-	
ZHANG Furong	Former vice president and former secretary of the Board of Directors	2019.1-2019.12	74.09	18.05	-	92.14	No	-	
ZHANG Ying	Former vice president	2019.1-2019.12	74.09	18.36	-	92.45	No	-	
LIANG Jianfa	Former vice president and former chief financial officer	2019.1-2019.12	74.09	18.36	-	92.45	No	-	

Notes:

- The remuneration disclosed in the above table was the totaled remuneration payable before tax to the persons above in 2019 and social insurances deposited by the Bank according to the state regulations.
- ZHANG Ying served as the vice president of the Bank in September 2019, received remuneration from the Bank according to her duty in the Party during January to August 2019.

Directors, Supervisors, Senior Management and Employees

VII. EMPLOYEES' REMUNERATION POLICIES AND TRAINING PLANS FOR EMPLOYEES

(I) Overview of the employees

As of 31 December 2020, we had 6,663 regular employees in total, of which 1,171 employees at our head office and 5,375 employees at our branches and sub-branches, 77 employees at our consolidated county banks and 40 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 2020, we had 5,838 or 87.62% employees who had bachelor's degrees or above, and our staff's average age was 38.

(II) Remuneration of the 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. 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. During the Reporting Period, the total staff costs of the Bank amounted to RMB2,068.55 million.

Directors, Supervisors, Senior Management and Employees

(III) Balance of employees' remuneration and results, standard of risk adjustment

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.

(IV) Training plans of the employees

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. 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 14,147 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 is 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.

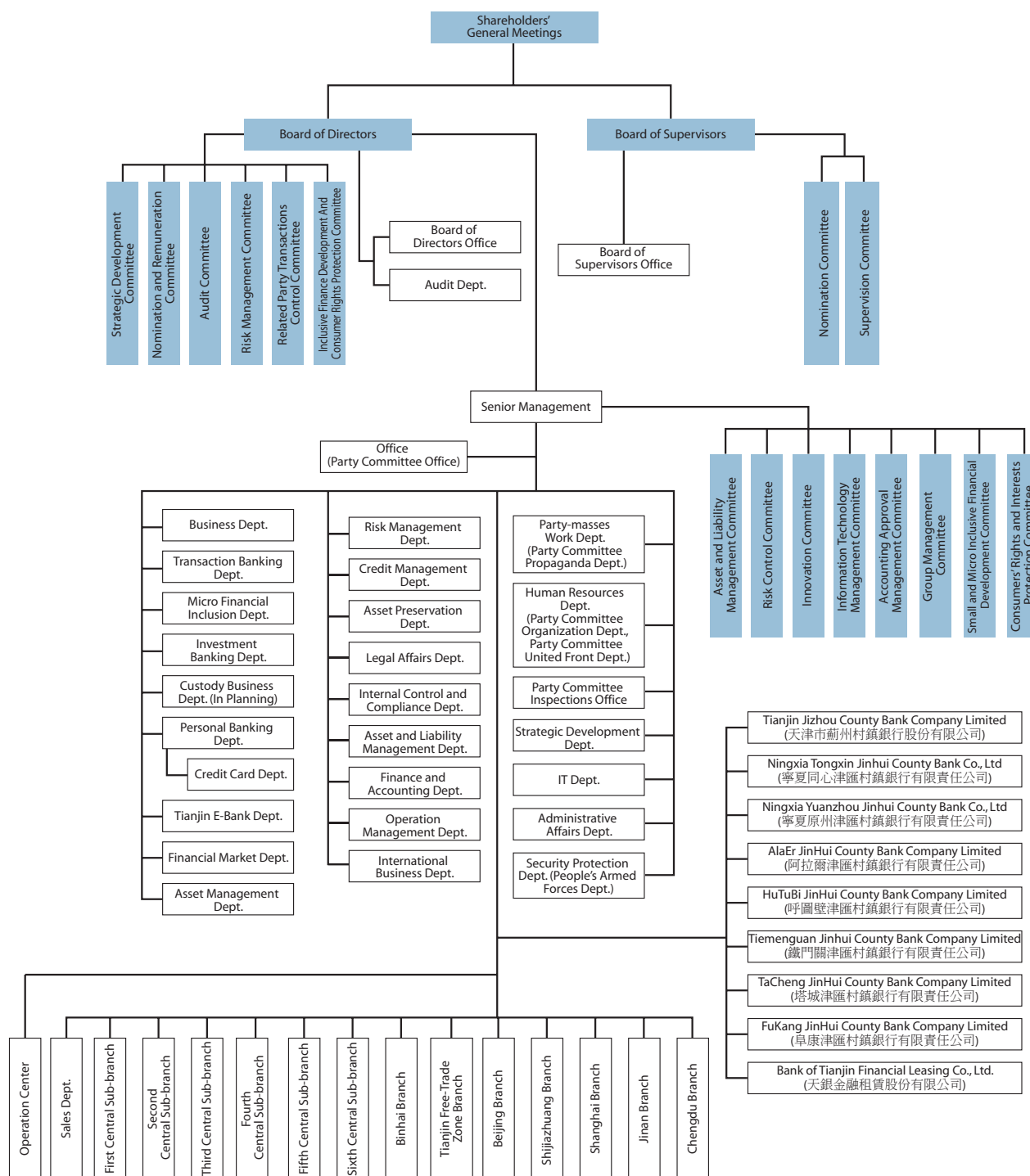
Our Bank has adopted the Corporate Governance Code (the "Code") in Appendix 14 to the Hong Kong Listing Rules, and has met the requirements of the PRC commercial bank administrative measures and corporate governance and has established a sound corporate governance system. Save for the temporary deviation from Code provision A.2.1 mentioned below, 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.

Under the Code provision A.2.1, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Following the appointment of Mr. SUN Ligu on 27 August 2020 as chairman, as Mr. SUN Ligu also temporarily served as the president of the Bank, there is a deviation from the Code provision A.2.1. Despite the aforesaid temporary deviation, the Board considers that there is no imbalance of power and authority between the Board and the management of the Bank as the Board assumes collective responsibility on the decision-making process of the Bank's business strategies and operation. On 12 October 2020, the Board of the Bank appointed Mr. WU Hongtao as the President of the Bank, and the above deviations were eliminated.

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

ORGANISATION CHART



Corporate Governance Report

SHAREHOLDERS' GENERAL MEETINGS

Information of Shareholders' General Meetings

In 2020, the Bank held two Shareholders' general meetings, details of which are set out below:

At the 2019 annual general meeting of the Bank held on 12 May 2020, eight proposals were considered and approved, including the Work Report of the Board of Directors for 2019, Work Report of the Board of Supervisors for 2019, the Report for Final Financial Accounts for 2019, the Profit Distribution Plan for 2019, the Report for Financial Budget for 2020, the appointment of the external auditor to review and audit the financial statements for 2020, and the appointments of Ms. DONG Guangpei and Mr. WANG Shunlong as non-executive Directors of the 6th Board. The Shareholders also listened to the Appraisal Report on the Performance of Duties by the Board, the Directors, Board of Supervisors, Supervisors and Senior Management for 2019, the Work Report of Independent Directors for 2019 and the Report of Related Party Transactions and Management of Related Party Transactions of the Bank for 2019.

At the 2020 first extraordinary general meeting of the Bank held on 1 December 2020, 2 proposals were considered and approved, including the appointment of Mr. WU Hongtao as an executive Director and the appointment of the external auditors for 2021.

BOARD OF DIRECTORS

The Operation of the Board of Directors

The Board of Directors shall hold at least 4 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 5 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 2020 to 31 December 2020. 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 the Bank comprised a total of thirteen Directors, including two executive Directors, namely Mr. SUN Ligu and Mr. WU Hongtao; six non-executive Directors, namely Ms. SUN Jingyu, Ms. DONG Guangpei, Mr. Alistair Marshall BULLOCH, Mr. ZHAO Wei, Mr. WANG Shunlong 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. SUN Ligu 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;

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- (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.

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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 2020, 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 155 to 160.

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 65 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 13th meeting of the 6th Board of Directors	20 January 2020	Resolution in writing
The 14th meeting of the 6th Board of Directors	20 March 2020	On-site
The 15th meeting of the 6th Board of Directors	12 May 2020	On-site
The 16th meeting of the 6th Board of Directors	28 July 2020	On-site
The 17th meeting of the 6th Board of Directors	27 August 2020	On-site
The 18th meeting of the 6th Board of Directors	12 October 2020	On-site
The 19th meeting of the 6th Board of Directors	1 December 2020	On-site
The 20th meeting of the 6th Board of Directors	29 December 2020	On-site

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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 ⁽¹⁾	3	3	0	1/1
Mr. SUN Liguó	8	7	1	1/2
Mr. WU Hongtao ⁽²⁾	0	0	0	–
Ms. ZHANG Furong ⁽³⁾	8	8	0	2/2
Mr. LIANG Jianfa ⁽⁴⁾	0	0	0	–
Ms. SUN Jingyu	8	8	0	1/2
Ms. DONG Guangpei ⁽⁵⁾	5	5	0	0/1
Mr. Alistair Marshall BULLOCH	8	8	0	0/2
Mr. ZHAO Wei	8	7	1	1/2
Mr. WANG Shunlong ⁽⁵⁾	5	5	0	1/1
Mr. XIAO Jingxi ⁽⁶⁾	3	3	0	0/1
Ms. LI Jun	8	8	0	0/2
Mr. FENG Heping	8	8	0	0/2
Mr. LAW Yee Kwan, Quinn	8	8	0	0/2
Mr. JIN Qingjun	8	8	0	0/2
Mr. HUA Yaogang	8	8	0	2/2
Mr. HE Jia	8	8	0	2/2

Notes: (1) Resigned as member of the Board on 28 July 2020.

(2) Appointed as member of the Board on 15 January 2021.

(3) Resigned as member of the Board on 15 January 2021.

(4) Resigned as member of the Board on 9 January 2020.

(5) Appointed as member of the Board on 30 June 2020.

(6) Resigned as member of the Board on 30 June 2020.

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Independent non-executive Directors

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

During the Reporting Period, 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. During the Reporting Period, the Chairman of the Bank held one meeting with the independent non-executive Directors in the absence of other Directors.

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 Hong Kong 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 Inclusive Finance Development and Consumer Rights Protection Committee.

Strategic Development Committee

As of the date of this annual report, the Strategic Development Committee consists of five Directors, being Mr. SUN Ligu, Mr. WU Hongtao, Ms. SUN Jingyu, Mr. Alistair Marshall BULLOCH and Mr. HE Jia. The chairman of the Strategic Development Committee is Mr. SUN Ligu. Mr. SUN Ligu and Mr. WU Hongtao 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.

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During the Reporting Period, the Strategic Development Committee held 4 meetings, considering and approving 22 proposals on matters mainly including the Resolution of Profit Distribution for 2019 of Bank of Tianjin Co., Ltd. (天津銀行股份有限公司2019年度利潤分配的議案), the Final Financial Report for 2019 of Bank of Tianjin Co., Ltd. (天津銀行股份有限公司2019年度財務決算報告), the Financial Budget for 2020 of Bank of Tianjin Co., Ltd. (天津銀行股份有限公司2020年度財務預算) and the Strategic Development Plan on Green Credit of Bank of Tianjin Co., Ltd. (天津銀行股份有限公司綠色信貸發展戰略規劃). The attendance of each member in the meetings of the Strategic Development Committee in 2020 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 ⁽¹⁾	3	3	0
Mr. SUN Ligu	4	4	0
Mr. WU Hongtao ⁽²⁾	0	0	0
Ms. SUN Jingyu	4	4	0
Mr. Alistair Marshall BULLOCH	4	4	0
Mr. HE Jia	4	4	0

Note: (1) Resigned as member and the chairman of the Strategic Development Committee on 28 July 2020.

(2) Appointed as member of the Strategic Development Committee on 15 January 2021.

Audit Committee

Our Bank has established the 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. WANG Shunlong, Ms. LI Jun, Mr. LAW Yee Kwan, Quinn and Mr. HUA Yaogang. The chairman of the Audit Committee is Mr. FENG Heping. Mr. WANG Shunlong 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;

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- making recommendations to the Board on the appointment or change of the external auditor, and approving the remuneration and terms of engagement of the external auditor;
- monitoring and evaluating the external auditor's independence and objectivity and the effectiveness of the audit process;
- reviewing the management letter (or equivalent document) presented by the external auditors to the management and ensuring that the Board of Directors will provide a timely response to it, and reviewing any material queries raised by the external auditors to the management about meeting records, financial accounts or systems of control, and the management's response;
- being responsible for the communication between internal auditors and external auditors, and ensuring coordination between the internal auditors and external auditors;
- 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 2019 Annual Results Announcement (2019年度業績公告), 2019 Annual Report (2019年度報告), Evaluation Report on 2019 Internal Control (2019年內部控制評價報告), The Report on 2019 Internal Audit Work (2019年內部審計工作報告), and 2020 Internal Audit Work Plan (2020年內部審計工作計劃).

The Audit Committee also organised the preparation and review of the 2019 Annual Report and 2020 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 25 March 2021, the Audit Committee reviewed the audited consolidated financial statements for the year ended 31 December 2020 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.

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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	5	0
Mr. WANG Shunlong ⁽¹⁾	3	3	0
Mr. XIAO Jingxi ⁽²⁾	2	2	0
Ms. LI Jun	5	4	1
Mr. LAW Yee Kwan, Quinn	5	5	0
Mr. HUA Yaogang	5	5	0

Notes: (1) Appointed as member of the Audit Committee on 30 June 2020.

(2) Resigned as member of the Audit Committee on 30 June 2020.

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 three Directors, being Mr. JIN Qingjun, Mr. FENG Heping and Mr. HUA Yaogang. The chairman of the Related Party Transactions Control Committee is Mr. JIN Qingjun. 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 the Report on Related Party Transactions and the Management of Related Party Transactions for 2019 (2019年度關聯交易及關聯交易管理情況報告) and the Proposal in Relation to the Disposal of Part of the Existing Financial Assets of Bank of Tianjin Co., Ltd. (關於處置天津銀行股份有限公司部份存量金融資產的議案).

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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 ⁽¹⁾	5	5	0
Mr. LIANG Jianfa ⁽²⁾	0	0	0
Mr. FENG Heping	5	4	1
Mr. HUA Yaogang	5	5	0

Notes: (1) Resigned as member of the Related Party Transactions Control Committee on 15 January 2021.

(2) 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 four Directors, being Mr. WU Hongtao, Ms. DONG Guangpei, Mr. ZHAO Wei and Mr. JIN Qingjun. The chairman of the Risk Management Committee is Mr. WU Hongtao. Mr. WU Hongtao is an executive Director of our Bank. Ms. DONG Guangpei and Mr. ZHAO Wei are non-executive Directors 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.

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During the Reporting Period, the Risk Management Committee held 6 meetings, considering and approving 14 proposals on matters mainly including the 2019 Risk and Risk Management Status Report (2019年度風險及風險管理狀況報告), the Report on IT Risk Management of 2019 (2019年度信息科技風險管理報告), the 2020 Risk Appetite (2020年風險偏好) and the Plan for the Rectification of Existing Assets of Wealth Management Products (理財產品存量資產整改計劃). 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 Liguo ⁽¹⁾	6	6	0
Mr. WU Hongtao ⁽²⁾	0	0	0
Mr. LIANG Jianfa ⁽³⁾	0	0	0
Ms. DONG Guangpei ⁽⁴⁾	4	4	0
Mr. ZHAO Wei	6	6	0
Mr. JIN Qingjun	6	6	0

Notes: (1) Resigned as member and the chairman of the Risk Management Committee on 15 January 2021.

(2) Appointed as member and the chairman of the Risk Management Committee on 15 January 2021.

(3) Resigned as member of the Risk Management Committee on 9 January 2020.

(4) Appointed as member of the Risk Management Committee on 30 June 2020.

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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 four Directors, being Mr. HE Jia, Mr. SUN Ligu, Mr. FENG Heping and Mr. LAW Yee Kwan, Quinn. The chairman of the Nomination and Remuneration Committee is Mr. HE Jia. Mr. SUN Ligu is an executive Director 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:

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;

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- 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 6 meetings, considering and approving 21 proposals on matters mainly including the Evaluation Comment on Performance of Duty of Directors and Senior Management for 2019 of Bank of Tianjin Co., Ltd. (天津銀行股份有限公司2019年度董事和高級管理人員履職評價意見), the Proposal on the Performance Appraisal Index for 2020 of Bank of Tianjin Co., Ltd. (天津銀行股份有限公司2020年度公司績效考核指標的議案), the Proposal on Electing the Chairman of the 6th Board of Directors of Bank of Tianjin Co., Ltd. (關於選舉天津銀行股份有限公司第六屆董事會董事長的議案) and the Proposal on Appointing the President of Bank of Tianjin Co., Ltd. (關於聘任天津銀行股份有限公司行長的議案).

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	6	6	0
Mr. SUN Liguó ⁽¹⁾	4	4	0
Mr. LI Zongtang ⁽²⁾	1	1	0
Ms. ZHANG Furong ⁽³⁾	6	6	0
Mr. FENG Heping	6	5	1
Mr. LAW Yee Kwan, Quinn	6	6	0

Notes: (1) Appointed as member of the Nomination and Remuneration Committee on 28 July 2020.

(2) Resigned as member of the Nomination and Remuneration Committee on 28 July 2020.

(3) Resigned as member of the Nomination and Remuneration Committee on 15 January 2021.

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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, 4 are within the age group of 40 to 49, 3 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.

Inclusive Finance Development and Consumer Rights Protection Committee

Our Bank has established an Inclusive Finance Development and Consumer Rights Protection Committee with written terms of reference. As of the date of this annual report, the Inclusive Finance Development and Consumer Rights Protection Committee consists of three Directors, being Mr. HUA Yaogang, Mr. SUN Liguu and Mr. WU Hongtao. The chairman of the Inclusive Finance Development and Consumer Rights Protection Committee is Mr. HUA Yaogang. The primary duties of the Inclusive Finance Development and Consumer Rights Protection Committee include the following:

- studying material issues and important policies of consumer rights protection, guiding and supervising the establishment and improvement of the management system for consumer rights protection;
- 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 Company's consumer rights protection work, supervising and assessing the comprehensiveness, timeliness, and effectiveness of the Company's consumer rights protection work;
- reviewing the small and micro business/inclusive financial business development plan, basic management system and other material matters of the Company, listening and reviewing work reports regularly submitted by the senior management regarding SME/inclusive financial business development, and reporting to the Board in this regard;

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- supervising the implementation of the Company's SME/inclusive financial business development plans, policies and basic management systems and making recommendations to the Board;
- listening to and reviewing the development reports submitted by the senior management regarding social responsibility work, and reporting to the Board in this regard; and
- information disclosure work for SME/inclusive financial business, consumer rights protection and social responsibility.

During the Reporting Period, the Inclusive Finance Development and Consumer Rights Protection Committee held 4 meetings, considering and approving 6 proposals on matters mainly including the 2019 Report on Financial Consumer Rights Protection Work (2019年度金融消費權益保護工作情況報告), the Work Plan for 2020 (2020年工作計劃), the Rules Regarding the Change of Name and Work Adjustment of the Consumer Rights Protection Committee of the Board (董事會消費者權益保護委員會變更名稱及調整工作規則) and the Report on Social Responsibility Information Disclosure Work (社會責任信息披露工作情況報告).

The attendance of each member in the meetings of the Inclusive Finance Development and 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	4	4	0
Mr. LI Zongtang ⁽¹⁾	2	2	0
Mr. SUN Liguo	4	4	0
Mr. WU Hongtao ⁽²⁾	0	0	0
Ms. ZHANG Furong ⁽³⁾	4	4	0
Mr. LIANG Jianfa ⁽⁴⁾	0	0	0

Notes: (1) Resigned as a member of the Inclusive Finance Development and Consumer Rights Protection Committee on 28 July 2020.

(2) Appointed as member of the Inclusive Finance Development and Consumer Rights Protection Committee on 15 January 2021.

(3) Resigned as member of the Inclusive Finance Development and Consumer Rights Protection Committee on 15 January 2021.

(4) Resigned as member of the Inclusive Finance Development and Consumer Rights Protection Committee on 9 January 2020.

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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, the Board of Supervisors of the Bank comprised of five Supervisors, including two employee representative Supervisors, namely Ms. FENG Xia and Mr. YAO Tao, and Ms. FENG Xia is the Chairwoman of the Board of Supervisors; one shareholder representative Supervisor, being Mr. YU Yang; and two external Supervisors, being 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, 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 53 proposals on matters mainly including the 2019 Annual Results Announcement (2019年度業績公告), the 2019 Annual Report (2019年度報告), the 2019 Social Responsibility Report (2019年度社會責任報告), the Evaluation Report on the Process of the Implementation of the Rolling Plan Regarding the Renovation of Old Operating Buildings of Bank of Tianjin Co., Ltd. (關於天津銀行股份有限公司2020年老舊營業用房裝修改造滾動計劃執行情況調研評估報告) and the Monitoring Inspection Report Regarding the Financial Customer Rights Protection Projects of Bank of Tianjin Co., Ltd. for 2020 (關於天津銀行股份有限公司2020年金融消費者權益保護工作專項監督檢查報告).

Corporate Governance Report

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

Members of the Board of Supervisors	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
Ms. FENG Xia	9	9	0
Mr. YAO Tao	9	9	0
Mr. YU Yang	9	7	2
Mr. ZHANG Lianming	9	9	0
Mr. LIU Baorui	9	9	0

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.

Corporate Governance Report

During the Reporting Period, the Supervision Committee held 8 meetings, considering and approving 55 proposals on matters mainly including the 2019 Annual Results Announcement (2019年度業績公告), the 2019 Annual Report (2019年度報告), the 2019 Social Responsibility Report (2019年度社會責任報告), the Evaluation Report on the Process of the Implementation of the Rolling Plan Regarding the Renovation of Old Operating Buildings of Bank of Tianjin Co., Ltd. (關於天津銀行股份有限公司2020年老舊營業用房裝修改造滾動計劃執行情況調研評估報告) and the Monitoring Inspection Report Regarding the Financial Customer Rights Protection Projects of Bank of Tianjin Co., Ltd. for 2020 (關於天津銀行股份有限公司2020年金融消費者權益保護工作專項監督檢查報告). 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	8	8	0
Ms. FENG Xia	8	8	0
Mr. YU Yang	8	6	2

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;
- 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.

Corporate Governance Report

During the Reporting Period, the Nomination Committee held 3 meetings, considering and approving 9 proposals on matters mainly including the 2020 Performance Appraisal Index (2020年度公司績效考核指標) and Measures for Remuneration Management of Professional Managers (職業經理人薪酬管理辦法). 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	3	3	0
Ms. FENG Xia	3	3	0
Mr. YAO Tao	3	3	0

Attendance at Shareholders' general meetings during the Reporting Period

During the Reporting Period, the Bank held two Shareholders' general meeting. Supervisors attended 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 Supervisors attended Board meetings throughout the year as daily monitoring methods, 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 relevant training. The main contents of the training included related party transaction management, anti-corruption and interpretation of the Hong Kong Stock Exchange's ESG policy.

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 three 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.

Corporate Governance Report

CHAIRMAN AND PRESIDENT

As at the date of this annual report, Mr. SUN Ligu, as the secretary of the Party Committee and the Chairman, is responsible for any duties related to the Party Committee of head office and the Board. Mr. WU Hongtao, as our President, was responsible for the overall work of operation and management of the Bank.

COMPANY SECRETARIES

Ms. DONG Xiaodong has been appointed as our joint company secretary since December 2020 and her appointment took effect in January 2021. Ms. ZHANG Furong resigned as a joint company secretary of the Bank in December 2020. Ms. DONG Xiaodong and Dr. NGAI Wai Fung have been acting as our company secretaries since January 2021 and September 2015 respectively. Dr. NGAI Wai Fung is a director and chief executive officer of SWCS Corporate Services Group (Hong Kong) Limited. Ms. DONG Xiaodong 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.

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:

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

Postal Code: 300201

Tel: +86 2228405536

Fax: +86 2228405518

E-mail: ir@bankoftianjin.com

Corporate Governance Report

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.

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.

Corporate Governance Report

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.

DIVIDEND POLICY

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.

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 2020 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 2020 was RMB2.65 million, and the service fee for reviewing the interim financial statements was RMB1.85 million. The remuneration paid by the Bank to Deloitte for services other than audits and reviews for the year ended 31 December 2020 was RMB1.19 million.

Deloitte has been serving as the accountant of the Bank for 8 consecutive years.

REMUNERATION OF SENIOR MANAGEMENT

Details of the remuneration of the members of the senior management for the year ended 31 December 2020 are set out in "Directors, Supervisors, Senior Management and Employees – Information on Remuneration paid to Directors, Supervisors and Senior Management".

Corporate Governance Report

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.

In 2020, the Bank formulated the *Green Credit Development Strategic Plan of Bank of Tianjin* 《天津銀行綠色信貸發展戰略規劃》 which has been reviewed and passed by the Board. The development strategy proposed 4 general concepts, 9 developmental goals, 13 key tasks and 7 security measures. During the preliminary stage, the Bank has incorporated the green credit into our key performance indicator (KPI) evaluation, in order to establish and continue improving the classified information management system for the green credit business, and carried out self-evaluation work for the implementation of the green credit on a regular basis. During the Reporting Period, our balance on energy saving and green projects as well as service loans reached RMB7.443 billion.

The Bank formulated the "Bank of Tianjin Credit Business Environmental and Social Risk Management Measures (Trial)" 《天津銀行信貸業務環境和社會風險管理辦法(試行)》, which fully embedded environmental and social risk requirements into the management of loan process, and implemented classified management of credit customers to effectively enhance the Bank's environmental and social risk management capacity. During the year, the Bank organized and carried out specified training in relation to environmental and social risk management of the credit business. Also, the Bank would invite external experts to provide professional explanations on the connotation of environmental and social risks, major impacts and hazards, key points of environmental and social risk management in the credit sector, and case studies of peers, respectively, which facilitates stronger cultivation of environmental and social risk-related concepts for our employees, while providing advice for better environmental and social risk management integration with business development.

In line with the national policies to save energy costs, we have implemented a series of measures, including: (i) renovation projects of bank outlet halls and buildings, achieving energy saving goal by adopting LED lighting system, optimising design and using highly efficient equipment; posting electricity-saving signs in the office area near lighting and air-conditioning switches, and calling for employees to turn off lights and air-conditioning in order to form employees' electricity-saving habits; (ii) strengthening fuel control with each motor vehicle registered with one account for use of gasoline as well as encouraging video conferences instead of on-site conferences so as to reduce carbon emission generated from transportation in accordance with the Administrative Measures for Motor Vehicles of Bank of Tianjin 《天津銀行機動車輛管理辦法》; (iii) continuing to strengthen the maintenance and management of our facilities and equipment, and conducting regular maintenance and timely repair of our lighting, office and water supply equipment to avoid abnormal consumption and waste of energy; (iv) advocating water conservation, and posting up water conservation signs in canteens, toilets, and water purifiers, in an effort to call on our employees to save water; (v) practicing waste sorting and reduced resource wastage, purchasing sorting garbage cans and implementing waste sorting and recycling by head office.

Report of the Board of Directors

For details of our environmental policies and performance, please refer to the “2020 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 management system for consumer rights protection. Based on the establishment of the committee of inclusive finance development and consumer rights protection at the Board level, in 2020, the Bank’s senior management set up the consumer rights protection committee to guide and coordinate the promotion of our consumer rights protection, and to fulfill the resolved duties of the Board, directors and senior management of the Bank regarding consumer rights protection. (2) We further improved the system of consumer rights protection. In 2020, the Bank added and revised more than 10 consumer rights protection systems, continued to improve 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. (3) We carried out financial knowledge publicity and education campaigns. In 2020, 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, video player facilities, WeChat, and SMS. These activities created a good environment for the public to study finance, understand finance and apply finance. According to statistics, in 2020, the Bank held 2,311 indoor and outdoor publicity and education activities, and a total of more than 177 thousand sets of promotional materials were distributed. Financial knowledge was promoted by official WeChat for more than 160 times, and more than 4.5 million SMS were sent for publicity, benefiting over 4.5 million people.

Report of the Board of Directors

In terms of handling consumer complaints, in 2020, the Bank received a total of 1,264 complaints. The types of complaints included RMB deposit, loans, bank cards, etc., and the geographical distribution of complaints were mainly Tianjin, Beijing, Hebei, Shanghai, Shandong and Sichuan. Upon receiving consumer complaints, the Bank actively communicates with consumers, patiently explain to consumers and fully utilize diversified solutions to solve the complaints through negotiation; therefore, there were no continuous disturbing visits, group visits or major complaints involving public opinion and litigation.

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 organise 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.

Report of the Board of Directors

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.

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, organising and promoting punishment on actions that breach relevant laws and regulations and undutiful behaviour, and improving the control over relevant risks through strengthening management. The Board of Directors is ultimately responsible for anti-money laundering risk management. The anti-money laundering lead group leads the bank-wide implementation of anti-money laundering policies and procedures. The head office, branches, and sub-branches have respective teams to execute anti-money laundering activities and operations on a day-to-day basis.

We have developed many internal policies and 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 characterised 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 maximise his or her value.

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

Report of the Board of Directors

Results

Results of the Bank for the year ended 31 December 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 161 to 162.

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 2019 of the Bank was considered and approved by the Shareholders of the Bank at the 2019 annual general meeting of the Bank held on 12 May 2020. A final dividend of RMB1.8 (tax inclusive) per ten Shares for the year of 2019, 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 30 June 2020.

As approved at the Board meeting held on 26 March 2021, it is proposed to not distribute final dividend for 2020 to all shareholders. The Profit Distribution Plan including such recommendation will be proposed at the 2020 annual general meeting for consideration. The independent non-executive Directors of the Company have also expressed their independent opinions on the profit distribution plan.

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 inclusive SME financial 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”. For continuous improvement of the organization structure of the SME business, the Bank established respective specified committees under the Board and the senior management at a head office level for the Bank’s inclusive SME financial business system construction and development management, and renamed the Small and Medium Enterprise Department of the Head Office to SME Inclusive Finance Department, which was specialised in the promotion and management of the SME inclusive financial business organization of the Bank, while branches at all levels are responsible for devoting to small and micro inclusive financial services and building a long-term mechanism for small and micro inclusive financial services at multiple levels through specific policy support, building special teams and improving professional capabilities. We 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, and actively adapted to market changes and actively transformed the client acquisition mode and business model of the SME business. Using big data technologies and electronic channels, with customers’ needs as our focus, we launched online loan products such as “e-Loan for taxpayers” (銀稅e貸), “e-Loan for supermarkets” (商超e貸) and “Tianhangyongbei – business loans for small and micro enterprises and proprietors” (天行用唄—小微商戶經營貸) to quickly and efficiently release credit funds to realise full access to long-tail, first loan and inclusive customer groups, providing small and micro customer groups with “precise dripping and irrigation” of financial running water, putting efforts into breaking the limit of the difficulty of financing of SMEs.

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 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. Scenario-based 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. In addition, the Bank deepened its development in local markets, continuously strengthened the cooperation with Tianjin Social Security Bureau, enriched the functions and rights attached to social security cards, successfully obtained the qualification for the issuance of the third generation social security card, and hosted the issuance ceremony of the third generation social security card in Binhai New Area. The Bank deeply explored the financial and non-financial needs of consumers in various scenarios, 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 2020, we have had 158 outlets in Tianjin, covering all administrative districts of the city.

Report of the Board of Directors

Under the unremitting efforts and excellent work of the staff across the Bank, in 2020, the Bank won various awards, such as the “Risk Data and Analytics Technology Implementation of the Year in the PRC” (中國年度風險數據分析技術實施) award from the Asian Banker (亞洲銀行家), the “2020 Optimised Business Environment and Innovative Financial Institutions Award” (2020年度優化營商環境創新創優金融機構獎) from the Global Times, “Excellent Underwriter in the Interbank Market” (銀行間市場優秀承銷商), the “Most Socially Responsible Award” (最具社會責任獎), the “Special Type Award” (特殊品種獎), and the “Best Progress Award” (最佳進步獎) in 2020 from China Development Bank. The Bank ranked 2 places higher than the previous year at the 30th in the “China Banking Top 100 List” published by the China Banking Association; ranked 202nd in the “2020 Top 1000 World Banks” list published by The Banker, a UK publication; nominated as the “2020 Top 500 Chinese Enterprises” (2020中國企業500強) and the “2020 Top 500 China Service Industry Enterprises” (2020中國服務業企業500強) by the China Enterprise Confederation and the China Enterprise Directors Association, ranking 500th and 181st, respectively; and nominated by the China Business Top 100 Forum in the List of China (Global) Top 100 Listed Companies for 2020 (2020年中國(全球)上市公司百強排行榜), ranking 270th.

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 four 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 that 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.

Report of the Board of Directors

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”.

DONATIONS

The charitable and other donations made by the Bank amounted to RMB6.19 million for the year ended 31 December 2020.

PROPERTY AND EQUIPMENT

Details of the changes in property and equipment of the Bank for the year ended 31 December 2020 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 2020 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 2020 were RMB24,153.3 million.

Report of the Board of Directors

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 12 and 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).

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

For the year ended 31 December 2020, 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.

Report of the Board of Directors

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	Beneficial interest	Domestic Shares	564,645 ⁽¹⁾	0.0093%

Note:

- (1) On 22 May 2020, Ms. ZHANG Furong was transferred 86,000 domestic shares from a third party by way of an agreement. As at the end of the Reporting Period, Ms. ZHANG Furong holds 445,045 domestic shares of the Bank and her spouse Mr. ZHOU 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	Beneficial interest	Domestic Shares	102,487	0.0017%
LIU Baorui	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 2020.

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.

Report of the Board of Directors

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.

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 and Supervisors, 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).

Report of the Board of Directors

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;

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 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%.

Report of the Board of Directors

Previous Financial Bonds Issuance

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%.

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%.

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.

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.

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.

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

SUN Liguo

Chairman

Tianjin, China

26 March 2021

Report of the Board of Supervisors

In 2020, in accordance with the laws and regulations including the Company Law of the People's Republic of China, Work Guidelines on Supervisory Boards of Commercial Banks and regulatory requirements, the Board of Supervisors of the Bank, with collective efforts from all the Supervisors, fully exercised its duty. 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 2020, 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 senior management and conducting specific examination and survey to listen to work reports from senior management and special reports from relevant lines, and to review relevant documents.

(I) Convened Meetings in Compliance to Perform the Obligations of Discussion and Supervision

The first was to convene the meetings of the Board of Supervisors in compliance. A total of 9 meetings were held by the Board of Supervisors throughout the year, with 53 resolutions considered and 44 reports reported. The second was to convene the meetings of special committees of the Board of Supervisors. The special committees under the Board of Supervisors convened a total of 11 meetings, 8 of which were held by the Supervisory Committee and 3 of which were held by the Nomination Committee, with a total of 64 proposals reviewed and approved. The third was to attend the meetings of the Board of Directors, Shareholders' general meetings and the meeting of senior management. Throughout the year, members of the Board of Supervisors of the Bank attended 7 meetings of the Board of Directors and 2 Shareholders' general meetings, and the Board of Supervisors designated representatives to attend 1 meeting of the Special Committee of the Board of Directors and 19 meetings of the President's Office, supervising the meeting process, the content of resolutions, and the voting procedures in accordance with the law, ensuring that all meetings are in compliance with laws and regulations in terms of format and content. The fourth was to organise trainings for supervisors. 2 special training sessions were organised, covering related party transactions management, anti-corruption, and interpretation of the ESG policies under the Hong Kong Stock Exchange, etc, in a bid to further enhance the performance of supervisors.

Report of the Board of Supervisors

(II) Completed the Performance Evaluation Work on Schedule, and Assumed Ultimate Responsibility for the Performance Evaluation

The Board of Supervisors of the Bank conducted daily supervision over the performance of the Bank's directors and senior management by means of reviewing meetings or relevant matters, attending relevant meetings of the Board of Directors and senior management, as well as inspecting meeting materials. It established duty performance files of the Bank's directors and supervisors, updated the contents of such files regularly, and truthfully recorded their duty performance activities in accordance with regulatory requirements. It conducted performance interviews with certain selected directors, listened to directors' annual performance on their duties, learned directors' opinions and suggestions on certain aspects of the Bank, such as corporate governance and business development, responded to all the suggestions and concerns on the 5 aspects of the Bank proposed by the director interviewed. It completed the 2019 performance evaluation work of the Board of Directors, directors, Board of Supervisors, supervisors, senior management and its members on schedule, to prepare a performance evaluation report to report to the Shareholders' general meeting.

(III) Organised Surveys and Inspections on a Regular Basis, and Effectively Performed its Supervision Obligations

The first was to select key sectors for strategic assessment. The Board of Supervisors organised and conducted specialised assessments on the implementation of the Bank's rolling plan for renovating its old business premises and set up leading groups for supervision and inspections, especially listened to reports on implementation of the rolling plan for renovation of old business premises by the administrative management department of the head office and branches through meetings, conferences and field researches at the Bank's branches, thus preparing a specialised evaluation report, and submitted it to the Board of Supervisors for review. The second was to focus on the prevention and control of financial risks to safeguard the rights of financial consumers, organise the supervision and inspection of the protection work for the rights of financial consumers at the Bank's branches, and combine the special audits on the financial consumer rights protection work by the internal audit department to conduct on-site research at the Bank's branches. Combining with its own professional advantages and practical experiences, the Board of Supervisors focused on inspections on the construction of the protection system of the Bank's consumer rights, the fulfillment of consumer rights protection obligations, product sales management, complaint handling, publicity and education in the year of 2020. The Board of Supervisors conducted in-depth exchanges and discussions with the leadership members of various branches, put forward positive suggestions and guidance on the operation and development direction of each branch in aspect of the performance of supervisors and prepared a special inspection report. The Board of Supervisors also put forward its supervision and inspection opinions in the three aspects of improving the rectification and correction mechanism, enhancing the system construction, and strengthening the implementation of the consumer protection work.

Report of the Board of Supervisors

(IV) Completed the Economic Responsibility Audit of Relevant Personnel in a Timely Manner to Ensure the Smooth Operation of the Board of Directors and Senior Management

In accordance with the Articles of Association of the Bank and the duties of the Board of Supervisors, the Board of Supervisors convened timely meetings to select working institutions to form an audit team to complete 8 persons/times of economic responsibility audits on directors and senior management team members, and prepared an economic responsibility audit report to report to the Board of Directors and the Board of Supervisors, and submitted the report to the regulatory authorities as material requirements for the departure audit or qualification review of the Bank's directors or senior management team members.

(V) Strengthened the Four Supervision Aspects and Enhanced the Effectiveness of the Work of the Board of Supervisors

The Board of Supervisors of the Bank adhered to its own function positioning, gave full play to its supervisory functions with the focus of the Bank's strategy implementation, risk prevention and control, and financial auditing, and continuously improved the quality and effectiveness of the work of the Board of Supervisors while continuously improving its corporate governance structure.

The first was the supervision on duty fulfillment. The Board of Supervisors of the Bank supervised the compliance with laws and regulations as well as the rules and the Articles of Association of the Company 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. It integrated the supervision on performance of duties into the supervision of financial activities, risk management and internal control. It reviewed and listened to the work reports of the Board of Directors, the Board of Supervisors and senior management, reviewed the implementation of strategic planning, information technology and network security planning, social responsibility, etc. It participated in the selection and appointment of professional managers, attended board meetings, supervised the compliance of the operation of its appointment approval work, reviewed the compensation and assessment plans and systems of professional managers formulated by the Board of Directors, as well as supervised the implementation process.

Report of the Board of Supervisors

The second was financial supervision. The Board of Supervisors of the Bank 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. It listened to the senior management's report on the operation on a quarterly basis, reviewed major asset disposal issues, and highlighted issues that require attention in aspect of the accounting treatment for assets.

The third was the supervision on risk management. The Board of Supervisors of the Bank assumed the responsibility of overseeing comprehensive risk management. It regularly listened to reports on comprehensive risks (including operational risks, liquidity risks, market risks, reputation risks and other major risks) and risk management, risk preferences statements, etc., and paid attention to the establishment and soundness of risk management framework, supervised and inspected the fulfillment of duties of the Board of Directors and senior management in various aspects of risk management. It listened to relevant specialised audit conclusions and opinions of the internal audit department, and focused on the problems found in the audit work and rectification in the fields including comprehensive risks, operational risks, liquidity risks, anti-money laundering risks, internet loans, and business continuity.

The fourth was internal control and supervision. The Board of Supervisors of the Bank continuously followed up on the opinions of the regulatory authorities and the risk issues found in the external audit inspections and rectification progress, looked into the annual regulatory opinion letters, reviewed the annual internal control evaluation reports, and continuously tracked the implementation status of rectifications. It reviewed the internal audit work report submitted by the internal audit department of the Bank, paid attention to the quality and effectiveness of internal audit work, and guided internal audit work. It listened to the work report of the senior management, paid attention to the duty fulfillment of the Board of Directors and senior management's crime prevention work responsibilities, and supervised the implementation of the crime prevention and control management system, etc. It regularly listened to reports on related party transactions and related party transaction management, reviewed reports on major related party transactions, and reviewed reports on related party transactions related to the Bank's directors and senior managers, and supervised the duty fulfillment of the Board of Directors and senior management team members in aspect of related party transaction management. It listened to the relevant specialised audit conclusions and opinions of the internal audit department, and focused on the problems found in the audit of related party transaction management and wealth management business, as well as the rectification progress.

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

During the Reporting Period, the procedures of preparation and review of the Bank's 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 Meetings

During the Reporting Period, the Bank convened 2 general meetings. Members of the Board of Supervisors attended the meetings in accordance with the relevant regulations of the Company Law of the People's Republic of China, 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 meetings for consideration, supervised the implementation of the resolutions of the general meetings, and considered that the Board of Directors was able to conscientiously implement relevant resolutions of the Shareholders' general meetings.

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 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.

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

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 litigation against our Tianbao Sub-branch in relation to customers' deposits occurred in January 2014. The final rulings ruled that, as 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) and 5 individuals, including Qi Fengcheng (齊鳳城) (changed to Wang Weiqiang (王偉強) afterwards) and Zhang Li (張立) 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 individuals and referred the case materials to the public security organs.

Since May 2019, 9 companies, including Wuzhou Glory (Tianjin) Group Co. Ltd. (五洲榮耀(天津)集團有限公司) and 4 individuals, including Wang Weiqiang (王偉強) and Zhang Li (張立) successively submitted an application for civil retrial to Tianjin High People's Court. As of 31 December 2020, Tianjin High People's Court and the Supreme People's Court issued a civil ruling rejecting the retrial submission to 5 companies and approving the withdrawal of retrial submissions of 4 companies and 3 individuals. The Bank has not received any ruling to the remaining 1 company or individual from the Supreme People's Court.

Important Events

The final rulings have taken effect, there has been no change to the basis of the rulings, and 1 company or individual was still under retrial process which has yet to be finalized. Under such circumstances, the Bank received a notice of response to action in April 2020, because 5 companies, including Wuzhou Glory (Tianjin) Group Co. Ltd. (五洲榮耀(天津)集團有限公司) and 4 individuals, including Wang Weiqiang (王偉強) and Zhang Li (張立) have, based on the same facts and reasons as the aforementioned cases, filed lawsuits against us again in relation to savings deposit contract dispute to the Secondary Intermediate People's Court of Tianjin, which is currently under trial.

Litigation against Zhejiang Chouzhou Commercial Bank Raised by Our Shanghai Branch in Relation to the Bills Held under a Resale Agreement

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. On 13 January 2016, the Bank transferred an amount of RMB986 million to Zhejiang Chouzhou Commercial Bank. Upon maturity on 6 April 2016, our Bank failed to receive the payment of RMB786 million.

In May 2018, Shanghai High People's Court issued a civil ruling on the suspension of the case. Due to changes in relevant circumstances, we filed a civil lawsuit with the Shanghai Financial Court after withdrawing the case from the Shanghai High People's Court in October 2020, which is currently under trial.

SIGNIFICANT INVESTMENT, ACQUISITION AND DISPOSAL OF ASSETS AND BUSINESS MERGER

There was no significant 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

No other significant events occurred to the Bank and its subsidiaries after 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 Work Ethics and Code of Conduct of Bank of Tianjin. 《天津銀行從業人員職業操守和行為守則》 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 cases which may trigger criminal proceedings of Bank of Tianjin (Provisional) 《天津銀行涉刑案件管理辦法(試行)》, 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.

Risk Management and Internal Control

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.

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

(天津银行股份有限公司)

(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 161 to 307, which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
<p><i>Expected credit loss provision of loans and advances to customers and debt instruments at amortised cost</i></p> <p>We identified the expected credit loss ("ECL") provision of loans and advances to customers and debt instruments at amortised cost as a key audit matter as these financial assets are material to the Group, and the management of the Group exercises significant judgements on 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 included probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD").</p> <p>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 3.2.9, Note 4, Note 54.1(ii)-(v) and Note 54.1(vii)-(viii), respectively.</p>	<p>Our procedures in relation to ECL provision of loans and advances to customers and debt instruments at amortised cost included:</p> <ul style="list-style-type: none"> • Understanding design and testing operating effectiveness of controls in relation to ECL impairment assessment; • Understanding the ECL model used by the Group, utilising internal 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, on a sample basis, 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 as 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 fair value mainly included financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income as set out in Note 23, Note 24 and Note 27. A significant portion of these financial assets are valued with significant unobservable inputs and are classified as Level 3. Their carrying amount accounted for approximately 9% of the total assets of the Group.</p> <p>Disclosures in relation to Level 3 fair value measurement of these financial assets were made in Note 55.</p>	<p>Our procedures in relation to valuation of financial instruments measured at Level 3 fair value included:</p> <ul style="list-style-type: none">• Understanding design and testing operating effectiveness of controls in relation to financial instrument valuation process;• On a sample basis, involving internal valuation experts to review and assess the valuation methodology and assumptions used;• Recalculating fair value estimates, on a sample basis, and comparing the results to the Group's valuations.

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:

- 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.
- 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- 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.
- 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)*

- 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, actions taken to eliminate threats or safeguards applied.

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

26 March 2021

Consolidated Statement of Profit or Loss and other Comprehensive Income

For the year ended 31 December 2020
(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	Year ended 31 December	
		2020	2019
Interest income		30,553,932	32,268,052
Interest expense		(16,907,490)	(19,045,250)
Net interest income	6	13,646,442	13,222,802
Investment income	7	1,738,108	1,429,901
Fee and commission income		2,447,096	2,308,570
Fee and commission expense		(136,561)	(42,284)
Net fee and commission income	8	2,310,535	2,266,286
Net trading losses	9	(1,204,497)	(210,873)
Net gain arising from derecognition of financial assets measured at amortised cost	10	25,832	115,163
Other income, gains or losses	11	680,284	230,441
Operating income		17,196,704	17,053,720
Operating expenses	12	(3,952,952)	(3,988,677)
Impairment losses under expected credit loss model, net of reversal	13	(8,230,793)	(7,430,105)
Share of results of associates		22,125	(1,693)
Profit before tax		5,035,084	5,633,245
Income tax expense	14	(691,671)	(1,024,584)
Profit for the year		4,343,413	4,608,661

Consolidated Statement of Profit or Loss and other Comprehensive Income

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	Year ended 31 December	
		2020	2019
Other comprehensive expense:			
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	(578,233)	(62,657)
Amount reclassified to profit or loss upon disposal of:			
– financial assets measured at fair value through other comprehensive income	44	(439,305)	(105,207)
Impairment loss for financial assets measured at fair value through other comprehensive income included in profit or loss	44	378,195	87,976
Income tax relating to items that may be reclassified subsequently	44	159,836	19,972
Other comprehensive expense for the year, net of income tax		(479,507)	(59,916)
Total comprehensive income for the year		3,863,906	4,548,745
Profit for the year attributable to:			
Equity holders of the Bank		4,307,585	4,547,971
Non-controlling interests		35,828	60,690
		4,343,413	4,608,661
Total comprehensive income for the year attributable to:			
Equity holders of the Bank		3,828,078	4,488,055
Non-controlling interests		35,828	60,690
		3,863,906	4,548,745
Total comprehensive income for the year:			
– from continuing operations		3,863,906	4,548,745
Earnings per share attributable to equity holders of the Bank (Expressed in RMB Yuan per share)			
From continuing operations			
– Basic	15	0.71	0.75

Consolidated Statement of Financial Position

For the year ended 31 December 2020
(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	31 December 2020	31 December 2019
ASSETS			
Cash and balances with central bank	18	47,831,475	59,303,119
Deposits with banks and other financial institutions	19	7,831,165	6,888,466
Placements with banks and other financial institutions	20	10,693,212	5,413,990
Derivative financial assets	21	9,744	167,291
Financial assets held under resale agreements	22	600,197	8,174,228
Financial assets at fair value through profit or loss	23	65,486,367	59,544,603
Debt instruments at fair value through other comprehensive income	24	57,923,347	46,994,040
Loans and advances to customers	25	295,752,349	281,229,242
Debt instruments at amortised cost	26	187,348,850	188,580,627
Equity instruments at fair value through other comprehensive income	27	1,564,660	1,393,601
Deferred tax assets	28	4,808,896	4,797,646
Other assets	29	4,063,300	3,298,900
Property and equipment	30	2,569,826	2,288,830
Right-of-use assets	31	1,044,283	1,116,131
Interests in associates	32	232,528	210,403
Total assets		687,760,199	669,401,117
LIABILITIES			
Borrowings from central bank	33	25,318,850	36,629,447
Deposits from banks and other financial institutions	34	47,491,951	45,385,064
Placements from banks and other financial institutions	35	25,809,846	21,198,612
Financial liabilities held for trading	36	472,762	412,186
Financial assets sold under repurchase agreements	37	60,492,664	32,993,996
Derivative financial liabilities	21	675,034	39,787
Income tax payable		437,562	1,693,467
Other liabilities	38	7,367,280	7,138,432
Lease liabilities	39	1,052,790	1,067,299
Due to customers	40	355,981,854	350,996,365
Debt securities issued	41	108,711,616	120,669,679
Total liabilities		633,812,209	618,224,334

Consolidated Statement of Financial Position

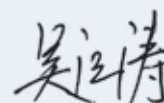
For the year ended 31 December 2020
(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	31 December 2020	31 December 2019
EQUITY			
Share capital	42	6,070,552	6,070,552
Capital reserve	43	10,731,130	10,731,130
Investment revaluation reserve	44	(390,876)	88,631
Surplus reserve	45	3,352,480	3,352,480
General reserve	46	9,213,596	9,198,347
Retained earnings		24,153,342	20,953,705
Equity attributable to equity holders of the Bank		53,130,224	50,394,845
Non-controlling interests		817,766	781,938
Total equity		53,947,990	51,176,783
Total equity and liabilities		687,760,199	669,401,117

The consolidated financial statements on pages 161 to 307 were approved and authorised for issue by the Board of Directors on 26 March 2021 and are signed on its behalf by:



EXECUTIVE DIRECTOR



EXECUTIVE DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020
(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 2020		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
Profit for the year		-	-	-	-	-	4,307,585	4,307,585	35,828	4,343,413
Other comprehensive expense for the year		-	-	(479,507)	-	-	-	(479,507)	-	(479,507)
Total comprehensive income for the year		-	-	(479,507)	-	-	4,307,585	3,828,078	35,828	3,863,906
Dividend distribution	16	-	-	-	-	-	(1,092,699)	(1,092,699)	-	(1,092,699)
Appropriation to general reserve	46	-	-	-	-	15,249	(15,249)	-	-	-
As at 31 December 2020		6,070,552	10,731,130	(390,876)	3,352,480	9,213,596	24,153,342	53,130,224	817,766	53,947,990
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

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

	Year ended 31 December	
	2020	2019
OPERATING ACTIVITIES		
Profit before tax	5,035,084	5,633,245
Adjustments for:		
Depreciation and amortisation	676,088	524,442
Impairment losses under expected credit loss model, net of reversal	8,230,793	7,430,105
Share of results of associates	(22,125)	1,693
Interest income arising from debt instruments at FVTOCI and at amortised costs	(10,030,445)	(10,423,654)
Interest expense arising from lease liabilities	49,357	51,976
Interest expense arising from debt securities issued	3,877,096	5,176,569
Investment income	(1,738,108)	(1,429,901)
Net trading losses	1,204,497	210,873
Net gains arising from derecognition of financial assets measured at amortised cost	(25,832)	(115,163)
Dividend income from investment securities	(1,440)	(1,200)
Other income, gains or losses	(100,475)	(316,894)
Operating cash flows before movements in working capital	7,154,490	6,742,091
Decrease in balances with central bank and deposits with banks and other financial institutions	4,551,899	5,993,079
(Increase)/decrease in placements with banks and other financial institutions	(6,840,030)	7,454,756
Decrease/(increase) in financial assets held for trading and derivative financial assets	21,725	(7,167,407)
Increase in loans and advances to customers	(22,727,786)	(14,614,426)
(Decrease)/increase in borrowings from central bank	(11,197,813)	19,485,000
Increase in deposits from banks and other financial institutions	2,192,711	11,701,410
Increase/(decrease) in placements from banks and other financial institutions	4,718,018	(497,458)
Increase in financial liabilities held for trading and derivative financial liabilities	102,957	386,652
Increase in financial assets sold under repurchase agreements	27,457,507	4,587,584
Increase in due to customers	6,599,244	7,950,083
Increase in other operating assets	(1,488,119)	(1,924,841)
(Decrease)/increase in other operating liabilities	(1,437,172)	1,253,816
Cash generated by operating activities	9,107,631	41,350,339
Income tax paid	(1,798,990)	(1,913,222)
Net cash generated by operating activities	7,308,641	39,437,117

Consolidated Statement of Cash Flows

For the year ended 31 December 2020
(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	Year ended 31 December	
		2020	2019
INVESTING ACTIVITIES			
Cash received from disposal and redemption of investment securities		380,424,989	366,937,465
Cash received from disposal of property and equipment and other assets		4,928	8,720
Cash paid for purchases of investment securities		(396,165,937)	(360,119,572)
Cash paid for purchase of property and equipment and other assets		(883,657)	(796,575)
Interest income received from investment securities		11,507,666	13,562,029
Dividend income received from investment securities		1,440	1,200
Net cash (used in)/generated by investing activities		(5,110,571)	19,593,267
FINANCING ACTIVITIES			
Cash received from debt securities issued	47	137,743,802	189,253,368
Repayment of debt securities issued	47	(149,790,000)	(228,410,000)
Repayment of lease liabilities	47	(300,281)	(279,791)
Interest paid on financing activities	47	(3,788,961)	(5,173,919)
Dividends paid		(1,082,139)	(1,073,710)
Net cash used in financing activities		(17,217,579)	(45,684,052)
Net (decrease)/increase in cash and cash equivalents		(15,019,509)	13,346,332
Cash and cash equivalents at beginning of the year		40,210,874	26,851,195
Effect of foreign exchange rate changes		(88,450)	13,347
Cash and cash equivalents at end of the year	48	25,102,915	40,210,874
Net cash generated by operating activities include:			
Interest received		23,237,049	25,506,480
Interest paid		(15,230,538)	(13,404,702)
Net interest received from operating activities		8,006,511	12,101,778

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(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 stock limited 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 2020 the number of ordinary shares of the Bank was 6.071 billion. As at 31 December 2020 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 addresses of the registered office and principal place of business of the Bank are disclosed in the company profile section to the annual report.

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 business witness; 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 properties; 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.

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2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework* in IFRSs and the following amendments to IFRSs issued by the IASB for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

In addition, the Group has early applied the Amendment to IFRS 16 Covid-19-Related Rent Concessions.

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

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 and the related Amendments ¹
Amendments to IFRS 3	Reference to the Conceptual Framework ²
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2 ⁴
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ¹
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to IAS 8	Definition of Accounting Estimates ¹
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use ²
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018-2020 ²

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 January 2021.

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.

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For the year ended 31 December 2020

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3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

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 ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that 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 *Leases* ("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* ("IAS 36").

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 are 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.

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3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies

3.2.1 Basis of consolidation

The consolidated financial statements incorporates the financial statements of the Bank and the entities (including structured entities) controlled by the Bank and its subsidiaries. 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 Group 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.

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For the year ended 31 December 2020

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3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

3.2.1 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 that 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 equity holders of the Bank. 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 *Financial Instruments* ("IFRS 9") or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
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3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

3.2.2 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. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. 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.

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 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.

Notes to the Consolidated Financial Statements

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3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

3.2.2 Investments in associates *(Continued)*

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 of 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 consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3.2.3 Revenue from contracts with customers

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.

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For the year ended 31 December 2020
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3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

3.2.3 Revenue from contracts with customers *(Continued)*

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 the most likely amount, which better predicts the amount of consideration to which the Group will be entitled.

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.

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3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

3.2.3 Revenue from contracts with customers *(Continued)*

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.

3.2.4 Leases

Definition of a lease

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

For contracts entered into or modified 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.

The Group as a lessee

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of buildings 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.

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3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

3.2.4 Leases *(Continued)*

The Group as a lessee *(Continued)*

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 other than adjustments to lease liabilities resulting from Covid-19-related rent concessions in which the Group applied the practical expedient.

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.

Refundable rental deposits

Refundable rental deposits paid are accounted under 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.

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3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

3.2.4 Leases *(Continued)*

The Group as a lessee *(Continued)*

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.

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3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

3.2.4 Leases *(Continued)*

The Group as a lessee *(Continued)*

Lease liabilities (Continued)

Covid-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

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.

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3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

3.2.4 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.

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

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 of IFRS 9.

3.2.5 Foreign currencies

In preparing the financial statements of each involved group entity, transactions in currencies other than the functional currency of that entity (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.

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3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

3.2.6 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 related to income 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. Such grants are presented under "other income, gains or losses".

3.2.7 Employee benefits

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

Termination benefits

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

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 wages and salaries, annual leave and sick leave) after deducting any amount already paid.

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3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

3.2.7 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.

3.2.8 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.

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.

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3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

3.2.8 Taxation *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the 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.

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.

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3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

3.2.8 Taxation *(Continued)*

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, 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.

3.2.9 Financial instruments

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

Financial assets and financial liabilities are 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.

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.

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3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

3.2.9 Financial instruments *(Continued)*

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 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") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

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.

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3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

3.2.9 Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (Continued)

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 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.

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3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

3.2.9 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.

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3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

3.2.9 Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets and other items subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including financial assets at amortised cost, debt instruments at FVTOCI), and other items (loan commitments and financial guarantee contracts), which are subject to impairment assessment 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.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case 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.

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3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

3.2.9 Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

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

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- Overdue principal or interests by more than 30 days but no more 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.

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.

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3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

3.2.9 Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

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

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.

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 financial instruments 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.

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3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

3.2.9 Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

(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 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.

(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 and 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 the difference between all contractual cash flows that are due to the Group in accordance with the contract and 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.

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 ECL 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.

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3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

3.2.9 Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 *(Continued)*

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

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.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- 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.

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.

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3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

3.2.9 Financial instruments *(Continued)*

Financial assets *(Continued)*

Derecognition/modification 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 also 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, 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, 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.

A modification of a financial asset occurs if the contractual cash flows are renegotiated or otherwise modified.

When the contractual terms of a financial asset are modified, the Group assesses whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers 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 per cent different from the discounted present value of the remaining cash flows of the original financial asset.

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

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3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

3.2.9 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 are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

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.

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3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

3.2.9 Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Financial liabilities at FVTPL (Continued)

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 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.

Financial liabilities at amortised cost

Financial liabilities including borrowing from central bank, deposits from banks and other financial institutions, placements from banks and other financial institutions, financial assets sold under repurchase agreements, lease liabilities, due to customers and debt securities issued are subsequently measured at amortised cost, using the effective interest method.

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3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

3.2.9 Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

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.

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.

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.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated 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.

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3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

3.2.10 Repurchase agreements and agreements to resell

Financial assets sold subject to repurchase agreements continue to be recognised, and are recorded in their respective balance sheet categories. The corresponding liability is included in “financial assets sold under repurchase agreements”. Financial assets held under agreements to resell at a specific future date at a fixed price are recorded as “financial assets held under resale agreements”.

The difference between purchase and sale price is recognised as interest expense or income in profit or loss over the life of the agreements using the effective interest method.

3.2.11 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.

When the Group makes payments for ownership interests of properties which includes both land use rights and building elements, the entire consideration is allocated between the land use rights and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in land use rights is presented as “right-of-use assets” in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying land use rights, the entire properties are classified as property and equipment.

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.

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3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

3.2.11 Property and equipment *(Continued)*

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%

3.2.12 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.

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3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

3.2.13 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 and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss in the year when the asset is derecognised.

3.2.14 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 and 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 testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating units when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating units or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

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.

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For the year ended 31 December 2020

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3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

3.2.14 Impairment on property and equipment, right-of-use assets and intangible assets *(Continued)*

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.

3.2.15 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 of 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. When 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).

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3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

3.2.16 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.

3.2.17 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.

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 underlying 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.

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

Impairment under ECL model

- Significant increase of credit risk: ECL are measured as an allowance equal to 12m ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition; and it comes to stage 3 when it is credit impaired (but it is not purchased 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.
- 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.
- The financial uncertainty triggered by the Covid-19 pandemic was taken into account in the ECL model when forecasted macroeconomic data were updated in the model. Details of these economic variables forecasted used were set out in Note 54.1(iii).

Notes to the Consolidated Financial Statements

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

Fair value of financial instruments

Certain of the Group's financial assets, including primarily asset management plans and trust beneficiary rights, with a carrying amount of RMB64,583 million as at 31 December 2020 (2019: RMB52,610 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. Whilst the Group considers these valuations are the best estimates, the ongoing Covid-19 pandemic has resulted in certain market volatility and may cause further disruptions to the investees'/issuers' businesses, which have led to some degree of uncertainties in respect of the valuations in the current year. See Note 55 for further disclosures.

5. SEGMENT ANALYSIS

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board of Directors and relevant management committees (chief operating decision maker) for the purposes of allocating resources to segments and assessing their performance. The Group's chief operating decision maker reviews consolidated financial statements mainly based on operating segments for the purpose of allocating resources and performance assessment.

Measurement of segment assets and liabilities and segment income and result is based on the Group's accounting policies. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the consolidated financial statements.

Internal charges and transfer pricing are determined with reference to market rates and have been reflected in the performance of each segment. Interest income and expense arising from internal charges and transfer pricing adjustments are referred to as 'inter-segment interest income/expense'. Interest income and expense earned from/incurred with third parties are referred to as 'external interest income/expense'.

The Group has no major customer which contributes to 10 percent or more of the Group's income. No geographical information is presented as most of the Group's operations are conducted and most of its non-current assets are located and therefore revenue is derived from activities in 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.

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5. SEGMENT ANALYSIS *(Continued)*

Operating Segments

The Group provides a diversified range of banking and related financial services. The products and services offered to customers are organised into the following operating segments:

Corporate banking

The corporate banking segment provides financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit takings and other types of corporate intermediary services.

Personal banking

The personal banking segment provides financial products and services to individual customers. The products and services include personal loans, deposit products, card business, personal wealth management services and other types of personal intermediary services.

Treasury operations

The Group's treasury operations conduct money market, foreign exchange, precious metal and derivatives transactions, and debt instruments investments for its own accounts or on behalf of customers.

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5. SEGMENT ANALYSIS (Continued)

Operating Segments (Continued)

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
Year ended 31 December 2020					
External interest income	8,951,714	9,989,597	11,612,621	–	30,553,932
External interest expense	(7,025,828)	(1,739,050)	(8,142,612)	–	(16,907,490)
Inter-segment interest income/(expense)	3,374,480	(2,555,328)	(819,152)	–	–
Net interest income	5,300,366	5,695,219	2,650,857	–	13,646,442
Investment income	–	–	1,738,108	–	1,738,108
Fee and commission income	1,013,359	885,647	548,090	–	2,447,096
Fee and commission expense	(45,776)	(46,613)	(44,172)	–	(136,561)
Net fee and commission income	967,583	839,034	503,918	–	2,310,535
Net trading losses	–	–	(1,204,497)	–	(1,204,497)
Net gains arising from the derecognition of financial assets measured at amortised cost	–	–	25,832	–	25,832
Other income, gains or losses	–	–	626,942	53,342	680,284
Operating income	6,267,949	6,534,253	4,341,160	53,342	17,196,704
Operating expenses	(1,359,689)	(1,759,480)	(833,783)	–	(3,952,952)
Impairment losses under expected credit loss model, net of reversals	(4,165,862)	(3,388,707)	(676,224)	–	(8,230,793)
Share of results of associates	–	–	–	22,125	22,125
Profit before tax	742,398	1,386,066	2,831,153	75,467	5,035,084
Income tax expense	–	–	–	–	(691,671)
Profit for the year	–	–	–	–	4,343,413
Depreciation and amortisation	(246,166)	(259,428)	(170,494)	–	(676,088)
Capital expenditure	(230,772)	(359,605)	(90,509)	(202,771)	(883,657)
As at 31 December 2020					
Segment assets	175,282,745	135,569,679	375,142,833	1,764,942	687,760,199
Segment liabilities	(269,008,394)	(89,682,236)	(274,601,406)	(520,173)	(633,812,209)
Supplementary information Credit commitments	53,769,302	13,950,734	–	–	67,720,036

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For the year ended 31 December 2020
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5. SEGMENT ANALYSIS (Continued)

Operating Segments (Continued)

Others (Continued)

	Corporate banking	Personal banking	Treasury operations	Others	Total
Year ended 31 December 2019					
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)
As at 31 December 2019					
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

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6. NET INTEREST INCOME

	Year ended 31 December	
	2020	2019
Interest income:		
Loans and advances to customers, including:		
Corporate loans and advances	8,669,788	9,756,525
Personal loans and advances	9,989,597	10,024,600
Discounted bills	481,188	199,317
Finance lease	232,772	330,670
Balances with central bank	557,465	650,455
Deposits with banks and other financial institutions	41,696	76,150
Placements with banks and other financial institutions	348,692	661,267
Financial assets held under resale agreements	202,289	145,414
Investments, including:		
Debt instruments at FVTOCI	1,679,820	1,737,368
Debt instruments at amortised cost	8,350,625	8,686,286
Subtotal	30,553,932	32,268,052
Interest expense:		
Borrowings from central bank	(1,176,408)	(700,289)
Deposits from banks and other financial institutions	(1,157,864)	(1,128,999)
Placements from banks and other financial institutions	(520,240)	(975,387)
Financial assets sold under repurchase agreements	(903,109)	(849,307)
Lease liabilities	(49,357)	(51,976)
Due to customers	(9,223,416)	(10,162,723)
Debt securities issued	(3,877,096)	(5,176,569)
Subtotal	(16,907,490)	(19,045,250)
Net interest income	13,646,442	13,222,802

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7. INVESTMENT INCOME

	Year ended 31 December	
	2020	2019
Investment income from financial instruments at fair value through profit or loss	1,738,108	1,429,901

Investment income includes income from debt securities, wealth management products, asset management plans and trust beneficiary rights measured at FVTPL.

8. NET FEE AND COMMISSION INCOME

	Year ended 31 December	
	2020	2019
Fee and commission income (i)		
Wealth management service fees	1,516,890	1,428,041
Consultancy fees	91,771	145,318
Acceptance and guarantee commitment fees	75,811	73,538
Agency commissions and underwriting service fees	552,353	387,439
Settlement and clearing fees	169,704	195,908
Bank card fees	37,993	74,748
Others	2,574	3,578
Subtotal	2,447,096	2,308,570
Fee and commission expense	(136,561)	(42,284)
Total	2,310,535	2,266,286

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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	
	2020	2019
Net realised and unrealised loss from financial assets at fair value through profit or loss	(1,443,802)	(316,080)
Net gains on disposal of debt instruments at fair value through other comprehensive income	239,305	105,207
Total	(1,204,497)	(210,873)

Included in net realised and unrealised loss from financial assets at fair value through profit or loss was net realised and unrealised loss arising from foreign currency exchange swaps. These swaps were purchased to manage foreign currency exposures of the Group. The foreign exchange differences recorded in profit or loss were disclosed in Note 11, while the details of derivatives used by the Group were disclosed in Note 21.

Notes to the Consolidated Financial Statements

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10. NET GAIN ARISING FROM DERECOGNITION OF FINANCIAL ASSETS MEASURED AT AMORTISED COST

	Year ended 31 December	
	2020	2019
Net gain on disposal of financial assets measured at amortised cost	25,832	115,163

During the year ended 31 December 2020, 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	
		2020	2019
Reversal of provision	(i)	–	205,600
Government subsidies	(ii)	26,463	28,024
Rental income		30,758	25,289
Dividend income		1,440	1,200
Exchange differences		592,875	(8,481)
Others		28,748	(21,191)
Total		680,284	230,441

Notes:

- (i) In the prior year, provision relating to litigations were reversed according to latest court verdicts. Movement of provision related to litigation is as follow:

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

- (ii) Government subsidies primarily represented tax rebates of RMB17.7 million (2019: RMB14.1 million). For the year ended 31 December 2019, the amount also included subsidies of RMB10.0 million on rental expenses.

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12. OPERATING EXPENSES

	Notes	Year ended 31 December	
		2020	2019
Staff costs	(1)	2,068,550	2,318,833
Office expenses		421,901	344,448
Depreciation of right-of-use assets		309,014	256,599
Sundry taxes		203,950	202,129
Depreciation of property and equipment		262,350	183,989
Rental and property management expenses		74,053	120,615
Amortisation		104,724	83,854
Other general and administrative expenses	(2)	508,410	478,210
Total		3,952,952	3,988,677

Notes:

(1) Staff costs

	Year ended 31 December	
	2020	2019
Salaries, bonuses and allowances	1,579,536	1,657,868
Social insurance	115,887	279,253
Housing funds	124,117	119,105
Staff welfare	81,088	110,397
Labor union fees and staff education expenses	36,390	49,962
Contribution to annuity funds	131,532	102,248
Total	2,068,550	2,318,833

(2) The Group's statutory audit fee for the year ended 31 December 2020 was RMB2.65 million (2019: RMB2.55 million).

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

	Year ended 31 December	
	2020	2019
Deposits with banks and other financial institutions	6,000	2,623
Placements with banks and other financial institutions	4,786	61,423
Financial assets held under resale agreements	(9)	78,692
Debt instruments at FVTOCI	356,316	75,877
Loans and advances to customers at amortised cost	7,297,429	5,083,055
Loans and advances to customers at FVTOCI	21,879	12,099
Debt instruments at amortised cost	597,634	1,925,473
Credit commitments	(41,455)	109,544
Others	(11,787)	81,319
Total	8,230,793	7,430,105

14. INCOME TAX EXPENSE

	Year ended 31 December	
	2020	2019
Income tax expense comprises:		
Current income tax		
– PRC Enterprise Income Tax	543,085	2,636,420
Deferred tax (Note 28)	148,586	(1,611,836)
Total	691,671	1,024,584

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

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14. INCOME TAX EXPENSE *(Continued)*

The tax charge for the year can be reconciled to profit before tax per the consolidated statement of profit or loss as follows:

	Year ended 31 December	
	2020	2019
Profit before tax	5,035,084	5,633,245
Tax calculated at applicable statutory tax rate of 25%	1,258,771	1,408,311
Income tax at concessionary rate	(1,392)	(12,640)
Underprovision/(overprovision) of tax in prior years	2,462	(12,544)
Tax effect of expenses not deductible for tax purpose	36,511	54,668
Tax effect of income not taxable for tax purpose (i)	(604,681)	(413,211)
Income tax expense	691,671	1,024,584

Note:

- (i) The income not taxable for tax purpose mainly represents interest income arising from all government bonds and funds, which are 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	
	2020	2019
Earnings:		
Profit for the year attributable to equity holders of the Bank for the purpose of basic earnings per share	4,307,585	4,547,971
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)	0.71	0.75

No diluted earnings per share has been presented for the years ended 31 December 2020 and 2019 as the Group had no potential ordinary shares in issue during the years.

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16. DIVIDENDS

	Notes	Year ended 31 December	
		2020	2019
2019 Final Dividend	(1)	1,092,699	–
2018 Final Dividend	(2)	–	1,092,699

Notes:

- (1) A final dividend of RMB18 cents per share (tax inclusive) in respect of the year ended 31 December 2019 amounting in a total of RMB1,093 million was proposed by the Board of Directors and approved by the 2019 annual general meeting on 12 May 2020.
- (2) 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.

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17. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND HIGHEST PAID INDIVIDUALS

(I) Directors' and supervisors' remunerations

Year ended 31 December 2020

Name	Fees	Paid remuneration and other benefits	Bonus	Contribution to pension schemes	Total
Executive directors					
SUN Liguó ⁽¹⁾	–	255	–	131	386
ZHANG Furong ⁽²⁾	–	327	97	128	552
WU Hongtao ⁽³⁾	–	–	–	–	–
Non-executive directors					
SUN Jingyu ⁽⁴⁾	–	–	–	–	–
DONG Guangpei ⁽⁴⁾⁽⁵⁾	–	–	–	–	–
Alistair Marshall Bulloch ⁽⁴⁾	–	–	–	–	–
ZHAO Wei ⁽⁴⁾	–	–	–	–	–
WANG Shunlong ⁽⁴⁾⁽⁵⁾	–	–	–	–	–
LI Jun ⁽⁴⁾	–	–	–	–	–
Independent non-executive directors					
FENG Heping	202	–	–	–	202
LAW Yee Kwan, Quinn	214	–	–	–	214
JIN Qingjun	202	–	–	–	202
HUA Yaogang	202	–	–	–	202
HE Jia	214	–	–	–	214
Supervisors					
FENG Xia	–	234	–	131	365
YAO Tao	–	447	–	131	578
YU Yang ⁽⁴⁾	–	–	–	–	–
ZHANG Lianming	202	–	–	–	202
LIU Baorui	202	–	–	–	202
Former directors					
LI Zongtang ⁽⁶⁾	–	149	–	74	223
LIANG Jianfa ⁽⁷⁾	–	19	–	14	33
XIAO Jingxi ⁽⁴⁾⁽⁸⁾	–	–	–	–	–
Total	1,438	1,431	97	609	3,575

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17. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND HIGHEST PAID INDIVIDUALS

(Continued)

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

Year ended 31 December 2019 (Restated)

Name	Fees	Paid remuneration and other benefits	Bonus	Contribution to pension schemes	Total
Executive directors					
LI Zongtang	–	248	611	143	1,002
SUN Liguo	–	248	611	143	1,002
ZHANG Furong	–	227	550	140	917
LIANG Jianfa	–	227	550	143	920
Non-executive directors					
SUN Jingyu ⁽⁴⁾	–	–	–	–	–
Alistair Marshall Bulloch ⁽⁴⁾	–	–	–	–	–
ZHAO Wei ⁽⁴⁾	–	–	–	–	–
XIAO Jingxi ⁽⁴⁾	–	–	–	–	–
LI Jun ⁽⁴⁾	–	–	–	–	–
Independent non-executive directors					
FENG Heping	206	–	–	–	206
LAW Yee Kwan, Quinn	208	–	–	–	208
JIN Qingjun	206	–	–	–	206
HUA Yaogang	206	–	–	–	206
HE Jia	208	–	–	–	208
Supervisors					
FENG Xia	–	227	550	143	920
YAO Tao	–	460	658	143	1,261
YU Yang ⁽⁴⁾	–	–	–	–	–
ZHANG Lianming	206	–	–	–	206
LIU Baorui	206	–	–	–	206
Former director					
WU Tao ⁽⁴⁾⁽⁹⁾	–	–	–	–	–
Total	1,446	1,637	3,530	855	7,468

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17. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND HIGHEST PAID INDIVIDUALS

(Continued)

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

- (1) On 28 July 2020, Mr. Sun Liguu was appointed as chairman of the Bank. The appointment was approved by the CBIRC Tianjin Bureau on 27 August 2020.
- (2) On 29 December 2020, Ms. Zhang Furong resigned from the position of executive director of the Bank with effect from 15 January 2021.
- (3) On 1 December 2020, Mr. Wu Hongtao was nominated as the executive director of the Bank. The appointment was approved by the CBIRC Tianjin Bureau on 15 January 2021.
- (4) All non-executive directors and the supervisor Mr. Yu Yang were not remunerated by the Bank.
- (5) On 12 May 2020, Ms. Dong Guangpei and Mr. Wang Shunlong were appointed as non-executive directors of the Bank. Their appointments were approved by the CBIRC Tianjin Bureau on 30 June 2020.
- (6) On 28 July 2020, Mr. Li Zongtang resigned from the position of chairman and executive director of the Bank.
- (7) On 9 January 2020, Mr. Liang Jianfa resigned from the position of the executive director of the Bank.
- (8) On 20 March 2020, Mr. Xiao Jingxi resigned from the position of non-executive director of the Bank with effect from 30 June 2020.
- (9) On 5 September 2019, Mr. Wu Tao resigned from the position of non-executive director of the Bank.

The bonus for these directors and supervisors for the year ended 31 December 2020 have not been finalised in accordance with regulations of the relevant authorities in the PRC. The bonus for the year ended 31 December 2019 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.

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17. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND HIGHEST PAID INDIVIDUALS

(Continued)

(II) Five highest paid individuals

Among the five highest paid individuals, none of them are directors or supervisors (2019: 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	
	2020	2019
Salaries and other emoluments	992	1,163
Discretionary bonuses	8,897	9,899
Contribution to pension schemes	275	575
Total	10,164	11,637

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

	Year ended 31 December	
	2020	2019
HKD1,500,001 – HKD2,000,000	–	1
HKD2,000,001 – HKD3,000,000	5	3
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 2020	As at 31 December 2019
Cash		693,221	567,620
Mandatory reserve deposits	(1)	31,467,867	35,525,668
Surplus reserve deposits	(2)	15,669,609	23,209,146
Other deposits	(3)	778	685
Total		47,831,475	59,303,119

Notes:

- (1) The Group places mandatory reserve deposits with the PBoC. These reserves includes RMB reserve deposits and foreign currency reserve deposits. They are not available for the Group's daily operations. The mandatory reserve deposits rates are as follow:

	As at 3 1 December 2020	As at 31 December 2019
RMB reserve deposits rates:		
The Bank	9.00%	10.50%
Bank of Tianjin Financial Leasing Co., Ltd.	6.00%	6.00%
Ningxia Yuanzhou Jinhui County Bank Co., Ltd.	6.00%	7.50%
Ningxia Tongxin Jinhui County Bank Co., Ltd.	6.00%	6.50%
Foreign currencies reserve deposits rates:		
The Bank	5.00%	5.00%

- (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.

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For the year ended 31 December 2020

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19. DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December 2020	As at 31 December 2019
Banks and other financial institutions in Mainland China	7,013,681	5,547,732
Banks outside Mainland China	827,035	1,344,285
Subtotal	7,840,716	6,892,017
Allowance for 12m ECL	(9,551)	(3,551)
Total	7,831,165	6,888,466

20. PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December 2020	As at 31 December 2019
Other financial institutions in Mainland China	10,435,070	4,594,204
Banks in Mainland China	326,828	800,040
Overseas banks	-	83,646
Subtotal	10,761,898	5,477,890
Allowance for impairment losses	(68,686)	(63,900)
Including: 12m ECL	(5,012)	(1,460)
Lifetime ECL	(63,674)	(62,440)
Total	10,693,212	5,413,990

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21. DERIVATIVE FINANCIAL INSTRUMENTS

The derivatives held are primarily for risk management purposes.

	As at 31 December 2020			As at 31 December 2019		
	Contract/ Notional Principal	Assets	Liabilities	Contract/ Notional Principal	Assets	Liabilities
	Foreign exchange derivatives					
– Foreign exchange forward swap	9,078,812	–	(652,139)	8,678,026	143,799	(38,314)
Precious metals forward swap	471,982	–	(21,731)	408,516	20,769	(1,465)
Commodity derivatives and others	918,000	9,744	(1,164)	350,000	2,723	(8)
Total	10,468,794	9,744	(675,034)	9,436,542	167,291	(39,787)

22. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

Analysed by counterparties:

	Note	As at 31 December 2020	As at 31 December 2019
Banks in Mainland China		993,500	3,056,108
Other financial institutions in Mainland China		–	5,511,432
Subtotal		993,500	8,567,540
Allowance for impairment losses		(393,303)	(393,312)
Including: 12m ECL		–	(22)
Lifetime ECL	(1)	(393,303)	(393,290)
Total		600,197	8,174,228

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22. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS *(Continued)*

Analysed by collateral type:

	As at 31 December 2020	As at 31 December 2019
Bills	600,197	600,210
Bonds	-	7,574,018
Total	600,197	8,174,228

Note:

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

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23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	As at 31 December 2020	As at 31 December 2019
Investment securities:			
Government bonds		1,232,559	766,221
Financial institution bonds			
– Policy banks bonds		–	291,555
– Commercial banks and other financial institutions bonds		1,339,877	–
Asset-backed securities		1,037,625	217,716
Corporate bonds		2,519,505	698,367
Other debt financing products		1,036,713	–
Wealth management products	(1)	305,430	–
Asset management plans	(2)	25,018,286	19,402,483
Trust beneficiary rights	(3)	10,475,957	14,803,416
Funds	(4)	22,051,825	23,306,245
Listed equity		199,675	–
Unlisted equity		268,915	58,600
Total		65,486,367	59,544,603

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, which mainly invested in money market instruments, bonds and trust loans. These trust plans were initiated and managed by trust companies.
- (4) Funds include money-market funds and bond funds.

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24. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December 2020	As at 31 December 2019 (Restated)
Investment securities:		
Government bonds	22,488,433	17,658,830
Financial institutions bonds		
– Policy banks bonds	27,807,489	19,741,726
– Commercial banks and other financial institutions	1,848,800	1,431,396
Asset-backed securities	231,923	–
Corporate bonds	2,531,809	3,891,664
Other debt financing products	3,014,893	4,270,424
Total	57,923,347	46,994,040

25. LOANS AND ADVANCES TO CUSTOMERS

	Notes	As at 31 December 2020	As at 31 December 2019
Loans and advances to customers at amortised cost	(1)	284,924,188	281,264,132
Allowance for impairment losses		(12,070,056)	(12,716,442)
Subtotal		272,854,132	268,547,690
Loans and advances to customers at FVTOCI	(2)	22,898,217	12,681,552
Total loans and advances to customers		295,752,349	281,229,242

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25. LOANS AND ADVANCES TO CUSTOMERS (Continued)

Notes:

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

	As at 31 December 2020	As at 31 December 2019
Corporate loans and advances		
– Loans	145,451,500	148,463,716
– Discounted bills	1,369,045	792,615
– Finance lease receivable (i)	3,121,296	4,865,541
Subtotal	149,941,841	154,121,872
Retail loans and advances		
– Personal loans for consumption	86,895,055	91,660,169
– Residential mortgage loans	25,506,173	22,352,181
– Personal loans for business purposes	20,339,431	11,382,926
– Credit card	2,241,688	1,746,984
Subtotal	134,982,347	127,142,260
Gross loans and advances to customers	284,924,188	281,264,132
Allowance for impairment losses	(12,070,056)	(12,716,442)
Including: 12m ECL	(3,080,552)	(3,455,602)
Lifetime ECL	(8,989,504)	(9,260,840)
Loans and advances to customers, net	272,854,132	268,547,690

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

Notes: *(Continued)*

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

(i) Finance lease receivable

	As at 31 December 2020	As at 31 December 2019
Minimum finance lease receivables:		
Within 1 year (inclusive)	1,951,742	2,371,112
1-2 years (inclusive)	1,136,267	1,749,220
2-3 years (inclusive)	185,913	852,556
3-4 years (inclusive)	4,381	221,097
Gross amount of finance lease receivables	3,278,303	5,193,985
Less: Unearned finance income	(157,007)	(328,444)
Carrying amount of finance lease receivables	3,121,296	4,865,541
Less: Allowance for impairment losses	(326,071)	(270,374)
Net amount of finance lease receivables	2,795,225	4,595,167
Present value of minimum finance lease receivables:		
Within 1 year (inclusive)	1,858,267	2,221,174
1-2 years (inclusive)	1,081,848	1,638,607
2-3 years (inclusive)	177,010	798,644
3-4 years (inclusive)	4,171	207,116
Total	3,121,296	4,865,541

(2) Loss allowance of RMB36 million (31 December 2019: RMB14 million) was recorded for loan and advances to customers at FVTOCI. This loss allowance does not reduce the carrying amounts of these loans and advances.

(3) Movements of allowance on loans and advances to customers in 2020 and 2019 is disclosed in Note 54.1.

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26. DEBT INSTRUMENTS AT AMORTISED COST

	As at 31 December 2020	As at 31 December 2019 (Restated)
Government bonds	41,136,419	30,101,762
Certificate of government bonds	313,244	243,610
Financial institution bonds		
– Policy banks bonds	47,958,621	32,309,274
– Commercial banks and other financial institutions	470,645	470,615
Asset-backed securities	20,724,085	21,939,974
Corporate bonds	19,029,053	13,126,447
Other debt financing products	10,479,466	8,672,183
Asset management plans	30,422,278	50,516,589
Trust beneficiary rights	20,846,458	34,633,958
Subtotal	191,380,269	192,014,412
Allowance for impairment losses	(4,031,419)	(3,433,785)
Including: 12m ECL	(1,240,207)	(1,128,396)
Lifetime ECL	(2,791,212)	(2,305,389)
Total	187,348,850	188,580,627

27. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December 2020	As at 31 December 2019
Unlisted equity	1,564,660	1,393,601

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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 2019	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
Credit/(charge) to profit or loss (Note 14)	(498,521)	33,076	(10,364)	44,549	339,080	(56,406)	(148,586)
Charge to other comprehensive income	-	-	-	159,836	-	-	159,836
As at 31 December 2020	3,815,004	296,369	85,276	199,185	499,400	(86,338)	4,808,896

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29. OTHER ASSETS

	Notes	As at 31 December 2020	As at 31 December 2019
Other receivables	(1)	1,658,085	1,035,334
Reposessed assets	(2)	1,590,983	1,405,836
Continued involvement in assets transferred	(3)	305,690	488,329
Prepaid expenses		256,219	183,317
Intangible assets		252,323	186,084
Total		4,063,300	3,298,900

Notes:

- (1) Included in balances of other receivables were balances of RMB874 million (31 December 2019: RMB319 million) for balances to be settled with other financial institutions, refundable rental deposits of RMB21 million (31 December 2019: 20 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 2020	As at 31 December 2019
Properties	1,588,883	1,336,920
Other	2,100	68,916
Total	1,590,983	1,405,836

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

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30. PROPERTY AND EQUIPMENT

	Buildings	Electronic equipment	Motor vehicles	Furniture and fixtures	Construction in progress	Total
COST						
As at 1 January 2019	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
Additions	21,310	337,797	–	56,588	286,413	702,108
Transfers	152,104	72,103	–	5,243	(229,450)	–
Transfers out	–	–	–	–	(153,846)	(153,846)
Disposals	(6,137)	(6,884)	–	(76,025)	–	(89,046)
As at 31 December 2020	2,236,642	1,120,205	40,320	297,732	390,714	4,085,613
ACCUMULATED DEPRECIATION						
As at 1 January 2019	(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)
Provided for the year	(71,441)	(157,840)	(727)	(32,342)	–	(262,350)
Disposals	4,026	6,563	–	73,541	–	84,130
As at 31 December 2020	(725,636)	(586,811)	(38,566)	(164,774)	–	(1,515,787)
NET BOOK VALUE						
As at 31 December 2019	1,411,144	281,655	2,481	105,953	487,597	2,288,830
As at 31 December 2020	1,511,006	533,394	1,754	132,958	390,714	2,569,826

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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 2020 amounted to RMB85.70 million (31 December 2019: RMB87.98 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 2020, buildings of the Group with net book value amounted to RMB13.59 million (31 December 2019: RMB19.39 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 31 December 2020			
Carrying amount	999,300	44,983	1,044,283
As at 31 December 2019			
Carrying amount	1,069,165	46,966	1,116,131
For the year ended 31 December 2020			
Depreciation charge	(306,815)	(2,199)	(309,014)
For the year ended 31 December 2019			
Depreciation charge	(254,410)	(2,189)	(256,599)
		As at 31 December 2020	As at 31 December 2019
Expense relating to short-term leases		25,216	66,973
Total cash outflow for leases		325,497	346,764
Additions to right-of-use assets		243,102	234,294

For both years, the Group leases various buildings for its operations. Lease contracts are entered into for fixed term of 1 to 10 years.

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

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32. INTERESTS IN ASSOCIATES

The balance of interests in associates is as follows:

	As at 31 December 2020	As at 31 December 2019
Unlisted shares, at cost	223,000	223,000
Share of post-acquisition losses and other comprehensive income	9,528	(12,597)
Total	232,528	210,403

Notes:

Details of the Bank's associates as at 31 December 2020 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 2020 (In RMB' 000)	Proportion of ownership and voting rights held by the Group		Principal activities
					As at 31 December 2020 %	As at 31 December 2019 %	
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 2020, the total amount of associated companies' operating income was RMB150 million (2019: RMB145 million). Total assets and total equity of these associates as at 31 December 2020 were RMB4,347 million (31 December 2019: RMB4,294 million) and RMB574 million (31 December 2019: RMB538 million) respectively. The Group's share of these amounts represent 0.28%, 0.27% and 0.39% (31 December 2019: 0.36%, 0.28% and 0.41%) 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 2020	As at 31 December 2019
Medium-term lending facility	14,704,364	36,629,447
Re-lending facilities	5,601,326	–
Rediscount	3,145,580	–
Unsecured loans support plans	1,867,580	–
Total	25,318,850	36,629,447

34. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December 2020	As at 31 December 2019
Banks in Mainland China	25,270,453	24,818,254
Other financial institutions in Mainland China	22,221,498	20,566,810
Total	47,491,951	45,385,064

35. PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December 2020	As at 31 December 2019
Banks in Mainland China	19,232,829	11,488,595
Other domestic financial institutions	500,356	2,100,174
Overseas banks	6,076,661	7,609,843
Total	25,809,846	21,198,612

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36. FINANCIAL LIABILITIES HELD FOR TRADING

	As at 31 December 2020	As at 31 December 2019
Financial liabilities related to precious metal	472,762	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 2020	As at 31 December 2019
Banks in Mainland China	60,492,664	32,174,249
Other financial institutions in Mainland China	-	819,747
Total	60,492,664	32,993,996

Analysed by collateral type:

	As at 31 December 2020	As at 31 December 2019
Bonds	40,818,554	28,501,815
Bills	19,674,110	4,492,181
Total	60,492,664	32,993,996

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38. OTHER LIABILITIES

	Notes	As at 31 December 2020	As at 31 December 2019
Other payables	(i)	3,612,424	2,500,431
Settlement payable		1,445,530	2,284,329
Salaries and benefits payable		1,282,421	1,150,488
Proceeds from financial assets transferred	(ii)	305,690	488,329
Provision related to credit commitments	(iii)	341,103	382,558
Dividends payable		67,433	56,873
Sundry taxes payable		312,679	275,424
Total		7,367,280	7,138,432

Notes:

- (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 RMB2,905 million (31 December 2019: RMB1,792 million), as at 31 December 2020. It also included refundable rental deposits received, which amounted to RMB192 million (31 December 2019: RMB102 million), as at 31 December 2020.
- (ii) Disclosure of proceeds from financial assets transferred is made in Note 53.
- (iii) Movement of provision related to credit commitments is disclosed in Note 54.1.

39. LEASE LIABILITIES

	As at 31 December 2020	As at 31 December 2019
Lease liabilities payable:		
Within one year	361,526	284,023
Within a period of more than one year but not more than two years	232,987	213,494
Within a period of more than two year but not more than five years	372,457	419,707
Within a period of more than five years	85,820	150,075
Total	1,052,790	1,067,299

The weighted average incremental borrowing rates applied to lease liabilities range from 3.06% to 4.66% (31 December 2019: from 3.92% to 4.73%).

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40. DUE TO CUSTOMERS

	As at 31 December 2020	As at 31 December 2019
Demand deposits		
Corporate customers	174,256,290	180,183,979
Individual customers	19,588,554	21,692,767
Time deposits		
Corporate customers	78,449,463	79,839,079
Individual customers	68,220,121	51,473,876
Pledged deposits (i)	15,423,984	17,776,054
Others	43,442	30,610
Total	355,981,854	350,996,365

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

	As at 31 December 2020	As at 31 December 2019
Acceptances	7,878,022	8,333,790
Guarantees	359,885	275,424
Letters of guarantee	110,552	135,203
Letters of credit	1,892,276	2,610,264
Others	5,183,249	6,421,373
Total	15,423,984	17,776,054

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41. DEBT SECURITIES ISSUED

	Notes	As at 31 December 2020	As at 31 December 2019
12 Tianjin Bank bonds 01	(1)	1,500,000	1,500,000
12 Tianjin Bank bonds 02	(2)	1,200,150	1,199,948
15 Tianjin Bank bonds	(3)	–	5,086,093
18 Tianjin Bank bonds	(4)	10,445,236	10,443,125
18 Tianjin Bank bonds 01	(5)	10,319,495	10,315,350
18 Tianjin Bank bonds 02	(6)	6,155,277	6,152,979
18 Tianjin Bank bonds 03	(7)	4,022,260	4,020,548
19 Tianjin Bank bonds	(8)	5,001,127	4,999,346
20 Tianjin Bank bonds 01	(9)	5,174,131	–
Tianjin Bank 1 – month negotiable certificates of deposit	(10)	2,875,240	2,297,176
Tianjin Bank 3 – month negotiable certificates of deposit	(11)	12,930,795	29,739,742
Tianjin Bank 6 – month negotiable certificates of deposit	(12)	14,385,295	18,275,577
Tianjin Bank 9 – month negotiable certificates of deposit	(13)	1,341,254	4,338,208
Tianjin Bank 1 – year negotiable certificates of deposit	(14)	33,361,356	22,301,587
Total		108,711,616	120,669,679

- (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 early redeemed all of the tier-two capital bonds at face value on 25 August 2020.

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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. 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.
- (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 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.
- (10) The Bank issued a series of 1-month negotiable certificates of deposit ("CD") at a discount. As at 31 December 2020, the face value of outstanding CD amounted to RMB2.9 billion, with a reference interest rate of 2.70%-3.00% (31 December 2019: 3.05%-3.30%) per annum, payable at maturity.
- (11) The Bank issued a series of 3-month CD at a discount. As at 31 December 2020, the face value of outstanding CD amounted to RMB13.0 billion, with a reference interest rate of 2.75%-3.40% (31 December 2019: 2.90%-3.35%) per annum, payable at maturity.
- (12) The Bank issued a series of 6-month CD at a discount. As at 31 December 2020, the face value of outstanding CD amounted to RMB14.5 billion, with a reference interest rate of 2.40%-3.45% (31 December 2019: 2.98%-3.38%) per annum, payable at maturity.
- (13) The Bank issued a series of 9-month CD at a discount. As at 31 December 2020, the face value of outstanding CD amounted to RMB1.4 billion, with a reference interest rate of 1.80%-3.43% (31 December 2019: 3.00%-3.39%) per annum, payable at maturity.
- (14) The Bank issued a series of 1-year CD at a discount. As at 31 December 2020, the face value of outstanding CD amounted to RMB33.8 billion, with a reference interest rate of 1.80%-3.50% (31 December 2019: 3.10%-3.60%) per annum, payable at maturity.

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42. SHARE CAPITAL

	Year ended 31 December	
	2020	2019
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 2019	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
Fair value changes in financial assets at fair value through other comprehensive income	(578,233)	144,559	(433,674)
Amount reclassified to profit or loss upon disposal of debt instruments at fair value through other comprehensive income	(439,305)	109,826	(329,479)
Impairment loss for financial assets at fair value through other comprehensive income	378,195	(94,549)	283,646
As at 31 December 2020	(521,168)	130,292	(390,876)

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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 has been ceased for year ended 31 December 2020 as the balance of this reserve has reached 50% of the share capital.

After making the appropriation to the statutory surplus reserve, the corporation may also appropriate its profit for the year to a discretionary surplus reserve upon approval by the shareholders in the shareholders' general meeting. Subject to the approval by the shareholders' general meeting, the discretionary surplus reserve may be used to offset accumulated losses of the corporation, if any, and may be converted into capital.

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 2020 and 2019.

47. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	2020							
	As at 1 January	Cash received from financing activities	Repayment of financing activities	Interest accruals	Interest payments	New leases Entered	Others	As at 31 December
	Lease liabilities (Note 39)	1,067,299	-	(300,281)	49,357	-	242,886	(6,471)
Debt securities issued (Note 41)	120,669,679	137,743,802	(149,790,000)	3,877,096	(3,788,961)	-	-	108,711,616

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

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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 2020	As at 31 December 2019
Cash	693,221	567,620
Balances with central bank	15,669,609	23,209,146
Deposits with banks and other financial institutions	7,840,085	6,381,897
Placements with banks and other financial institutions	900,000	2,483,308
Financial assets held under resale agreements	–	7,568,903
Total	25,102,915	40,210,874

49. STRUCTURED ENTITIES

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 2020 in the structured entities sponsored by third party institutions.

	As at 31 December 2020	As at 31 December 2019
Asset-backed securities	21,581,982	21,562,959
Wealth management products	305,430	–
Asset management plans	55,440,564	69,919,072
Trust beneficiary rights	31,322,415	49,437,374
Funds	22,051,825	23,306,245
Total	130,702,216	164,225,650

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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, financial assets at fair value through other comprehensive income and debt investments at amortised costs as at 31 December 2020 and 2019.

(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 disclosed in Note 8.

As at 31 December 2020, the amount of assets held by the unconsolidated structured entities sponsored by the Group amounted to RMB98,068 million (31 December 2019: RMB97,392 million).

The Group did not provide any financial or other support to these unconsolidated structured entities during the year.

50. RELATED PARTY TRANSACTIONS

(1) **Following major shareholders held more than 5% interest of the Bank and are considered as related parties of the Group:**

Name of shareholders	Percentage of shares held	
	As at	As at
	31 December	31 December
	2020	2019
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 2020	As at 31 December 2019
Balances at the end of the year:		
Assets		
Deposits with banks and other financial institutions	15,632	7,443
Debt instruments at fair value through other comprehensive income	-	100,000
Total	15,632	107,443
Liabilities		
Due to customers	2,907	1,014
Total	2,907	1,014

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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	
	2020	2019
Transactions during the year:		
Interest income	1,167	5,600
Interest expense	41	194
Interest rate ranges during the year:	%	%
Deposits with banks and other financial institutions	–	–
Debt instruments at fair value through other comprehensive income	5.60	5.60
Due to customers	0.35~1.38	0.35~1.38

(2) An associate

	As at 31 December	As at 31 December
	2020	2019
Guarantee given to PBoC for an associate	40,000	50,000

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50. RELATED PARTY TRANSACTIONS *(Continued)*

(3) 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 2020	As at 31 December 2019
Balances at the end of the year:		
Deposits from banks and other financial institutions	909,827	1,390,058
	Year ended 31 December 2020	2019
Transactions during the year:		
Interest expense	38,186	29,503
Interest rate range during the period:	%	%
Deposit from banks and other financial institutions	1.80~3.60	2.30~4.00

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50. RELATED PARTY TRANSACTIONS *(Continued)*

(4) 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 2020 other than the emoluments paid to them (being the key management personnel compensation).

	Year ended 31 December	
	2020	2019 (Restated)
Fees	1,438	1,446
Basic salaries, bonuses and allowances (a)	4,501	9,112
Contribution to pension schemes	1,063	1,286
Total	7,002	11,844

(a) Bonus for 2020 can only be determined after the shareholders' general meeting and regulatory approval. Bonus for 2019 was restated according to the approved amount.

(5) Annuity schemes

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

	Year ended 31 December	
	2020	2019
Contribution to annuity funds (Note 12)	131,532	102,248

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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 2020, the Group has assessed and measured the impact of those pending lawsuits, and no provision related to these lawsuits has been recognised (31 December 2019: a provision of RMB205.6 million was released).

Capital commitments

	As at 31 December 2020	As at 31 December 2019
Contracted but not provided for – commitments for the acquisition of property and equipment	567,852	498,018

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 2020, the principal balance of certificate government bonds which the Group had an obligation to pay in advance amounted to RMB2,371 million (31 December 2019: RMB2,657 million) and the principal balance of e-saving bonds amounted to RMB2,439 million (31 December 2019: RMB2,800 million). The original terms of these bonds are 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 2020, the entrusted loans balance of the Group amounted to RMB15,761 million (31 December 2019: RMB24,778 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 RMB63,146 million as at 31 December 2020 (31 December 2019: RMB34,275 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 RMB60,493 million (31 December 2019: RMB32,994 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 did not transfer any loans to any special purpose vehicles. During the year ended 31 December 2019, the Group transferred loans amounting to RMB3,000 million 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. The carrying amount of these retained interests as set out in Note 29 was RMB306 million as at 31 December 2020 (31 December 2019: RMB488 million) and it represented the Group's maximum exposure. No gain or loss was recognised by these transfers of financial assets, the Group acted as service agent and charged service fee amounting to RMB6 million for the year ended 31 December 2020 (For the year ended 31 December 2019: RMB1 million).

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54. FINANCIAL RISK MANAGEMENT

Overview

The primary objectives of risk management of the Group are to maintain risk within acceptable parameters and satisfy the regulatory requirements.

The Group has designed risk management policies and set up risk controls to identify, analyse, monitor and report risks by means of relevant and up-to-date information systems. The Group regularly reviews its risk management policies and systems to address changes in markets, products and emerging best practices.

Details of the financial instruments are disclosed in respective notes to the consolidated financial statements. The risks associated with these financial instruments include credit risk, liquidity risk and market risk (interest rate risk, currency risk and other price risk). The policies on how to mitigate these risks are set out below. The Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Risk management framework

The Bank has a Risk Management Committee, of which an executive director acts as the chairman. Risk Management Committee is responsible for setting the overall risk management and internal control strategies of the Group, monitoring the credit risk, liquidity risk, market risk and operation risk, and periodically assesses the overall risk position, risk acceptance and management capabilities, and makes recommendations and suggestions on risk management and internal control of the Group.

Following the risk management strategies set by the Risk Management Committee, the Risk Management Department of the Bank formulates and implements relevant risk management policies and procedures to monitor the risk arising from financial instruments of the Group.

54.1 Credit risk

Credit risk management

Credit risk represents the potential loss that may arise from a customer or counterparty's failure to meet its obligations. Credit risk can also arise from operational failures that result in an unauthorised or inappropriate advance, commitment or investment of funds. Credit risk mainly arises from loans and advances to customers, debt instruments at FVTOCI and debt instruments at amortised cost. The Group considers all elements of credit risk exposure such as counterparty default risk, geographical risk and sector risk for risk management purposes.

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54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.1 Credit risk *(Continued)*

(i) Credit risk management

The Group manages the Group's credit risk through the following processes:

- Ensuring that the Group has appropriate credit risk practices, including an effective system of internal control, to consistently determine adequate allowances in accordance with the Group's stated policies and procedures and relevant supervisory guidance.
- Monitoring, identifying, assessing, measuring, reporting, controlling and mitigating credit risk across the Group, from an individual instrument to a portfolio level.
- Creating credit policies to protect the Group against the identified risks including the requirements to obtain collateral from borrowers, to perform robust ongoing credit assessment of borrowers and to continually monitor exposures against internal risk limits.
- Establishing a robust control framework regarding the authorisation structure for the approval and renewal of credit facilities.
- Developing and maintaining the Group's processes for measuring ECL including monitoring of credit risk, incorporation of forward looking information and the method used to measure ECL.
- Ensuring that the Group has policies and procedures in place to appropriately maintain and validate models used to assess and measure ECL.

(ii) Significant increase in credit risk

The Group monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

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54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.1 Credit risk *(Continued)*

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

Internal credit risk ratings

In order to minimise credit risk, the Group has developed and maintained the Group's credit risk grading to categorise exposures according to their degree of risk of default. The Group's credit risk grading framework comprises 12 categories. The credit rating information is based on a range of data that is determined to be predictive of the risk of default and applying experienced credit judgement. The nature of the exposure and type of borrower are taken into account in the analysis. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default.

The credit risk grades are designed and calibrated to reflect the risk of default as credit risk deteriorates. As the credit risk increases the difference in risk of default between grades changes. Each exposure is allocated to a credit risk grade at initial recognition, based on the available information about the counterparty. All exposures are monitored and the credit risk grade is updated to reflect current information. The monitoring procedures followed are both general and tailored to the type of exposure.

The following data are typically used to monitor the Group's exposures:

- Payment record, including payment ratios and ageing analysis;
- Extent of utilisation of granted limit;
- Forbearances (both requested and granted);
- Changes in business, financial and economic conditions;
- Credit rating information supplied by external rating agencies;
- For retail exposures: internally generated data of customer behaviour, affordability metrics etc.; and
- For corporate exposures: information obtained by periodic review of customer files including audited financial statements review, market data such as prices of quoted bonds where available, changes in the financial sector the customer operates etc.

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54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.1 Credit risk *(Continued)*

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

Internal credit risk ratings (Continued)

The Group uses credit risk grades as a primary input into the determination of the term structure of the PD for exposures. The Group collects performance and default information about its credit risk exposures analysed by region and by type of product and borrower as well as by credit risk grading. The information used is both internal and external depending on the portfolio assessed. The table below provides a mapping of the Group's internal credit risk grades to external ratings.

Group's credit risk grades (Internal rating)	External rating
1	AAA
2	AA+
3	AA
4	AA-
5	A+
6	A, 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)*

(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 11 forecasted economic factors, including growth of borrowings compared with national GDP growth (2021: 1.27), Consumer Price Index growth rate (2021: 1.01%) and city unemployment rate (2021: 3.92%), to determine an overall adjustment to base ECL. Each of these 11 factors carries a weighting ranging from 5% to 10% on determination of the numerical value of this overall adjustment. This adjustment will also be affected by different weightings on pessimistic or optimistic scenarios of future economy. An overall adjustment bigger than 1.0 means additional impairment losses compared with the base ECL impairment. These forecasted economic factors for the year ending 31 December 2021 are made available by a third party financial data vendor. For the year ended 31 December 2020, the overall adjustment is determined to be 1.095 (2019: 1.050). If this overall adjustment increases/decreases by 0.1, the impairment for the year ended 31 December 2020 will increase/decrease by RMB460.0 million.

(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.

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54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.1 Credit risk *(Continued)*

(iv) Measurement of ECL *(Continued)*

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

	As at 31 December			
	2020		2019	
	Gross amount of loans and advances to customers	%	Gross amount of loans and advances to customers	%
Tianjin	125,850,166	40.88	116,763,491	39.71
Shanghai	80,667,878	26.21	72,280,011	24.59
Shandong	35,500,260	11.53	34,117,384	11.61
Hebei	26,176,350	8.50	23,104,140	7.86
Sichuan	22,802,140	7.41	21,916,789	7.46
Beijing	15,882,537	5.16	24,837,606	8.45
Ningxia	943,074	0.31	926,263	0.32
Total	307,822,405	100.00	293,945,684	100.00

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For the year ended 31 December 2020
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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			
	2020		2019	
	Gross Amount	% of total	Gross Amount	% of total
Corporate loans and advances				
Real estate	35,926,498	11.8	35,254,466	12.0
Discounted bills	24,267,262	7.9	13,474,167	4.6
Leasing and commercial services	23,428,427	7.6	22,454,922	7.6
Manufacturing	23,252,987	7.6	26,373,165	8.9
Retail and wholesale	22,138,578	7.2	23,834,437	8.1
Construction	17,593,485	5.7	17,205,726	5.9
Water, environment and public utilities management	11,727,517	3.8	13,145,136	4.5
Transportation, logistics and postal services	3,188,185	1.0	3,608,914	1.2
Financial services	3,103,868	1.0	2,662,618	0.9
Production and supply of electricity, gas and water	2,603,003	0.8	2,952,456	1.0
Resident services and other services	1,061,716	0.3	1,821,953	0.6
Farming, forestry, animal husbandry and fishery	1,016,525	0.3	610,513	0.2
Culture, sports and entertainment	881,858	0.3	671,401	0.2
Accommodation and food services	744,343	0.2	742,702	0.3
Information transmission, computer services and software	679,675	0.2	609,307	0.2
Scientific research, technical services	456,427	0.1	272,727	0.1
Mining	366,652	0.1	657,791	0.2
Health, social security and welfare	354,342	0.1	257,301	0.1
Education	48,710	–	40,359	–
Public administration and social organisations	–	–	153,363	0.1
Subtotal	172,840,058	56.0	166,803,424	56.7
Personal loans and advances	134,982,347	44.0	127,142,260	43.3
Gross amount of loans and advances to customers	307,822,405	100.0	293,945,684	100.0

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For the year ended 31 December 2020
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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 contractual maturity and security type

	Gross amount as at 31 December 2020			Total
	Up to 1 year	1 to 5 years	Over 5 years	
Unsecured	95,762,315	19,517,542	2,789,655	118,069,512
Guaranteed	47,891,045	36,440,313	12,370,303	96,701,661
Collateralised	8,230,673	26,914,057	35,456,077	70,600,807
Pledged	4,028,619	8,190,777	10,231,029	22,450,425
Total	155,912,652	91,062,689	60,847,064	307,822,405

	Gross amount as at 31 December 2019			Total
	Up to 1 year	1 to 5 years	Over 5 years	
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
Total	153,988,193	84,951,489	55,006,002	293,945,684

Analysed by borrowers

As at 31 December 2020, the largest 10 borrowers (measured in terms of individual legal entities) of the Group amounted to RMB22,581 million (31 December 2019: 22,885 million) accounted for 7.34% (31 December 2019: 7.79%) of loans and advances to customers.

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54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.1 Credit risk *(Continued)*

(vi) Credit commitments

	As at 31 December 2020	As at 31 December 2019
Acceptances	24,312,183	32,085,773
Undrawn corporate loans limit	20,591,170	23,471,584
Undrawn credit card limit	13,950,734	6,924,578
Letters of credit	7,921,364	8,642,521
Letters of guarantee	944,585	1,248,572
Total	67,720,036	72,373,028

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.

Credit risk weighted amounts for credit commitments

	As at 31 December 2020	2019
Credit commitments	13,493,941	22,521,130

The credit risk weighted amounts are the amounts calculated in accordance with the guidelines issued by the CBIRC and are dependent on, among other factors, the creditworthiness of the counterparty and the maturity characteristics. The risk weightings used range from 0% to 100%, for contingent liabilities and commitments.

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54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.1 Credit risk *(Continued)*

(vii) 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 2020			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	
Internal grade 1-5	281,758,288	159,950	6,803,895	288,722,133
Internal grade 6-9	–	10,467,637	2,053,159	12,520,796
Internal grade 10-12	–	–	6,579,476	6,579,476
Total gross carrying amount	281,758,288	10,627,587	15,436,530	307,822,405
Loss allowance	(3,080,552)	(2,332,922)	(6,656,582)	(12,070,056)
Carrying amount	278,677,736	8,294,665	8,779,948	295,752,349

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54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.1 Credit risk *(Continued)*

(vii) 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 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

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

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For the year ended 31 December 2020
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54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.1 Credit risk *(Continued)*

(vii) Maximum credit risk exposure without taking into account any collateral or other credit enhancements *(Continued)*

Debt instruments at amortised cost

	As at 31 December 2020			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	
Internal grade 1-5	176,146,154	–	–	176,146,154
Internal grade 6-9	–	13,140,673	–	13,140,673
Internal grade 10-12	–	–	2,093,442	2,093,442
Total gross carrying amount	176,146,154	13,140,673	2,093,442	191,380,269
Loss allowance	(1,240,207)	(1,826,061)	(965,151)	(4,031,419)
Carrying amount	174,905,947	11,314,612	1,128,291	187,348,850
	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
Total gross carrying amount	179,279,044	11,652,292	1,083,076	192,014,412
Loss allowance	(1,128,396)	(1,613,305)	(692,084)	(3,433,785)
Carrying amount	178,150,648	10,038,987	390,992	188,580,627

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54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.1 Credit risk *(Continued)*

(vii) Maximum credit risk exposure without taking into account any collateral or other credit enhancements *(Continued)*

Debt instruments at FVTOCI

	As at 31 December 2020			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	
Internal grade 1-5	57,661,096	–	–	57,661,096
Internal grade 10-12	–	–	262,251	262,251
Total gross carrying amount	57,661,096	–	262,251	57,923,347
Loss allowance	(3,813)	–	(236,086)	(239,899)

	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)

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 2020
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54. FINANCIAL RISK MANAGEMENT (Continued)

54.1 Credit risk (Continued)

(vii) Maximum credit risk exposure without taking into account any collateral or other credit enhancements (Continued)

Credit commitments

	As at 31 December 2020			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	
Internal grade 1-5	67,709,178	–	–	67,709,178
Internal grade 6-9	–	3,090	–	3,090
Internal grade 10-12	–	–	7,768	7,768
Total gross carrying amount	67,709,178	3,090	7,768	67,720,036
Loss allowance	(330,727)	(2,751)	(7,625)	(341,103)

	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
Total gross carrying amount	72,367,926	1,462	3,640	72,373,028
Loss allowance	(377,539)	(1,379)	(3,640)	(382,558)

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)*

(viii) 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 2020	As at 31 December 2019
Loans and advances to customers	12,105,724	12,730,231
Debt instruments at amortised cost	4,031,419	3,433,785
Debt instruments at FVTOCI	239,899	83,583
Credit commitments	341,103	382,558
Total	16,718,145	16,630,157

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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54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.1 Credit risk *(Continued)*

(viii) 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 2020	3,469,391	4,664,809	4,596,031	12,730,231
Changes in the loss allowance				
Transfer to stage 1	182,631	(182,631)	–	–
Transfer to stage 2	(567,813)	567,813	–	–
Transfer to stage 3	–	(3,340,710)	3,340,710	–
Impact on period end ECL of exposures transferred between stages during the period	(21,721)	1,036,334	6,883,666	7,898,279
New financial assets originated or purchased	1,025,280	–	–	1,025,280
Financial assets that have been derecognised	(790,540)	(379,837)	(276,413)	(1,446,790)
Changes in assumptions and methods of models	(181,008)	(32,856)	56,403	(157,461)
Write-offs	–	–	(8,126,521)	(8,126,521)
Recovery after write-off	–	–	297,484	297,484
Others	–	–	(114,778)	(114,778)
As at 31 December 2020	3,116,220	2,332,922	6,656,582	12,105,724

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54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.1 Credit risk *(Continued)*

(viii) 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 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	(975,509)	1,020,418	(44,909)	–
Transfer to stage 3	–	(655,824)	655,824	–
Impact on period end ECL of exposures transferred between stages during the period	(19,013)	2,280,468	3,005,409	5,266,864
New financial assets originated or purchased	1,986,248	–	–	1,986,248
Financial assets that have been derecognised	(493,358)	(639,830)	(1,045,556)	(2,178,744)
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
Others	–	–	(111,257)	(111,257)
As at 31 December 2019	3,469,391	4,664,809	4,596,031	12,730,231

For the year ended 31 December 2020 and 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)*

(viii) 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 2020	1,128,396	1,613,305	692,084	3,433,785
Changes in the loss allowance				
Transfer to stage 2	(18,334)	18,334	–	–
Transfer to stage 3	–	(144,503)	144,503	–
Impact on period end ECL of exposures transferred between stages during the period	–	224,647	132,605	357,252
New financial assets originated or purchased	107,564	–	–	107,564
Financial assets that have been derecognised	(339,620)	(61,618)	(8,153)	(409,391)
Changes in assumptions and methods of models	362,201	175,896	4,112	542,209
As at 31 December 2020	1,240,207	1,826,061	965,151	4,031,419

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54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.1 Credit risk *(Continued)*

(viii) 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 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)
As at 31 December 2019	1,128,396	1,613,305	692,084	3,433,785

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54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.1 Credit risk *(Continued)*

(viii) 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 2020	3,079	–	80,504	83,583
Changes in the loss allowance				
Transfer to stage 2	(145)	145	–	–
Transfer to stage 3	–	(93,504)	93,504	–
Impact on period end ECL of exposures transferred between stages during the period	–	93,359	262,078	355,437
New financial assets originated or purchased	2,502	–	–	2,502
Financial assets that have been derecognised	(1,623)	–	–	(1,623)
Write-offs	–	–	(200,000)	(200,000)
As at 31 December 2020	3,813	–	236,086	239,899

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54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.1 Credit risk *(Continued)*

(viii) Credit quality *(Continued)*

(2) Movement of 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 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)
As at 31 December 2019	3,079	–	80,504	83,583

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54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.1 Credit risk *(Continued)*

(viii) 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 2020	377,539	1,379	3,640	382,558
Changes in the loss allowance				
Transfer to stage 2	(150)	150	–	–
Transfer to stage 3	–	(8,397)	8,397	–
Impact on period end ECL of exposures transferred between stages during the period	–	13,710	581	14,291
New credit commitments originated	279,138	–	–	279,138
Credit commitments that have been derecognised	(342,790)	(4,165)	(5,255)	(352,210)
Changes in assumptions and methods of models	16,990	74	262	17,326
As at 31 December 2020	330,727	2,751	7,625	341,103

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54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.1 Credit risk *(Continued)*

(viii) 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 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)
As at 31 December 2019	377,539	1,379	3,640	382,558

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(Amounts in thousands of Renminbi, unless otherwise stated)

54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.1 Credit risk *(Continued)*

(viii) 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 2020	266,105,116	19,622,505	8,218,063	293,945,684
Changes in the gross amount				
Transfer to stage 1	1,510,058	(1,510,058)	–	–
Transfer to stage 2	(9,719,043)	9,719,043	–	–
Transfer to stage 3	–	(15,913,913)	15,913,913	–
New financial assets originated or purchased	95,040,681	–	–	95,040,681
Financial assets that have been derecognised	(71,178,524)	(1,289,990)	(751,631)	(73,220,145)
Write-offs	–	–	(8,126,521)	(8,126,521)
Recover original write-off loans and advances	–	–	297,484	297,484
Others	–	–	(114,778)	(114,778)
As at 31 December 2020	281,758,288	10,627,587	15,436,530	307,822,405
Allowances for impairment loss as at 31 December 2020	(3,116,220)	(2,332,922)	(6,656,582)	(12,105,724)

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54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.1 Credit risk *(Continued)*

(viii) 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 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	(14,706,456)	14,776,344	(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	(33,583,451)	(2,960,795)	(3,843,889)	(40,388,135)
Write-offs	–	–	(4,171,950)	(4,171,950)
Recover original write-off loans and advances	–	–	70,874	70,874
Others	–	–	(111,257)	(111,257)
As at 31 December 2019	266,105,116	19,622,505	8,218,063	293,945,684
Allowances for impairment loss as at 31 December 2019	(3,469,391)	(4,664,809)	(4,596,031)	(12,730,231)

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54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.1 Credit risk *(Continued)*

(viii) 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 2020	179,279,044	11,652,292	1,083,076	192,014,412
Changes in the gross amount				
Transfer to stage 2	(2,903,909)	2,903,909	–	–
Transfer to stage 3	–	(1,024,523)	1,024,523	–
New financial assets originated or purchased	55,854,200	–	–	55,854,200
Financial assets that have been derecognised	(56,083,181)	(391,005)	(14,157)	(56,488,343)
As at 31 December 2020	176,146,154	13,140,673	2,093,442	191,380,269
Allowances for impairment loss as at 31 December 2020	(1,240,207)	(1,826,061)	(965,151)	(4,031,419)

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(Amounts in thousands of Renminbi, unless otherwise stated)

54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.1 Credit risk *(Continued)*

(viii) 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 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)
As at 31 December 2019	179,279,044	11,652,292	1,083,076	192,014,412
Allowances for impairment loss as at 31 December 2019	(1,128,396)	(1,613,305)	(692,084)	(3,433,785)

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54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.1 Credit risk *(Continued)*

(viii) 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 2020	46,897,292	–	96,748	46,994,040
Change in the gross amount				
Transfer to stage 2	(365,503)	365,503	–	–
Transfer to stage 3	–	(365,503)	365,503	–
New financial assets originated or purchased	42,069,150	–	–	42,069,150
Financial assets that have been derecognised	(30,939,843)	–	–	(30,939,843)
Write-offs	–	–	(200,000)	(200,000)
As at 31 December 2020	57,661,096	–	262,251	57,923,347
Allowances for impairment loss as at 31 December 2020	(3,813)	–	(236,086)	(239,899)

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(Amounts in thousands of Renminbi, unless otherwise stated)

54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.1 Credit risk *(Continued)*

(viii) 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 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)
As at 31 December 2019	46,897,292	–	96,748	46,994,040
Allowances for impairment loss as at 31 December 2019	(3,079)	–	(80,504)	(83,583)

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54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.1 Credit risk *(Continued)*

(viii) 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 2020	72,367,926	1,462	3,640	72,373,028
Changes in the gross amount				
Transfer to stage 2	(15,266)	15,266	–	–
Transfer to stage 3	–	(9,432)	9,432	–
New credit commitments originated	39,355,330	–	–	39,355,330
Credit commitments that have been derecognised	(43,998,812)	(4,206)	(5,304)	(44,008,322)
As at 31 December 2020	67,709,178	3,090	7,768	67,720,036
Allowances for impairment loss as at 31 December 2020	(330,727)	(2,751)	(7,625)	(341,103)

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54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.1 Credit risk *(Continued)*

(viii) 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 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)
As at 31 December 2019	72,367,926	1,462	3,640	72,373,028
Allowances for impairment loss as at 31 December 2019	(377,539)	(1,379)	(3,640)	(382,558)

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For the year ended 31 December 2020
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54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.1 Credit risk *(Continued)*

(viii) Credit quality *(Continued)*

- (4) 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

The aggregate fair value of collateral in respect of loans and advances to customers amounted to RMB156,277 million (31 December 2019: RMB145,870 million) as at 31 December 2020. The aggregate fair value of collateral in respect of debt instruments at amortised cost amounted to RMB18,005 million (31 December 2019: RMB27,434 million) as at 31 December 2020. The aggregate fair value of collateral held for financial assets held under resale agreements amounted to RMB993 million (31 December 2019: RMB8,878 million) as at 31 December 2020.

The Group did not hold any financial instrument for which no loss allowance is recognised because of collateral at 31 December 2020 and 2019. 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.

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54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.1 Credit risk *(Continued)*

(viii) Credit quality *(Continued)*

- (4) Collateral held as security and other credit enhancements *(Continued)*

For credit-impaired of those financial assets the Group obtains appraisals of collateral to assess its credit risk. At 31 December 2020 the net carrying amount of loans and advances to those financial assets was RMB8,780 million (31 December 2019: RMB3,622 million) and the value of the respective collateral was RMB2,038 million (31 December 2019: RMB2,576 million).

As at 31 December 2020, the balances of customer deposits that were secured by the Group's debt instruments amounted to RMB12,859 million (31 December 2019: RMB291 million), of which RMB12,859 million (31 December 2019: RMB200 million) were due over twelve months from inception.

As at 31 December 2020, the balances of borrowings from central bank that were secured by the Group's debt instruments amounted to RMB23,763 million (31 December 2019: RMB36,629 million).

Collateral in respect of financial assets sold under repurchase agreements were disclosed in Note 53.

- (5) Bond investments are analysed by external credit rating as follows:

	As at 31 December 2020					Total
	AAA	AA ^(a)	A	Below A	Unrated ^(b)	
Government bonds	12,295,143	-	-	-	52,562,268	64,857,411
Financial institution bonds	3,649,166	10,158	-	-	75,766,108	79,425,432
Asset-backed securities	20,438,761	1,554,872	-	-	-	21,993,633
Corporate bonds	10,437,728	12,777,936	-	419,140	445,563	24,080,367
Certificate of government bonds	-	-	-	-	313,244	313,244
Total	46,820,798	14,342,966	-	419,140	129,087,183	190,670,087

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54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.1 Credit risk *(Continued)*

(viii) Credit quality *(Continued)*

(5) Bond investments are analysed by external credit rating as follows: *(Continued)*

	As at 31 December 2019					Total
	AAA	AA ^(a)	A	Below A	Unrated ^(b)	
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	5,271,884	10,287,556	–	273,294	1,883,744	17,716,478
Certificate of government bonds	–	–	–	–	243,610	243,610
Total	27,570,653	12,585,183	–	273,294	102,460,027	142,889,157

(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.

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.

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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 2020							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	31,468,645	16,362,830	-	-	-	-	-	47,831,475
Deposits with banks and other financial institutions	-	7,831,165	-	-	-	-	-	7,831,165
Placements with banks and other financial institutions	308,170	-	508,877	1,866,792	8,009,373	-	-	10,693,212
Derivative financial assets	-	-	-	2,441	2,103	5,200	-	9,744
Financial assets held under resale agreements	600,197	-	-	-	-	-	-	600,197
Financial assets at fair value through profit or loss	468,590	-	22,218,608	3,287,495	25,381,343	7,741,658	6,388,673	65,486,367
Debt instruments at fair value through other comprehensive income	146,640	-	3,928,690	4,518,405	11,485,329	23,581,295	14,262,988	57,923,347
Loans and advances to customers	5,919,625	-	8,854,042	22,281,530	160,578,764	62,780,663	35,337,725	295,752,349
Debt instruments at amortised costs	3,155,820	-	3,178,925	3,175,955	37,133,081	111,527,361	29,177,708	187,348,850
Equity instruments at fair value through other comprehensive income	1,564,660	-	-	-	-	-	-	1,564,660
Other financial assets	148,036	-	119,489	238,977	1,310,886	146,387	-	1,963,775
Total assets	43,780,383	24,193,995	38,808,631	35,371,595	243,900,879	205,782,564	85,167,094	677,005,141
Borrowings from central bank	-	-	5,011,389	809,548	19,497,913	-	-	25,318,850
Deposits from banks and other financial institutions	-	12,200,240	12,032,149	8,840,213	14,398,900	20,449	-	47,491,951
Placements from banks and other financial institutions	-	-	9,877,315	8,062,412	7,870,119	-	-	25,809,846
Financial liabilities held for trading	-	-	-	-	472,762	-	-	472,762
Financial assets sold under repurchase agreements	-	-	49,242,453	10,256,435	993,776	-	-	60,492,664
Derivative financial liabilities	-	-	84,255	367,874	221,741	1,164	-	675,034
Other financial liabilities	-	108,671	3,870,681	953,814	289,002	208,909	-	5,431,077
Lease liabilities	-	-	30,127	75,318	256,081	605,444	85,820	1,052,790
Due to customers	-	216,738,864	1,243,395	2,133,760	10,958,383	120,545,482	4,361,970	355,981,854
Debt securities issued	-	-	5,659,595	29,030,461	51,331,031	22,690,529	-	108,711,616
Total liabilities	-	229,047,775	87,051,359	60,529,835	106,289,708	144,071,977	4,447,790	631,438,444
Net position	43,780,383	(204,853,780)	(48,242,728)	(25,158,240)	137,611,171	61,710,587	80,719,304	45,566,697

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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 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
Other financial assets	95,241	-	73,827	147,655	1,082,575	124,365	-	1,523,663
Total assets	41,903,296	30,155,856	56,129,268	35,699,718	230,977,812	211,667,684	52,679,236	659,212,870
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
Financial assets sold under repurchase agreements	-	-	30,741,450	2,252,546	-	-	-	32,993,996
Derivative financial liabilities	-	-	1,465	7,460	30,862	-	-	39,787
Other financial liabilities	-	125,619	3,058,607	1,555,809	182,639	407,288	-	5,329,962
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
Total liabilities	-	256,388,941	60,178,017	66,972,063	123,524,475	70,700,906	36,957,995	614,722,397
Net position	41,903,296	(226,233,085)	(4,048,749)	(31,272,345)	107,453,337	140,966,778	15,721,241	44,490,473

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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 2020							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	31,594,184	16,390,537	-	-	-	-	-	47,984,721
Deposits with banks and other financial institutions	-	7,856,957	-	-	-	-	-	7,856,957
Placements with banks and other financial institutions	371,844	-	519,573	1,920,518	8,411,463	-	-	11,223,398
Financial assets held under resale agreements	993,500	-	-	-	-	-	-	993,500
Financial assets at fair value through profit or loss	468,590	-	22,253,663	3,613,310	26,252,867	9,034,696	6,666,439	68,289,565
Debt instruments at fair value through other comprehensive income	300,000	-	3,945,122	4,689,773	12,182,935	27,068,812	16,850,689	65,037,331
Loans and advances to customers	11,757,664	-	10,086,590	25,465,737	171,383,509	78,370,612	48,473,035	345,537,147
Debt instruments at amortised cost	4,447,615	-	3,546,769	4,031,371	41,636,052	122,829,303	33,416,451	209,907,561
Equity instruments at fair value through other comprehensive income	1,564,660	-	-	-	-	-	-	1,564,660
Other financial assets	148,036	-	122,783	245,567	1,340,540	188,133	-	2,045,059
Total financial assets	51,646,093	24,247,494	40,474,500	39,966,276	261,207,366	237,491,556	105,406,614	760,439,899
Borrowings from central bank	-	-	5,161,439	826,283	19,960,454	-	-	25,948,176
Deposits from banks and other financial institutions	-	12,269,536	12,045,452	8,900,293	14,657,763	21,980	-	47,895,024
Placements from banks and other financial institutions	-	-	9,885,014	8,087,409	8,010,177	-	-	25,982,600
Financial liabilities held for trading	-	-	-	-	502,458	-	-	502,458
Financial assets sold under repurchase agreements	-	-	49,266,088	10,298,633	1,003,699	-	-	60,568,420
Other financial liabilities	-	108,671	3,870,681	953,814	289,002	208,909	-	5,431,077
Lease liabilities	-	-	30,236	75,863	265,237	687,477	112,804	1,171,617
Due to customers	-	216,743,723	1,273,872	2,180,384	11,350,504	138,283,853	5,264,090	375,096,426
Debt securities issued	-	-	5,706,500	29,180,000	52,621,580	24,387,380	-	111,895,460
Total financial liabilities	-	229,121,930	87,239,282	60,502,679	108,660,874	163,589,599	5,376,894	654,491,258
Net position	51,646,093	(204,874,436)	(46,764,782)	(20,536,403)	152,546,492	73,901,957	100,029,720	105,948,641

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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 are compiled on the basis that these rights will be exercised.

	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 cost	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
Total financial assets	47,537,613	30,184,422	57,589,543	37,726,742	239,341,283	239,565,261	66,723,688	718,668,552
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	-	125,619	3,058,607	1,555,809	182,639	407,288	-	5,329,962
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
Total financial liabilities	-	256,400,805	60,518,069	67,682,744	126,928,286	78,565,463	43,311,602	633,406,969
Net position	47,537,613	(226,216,383)	(2,928,526)	(29,956,002)	112,412,997	160,999,798	23,412,086	85,261,583

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 2020						
	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Acceptances	-	1,225,721	4,303,110	18,783,352	-	-	24,312,183
Undrawn corporate loans limit	20,591,170	-	-	-	-	-	20,591,170
Undrawn credit card limit	13,950,734	-	-	-	-	-	13,950,734
Letters of credit	-	20,484	1,303	7,899,577	-	-	7,921,364
Letters of guarantee	-	173,531	71,835	322,051	377,168	-	944,585
Total	34,541,904	1,419,736	4,376,248	27,004,980	377,168	-	67,720,036

	As at 31 December 2019						
	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
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
Total	30,396,162	2,422,358	5,395,205	33,424,763	730,534	4,006	72,373,028

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54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.3 Market risk

Market risk is the risk of loss, in respect of the Group's on and off-balance sheet activities, arising from adverse movements in market rates including foreign exchange rates, interest rates and stock prices. Market risk mainly arises from proprietary business of the Group.

The market risk which the Group is primarily exposed to includes currency risk and interest risk.

The Group's foreign currency risk is the risk of loss in respect of its foreign currency exposures, arising from transactions taken on foreign currency denominated assets and liabilities, which results from movements in foreign currency exchange rates.

The Group is primarily exposed to interest rate risk arising from proprietary business and corporate and personal banking business. Interest rate risk is inherent in many of its businesses and largely arises from mis-matches between the re-pricing dates of interest-generating assets and those of interest-bearing liabilities.

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54. FINANCIAL RISK MANAGEMENT (Continued)

54.3 Market risk (Continued)

Foreign currency risk

The Group conducts its businesses mainly in RMB, with certain transactions denominated in USD, HKD and, to a lesser extent other currencies. Transactions in foreign currencies mainly arise from the Group's treasury exposures.

	As at 31 December 2020				Total
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	
Cash and balances with central bank	47,448,746	380,048	691	1,990	47,831,475
Deposits with banks and other financial institutions	6,206,758	1,484,387	10,815	129,205	7,831,165
Placements with banks and other financial institutions	9,996,506	696,706	-	-	10,693,212
Derivative financial assets	9,744	-	-	-	9,744
Financial assets held under resale agreements	600,197	-	-	-	600,197
Financial assets at fair value through profit or loss	65,486,367	-	-	-	65,486,367
Debt instruments at fair value through other comprehensive income	57,923,347	-	-	-	57,923,347
Loans and advances to customers	288,267,147	7,445,773	-	39,429	295,752,349
Debt instruments at amortised cost	182,582,803	4,766,047	-	-	187,348,850
Equity instruments at fair value through other comprehensive income	1,564,660	-	-	-	1,564,660
Other financial assets	1,963,775	-	-	-	1,963,775
Total financial assets	662,050,050	14,772,961	11,506	170,624	677,005,141
Borrowings from central bank	25,318,850	-	-	-	25,318,850
Deposits from banks and other financial institutions	47,490,945	1,006	-	-	47,491,951
Placements from banks and other financial institutions	11,091,053	14,718,793	-	-	25,809,846
Financial liabilities held for trading	472,762	-	-	-	472,762
Financial assets sold under repurchase agreements	60,492,664	-	-	-	60,492,664
Derivative financial liabilities	675,034	-	-	-	675,034
Other financial liabilities	5,143,093	281,002	1,634	5,348	5,431,077
Lease liabilities	1,052,790	-	-	-	1,052,790
Due to customers	347,810,645	8,066,944	3,516	100,749	355,981,854
Debt securities issued	108,711,616	-	-	-	108,711,616
Total financial liabilities	608,259,452	23,067,745	5,150	106,097	631,438,444
Net exposure	53,790,598	(8,294,784)	6,356	64,527	45,566,697
Derivatives forward purchased	-	9,078,812	-	-	9,078,812
Total	53,790,598	784,028	6,356	64,527	54,645,509

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54. FINANCIAL RISK MANAGEMENT (Continued)

54.3 Market risk (Continued)

Foreign currency risk (Continued)

	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
Total financial assets	643,875,113	14,999,850	259,751	78,156	659,212,870
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 assets sold under repurchase agreements	32,993,996	–	–	–	32,993,996
Derivative financial liabilities	38,322	1,465	–	–	39,787
Other financial liabilities	4,946,143	380,212	–	3,607	5,329,962
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
Total financial liabilities	591,692,263	22,747,175	246,082	36,877	614,722,397
Net exposure	52,182,850	(7,747,325)	13,669	41,279	44,490,473
Derivatives forward purchased	–	8,678,026	–	–	8,678,026
Total	52,182,850	930,701	13,669	41,279	53,168,499

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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	
	2020 (Decrease)/ increase in Net Profit	2019 (Decrease)/ increase in Net Profit (Restated)
5% appreciation	(32,059)	(36,962)
5% depreciation	32,059	36,962

The impact on net profit arises from the effects of movement in RMB exchange rate on i) translation of the net position of foreign currency monetary assets and liabilities, which results in an increase/decrease in net profit of RMB308.4 million (31 December 2019: RMB288.5 million); and 2) an offsetting decrease/increase in fair value of RMB340.5 million (31 December 2019: RMB325.5 million) arising from foreign exchange forward swaps. The sensitivity analysis in the prior year did not consider the impact of these foreign exchange swaps and was restated to incorporate the impact. 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 net exposure of the Group to US Dollars are the most significant foreign currency risks and its net exposures as at the end of reporting period may not be representative. During the year ended 31 December 2020, the maximum net exposure of the Group to US Dollars amounted to a net liabilities of RMB13,656.9 million (US Dollar 1,927.6 million) (During the year ended 31 December 2019: RMB17,574.2 million (US Dollar 2,547.3 million)). The Group mitigates its foreign currency risk through active management of its foreign currency exposures and use of foreign exchange forward swaps, based on the management expectation of future foreign currency movements, and therefore the above sensitivity analysis may differ from the actual situation.

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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 2020						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	46,756,284	-	-	-	-	1,075,191	47,831,475
Deposits with banks and other financial institutions	7,830,537	-	-	-	-	628	7,831,165
Placements with banks and other financial institutions	761,916	1,826,187	7,920,701	-	-	184,408	10,693,212
Derivative financial assets	-	-	-	-	-	9,744	9,744
Financial assets held under resale agreements	600,197	-	-	-	-	-	600,197
Financial assets at fair value through profit or loss	22,187,830	3,247,362	25,264,651	7,719,314	6,388,673	678,537	65,486,367
Debt instruments at fair value through other comprehensive income	3,830,051	4,151,154	11,117,320	23,578,188	14,240,488	1,006,146	57,923,347
Loans and advances to customers	12,736,184	21,742,519	158,864,826	57,572,583	41,453,457	3,382,780	295,752,349
Debt instruments at amortised cost	5,986,260	2,871,192	35,203,067	111,023,981	29,177,708	3,086,642	187,348,850
Equity instruments at fair value through other comprehensive income	-	-	-	-	-	1,564,660	1,564,660
Other financial assets	2,337	-	247	3,206	15,003	1,942,982	1,963,775
Total financial assets	100,691,596	33,838,414	238,370,812	199,897,272	91,275,329	12,931,718	677,005,141
Borrowings from central bank	4,873,426	806,116	19,322,645	-	-	316,663	25,318,850
Deposits from banks and other financial institutions	24,170,023	8,805,000	14,324,000	20,000	-	172,928	47,491,951
Placements from banks and other financial institutions	9,827,871	7,991,263	7,830,067	-	-	160,645	25,809,846
Financial liabilities held for trading	-	-	471,982	-	-	780	472,762
Financial assets sold under repurchase agreements	49,186,527	10,195,696	991,738	-	-	118,703	60,492,664
Derivative financial liabilities	-	-	-	-	-	675,034	675,034
Other financial liabilities	-	-	-	-	-	5,431,077	5,431,077
Lease liabilities	30,127	75,318	256,081	605,444	85,820	-	1,052,790
Due to customers	211,989,979	2,133,760	10,958,383	120,545,482	4,361,970	5,992,280	355,981,854
Debt securities issued	5,032,727	29,030,461	50,827,192	22,690,529	-	1,130,707	108,711,616
Total financial liabilities	305,110,680	59,037,614	104,982,088	143,861,455	4,447,790	13,998,817	631,438,444
Interest rate gap	(204,419,084)	(25,199,200)	133,388,724	56,035,817	86,827,539	(1,067,099)	45,566,697

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54. FINANCIAL RISK MANAGEMENT (Continued)

54.3 Market risk (Continued)

Interest rate risk (Continued)

	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 cost	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	-	-	-	5,747	14,128	1,503,788	1,523,663
Total financial assets	128,821,895	34,002,505	226,524,504	202,000,975	58,242,059	9,620,932	659,212,870
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
Financial assets sold under repurchase agreements	30,675,151	2,241,303	-	-	-	77,542	32,993,996
Derivative financial liabilities	-	-	-	-	-	39,787	39,787
Other financial liabilities	-	-	-	-	-	5,329,962	5,329,962
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
Total financial liabilities	305,131,970	65,276,845	122,008,367	70,293,346	36,957,995	15,053,874	614,722,397
Interest rate gap	(176,310,075)	(31,274,340)	104,516,137	131,707,629	21,284,064	(5,432,942)	44,490,473

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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.

	2020		2019	
	Profit or loss	Other comprehensive income	Profit or loss	Other comprehensive income
+100 basis points	248,643	(1,787,757)	440,813	(1,293,911)
- 100 basis points	(248,643)	1,928,844	(440,813)	1,401,793

The sensitivity analysis is carried out based on reasonably possible changes in interest rates in the coming year with the assumption that the structure of financial assets and financial liabilities held at the end of the year remains unchanged. The impacts on profit or loss takes into account only the changes in interest income and expenses generated by interest-bearing financial assets or liabilities; the impacts on other comprehensive income takes into account the fair value changes in debt instruments at fair value through other comprehensive income.

54.4 Operational risk

Operational risk refers to the risk arising from inadequate or failed internal control procedures, personnel and information technology systems, or external events. The primary operational risks the Group faces include internal and external frauds, worksite safety failures, business interruptions and failure in the information technology system.

The Board of Directors is ultimately responsible for the Group's operational risk management. The Group's senior management leads the group-wide operational risk management on a day-to-day basis. The Group has established "three lines of defenses" to manage operational risk on an end-to-end basis. The business lines and functions are the first line of defense against operational risks, taking direct responsibilities for operational risk management. The internal control and compliance department is the second line of defense against operational risks, responsible for the establishment of operational risk management policies and procedures and the coordination, support and supervision of operational risk management. The audit department is the third line of defense against operational risk, responsible for evaluating the adequacy and effectiveness of operational risk management policies and procedures and assessing the Group's internal control system and compliance.

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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.

During the year, the Group has complied with the capital requirements imposed by CBIRC.

55. FAIR VALUE OF FINANCIAL INSTRUMENTS

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available such as the market price of listed equity securities on exchanges. Where level 1 fair value measurements are not available, the fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models, including discounted cash flow analysis, using prices from observable current market transactions for similar instruments to the extent available.

The following tables give the information about how the fair values of these financial assets and financial liabilities are categorised and determined, in particular, the valuation technique(s) and input(s) used.

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55. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis

	As at 31 December 2020			Total
	Level 1	Level 2	Level 3	
Financial assets at FVTPL				
Government bonds	–	1,232,559	–	1,232,559
Financial institution bonds	–	1,339,877	–	1,339,877
Asset-backed securities	–	1,037,625	–	1,037,625
Corporate bonds	–	2,519,505	–	2,519,505
Other debt financing products	–	–	1,036,713	1,036,713
Wealth management products	–	–	305,430	305,430
Asset management plans	–	–	25,018,286	25,018,286
Trust beneficiary rights	–	–	10,475,957	10,475,957
Funds	8,027,021	14,024,804	–	22,051,825
Listed equity	199,675	–	–	199,675
Unlisted equity	–	–	268,915	268,915
Subtotal	8,226,696	20,154,370	37,105,301	65,486,367
Debt instruments at FVTOCI				
Government bonds	–	22,488,433	–	22,488,433
Financial institution bonds	–	29,656,289	–	29,656,289
Asset-backed securities	–	231,923	–	231,923
Corporate bonds	–	2,531,809	–	2,531,809
Other debt financing products	–	–	3,014,893	3,014,893
Subtotal	–	54,908,454	3,014,893	57,923,347
Equity instruments at FVTOCI				
Unlisted equity	–	–	1,564,660	1,564,660
Loans and advances to customers at FVTOCI	–	–	22,898,217	22,898,217
Derivative financial assets	–	9,744	–	9,744
Derivative financial liabilities	–	(675,034)	–	(675,034)
Financial liabilities held for trading	–	(472,762)	–	(472,762)
Total	8,226,696	73,924,772	64,583,071	146,734,539

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
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55. FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

	As at 31 December 2019 (Restated)			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
Unlisted equity	–	–	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	–	3,891,664
Other debt financing products	–	–	4,270,424	4,270,424
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				
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 2020
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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, 2020	34,264,499	4,270,424	1,393,601	12,681,552
Total gain/loss				
– in profit or loss	(269,043)	(27,259)	–	(84,692)
– in OCI	–	(42,363)	–	(8,007)
Acquisitions	10,334,046	–	171,059	48,705,528
Disposals and settlements	(7,224,201)	(1,185,909)	–	(38,396,164)
Balance at December 31, 2020	37,105,301	3,014,893	1,564,660	22,898,217
Asset				
	Investments mandatorily measured at FVTPL	Debt instruments measured at FVTOCI	Equity instruments measured at FVTOCI	Loans and advances to customers at FVTOCI
Balance at January 1, 2019	53,070,093	10,096,901	–	1,927,338
Total gain/loss				
– 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	34,264,499	4,270,424	1,393,601	12,681,552

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 2020
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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 1.09% to 8.22% (31 December 2019: The discount rates used in Level 3 valuations ranges from 1.08% to 8.13%).

Of the total gains or losses for the period included in profit or loss RMB39.8 million relates to unrealised losses arising from financial assets mandatorily measured at Level 3 fair value held at the end of the current reporting period (For the year ended 31 December 2019: a loss of RMB27.4 million). Such fair value gains or losses are included in "net trading losses" and "investment income".

Included in other comprehensive income is a loss of an amount of RMB38.9 million related to debt instruments at FVTOCI measured at Level 3 fair value held at the end of the current reporting period (For the year ended 31 December 2019: a loss of RMB93.5 million) and are reported as changes of investment revaluation reserve.

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 2020, by RMB325.4 million/RMB 335.9 million, respectively (31 December 2019: RMB500.3 million/RMB 524.8 million).

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

	As at 31 December 2020		As at 31 December 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Debt instruments at amortised cost	187,348,850	187,557,309	188,580,627	188,995,243
Financial liabilities				
Debt securities issued	108,711,616	109,072,634	120,669,679	121,219,907

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 2020

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55. FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis *(Continued)*

Financial assets/financial liabilities	Fair value at		Fair value hierarchy	Valuation technique(s) and key input(s)
	As at 31 December 2020	As at 31 December 2019		
Debt securities at amortised costs	120,645,053	85,456,879	Level 2	See note 1.
Debt instruments at amortised costs	66,912,256	103,538,364	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.
Debt securities issued	109,072,634	121,219,907	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 observable yield curves 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 include balances with central bank, deposits and placements with banks and other financial institutions, financial assets held under resale agreements, loans and advances to customers at amortised costs, borrowing from central bank, deposits and placements from banks, financial assets sold under repurchase agreements and due to customers. 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 2020 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 2020 (In RMB '000)	Proportion of ownership held by the Group		Proportion of voting rights held by the Group		Principal activities
					As at 31 December 2020 %	As at 31 December 2019 %	As at 31 December 2020 %	As at 31 December 2019 %	
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)	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 2020

	As at 31 December	
	2020	2019
ASSETS		
Cash and balances with central bank	47,647,095	59,161,132
Deposits with banks and other financial institutions	7,724,948	6,783,186
Placements with banks and other financial institutions	13,372,874	7,014,156
Derivative financial instruments	9,744	167,291
Financial assets held under resale agreements	600,197	8,174,228
Financial assets at fair value through profit or loss	65,418,942	59,544,603
Debt instruments at fair value through other comprehensive income	57,923,347	46,994,040
Loans and advances to customers	289,617,253	274,954,146
Debt instruments at amortised cost	187,348,850	188,580,627
Equity instruments at fair value through other comprehensive income	1,564,660	1,393,601
Deferred tax assets	4,709,307	4,716,109
Other assets	4,003,369	3,236,523
Property and equipment	2,515,733	2,253,841
Right-of-use	1,035,905	1,105,883
Interests in associates	232,528	210,403
Investments in subsidiaries	1,180,000	1,180,000
Total assets	684,904,752	665,469,769
LIABILITIES		
Borrowings from central bank	25,209,399	36,629,447
Deposits from banks and other financial institutions	50,749,061	48,545,884
Placements from banks and other financial institutions	22,659,290	16,934,222
Trading financial liabilities	472,762	412,186
Financial assets sold under repurchase agreements	60,492,664	32,993,996
Derivative financial instruments	675,034	39,787
Income tax payable	428,568	1,684,228
Other liabilities	7,143,983	6,923,030
Lease liabilities	1,046,360	1,060,573
Due to customers	354,475,701	349,416,135
Debt securities issued	108,711,616	120,669,679
Total liabilities	632,064,438	615,309,167

Notes to the Consolidated Financial Statements

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(Amounts in thousands of Renminbi, unless otherwise stated)

57. STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CHANGES IN EQUITY OF THE BANK (Continued)

STATEMENT OF FINANCIAL POSITION AS AT 31 December 2020 (Continued)

	As at 31 December	
	2020	2019
EQUITY		
Share capital	6,070,552	6,070,552
Capital reserve	10,699,811	10,699,811
Investment revaluation reserve	(390,876)	88,631
Surplus reserve	3,352,480	3,352,480
General reserve	9,062,761	9,062,761
Retained earnings	24,045,586	20,886,367
Total equity	52,840,314	50,160,602
Total equity and liabilities	684,904,752	665,469,769

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
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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 2020

	2020						
	Share capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Total
As at 1 January 2020	6,070,552	10,699,811	88,631	3,352,480	9,062,761	20,886,367	50,160,602
Profit for the year	-	-	-	-	-	4,251,918	4,251,918
Other comprehensive expense for the year	-	-	(479,507)	-	-	-	(479,507)
Dividend distribution	-	-	-	-	-	(1,092,699)	(1,092,699)
As at 31 December 2020	6,070,552	10,699,811	(390,876)	3,352,480	9,062,761	24,045,586	52,840,314

	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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(Amounts in thousands of Renminbi, unless otherwise stated)

58. COMPARABLE FINANCIAL STATEMENTS

For the current year, other debt financing products are separately presented from corporate bonds, as set out in Note 24, Note 26 and Note 55, as these products are considered to be non-standard investments by CBIRC. Comparative figures are adjusted accordingly.

59. APPROVAL OF THE FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors of the Bank on 26 March 2021.

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 RATIO AND LEVERAGE RATIO

(Expressed in percentage)

Liquidity Ratios

	As at 31 December 2020	As at 31 December 2019
RMB current assets to RMB current liabilities	59.4%	50.0%
Foreign currency current assets to foreign currency current liabilities	157.8%	152.7%

	Average for the year ended 31 December	
	2020	2019
RMB current assets to RMB current liabilities	54.64%	46.14%
Foreign currency current assets to foreign currency current liabilities	140.79%	66.63%

Liquidity Coverage Ratios

	As at 31 December 2020	As at 31 December 2019
Qualified high-quality liquid assets	119,936,045.7	93,029,996.9
Net cash outflows in the next 30 days	60,870,353.6	58,419,356.2
Liquidity Coverage Ratios	197.04	159.25%

Unaudited Supplementary Financial Information

(Amounts in thousands of Renminbi, unless otherwise stated)

Net Stable Funding Ratio

	As at 31 December 2020	As at 30 September 2020
Total stable funding available	381,596,313.8	390,122,297.4
Total stable funding required	302,548,534.1	303,705,333.5
Net Stable Funding Ratio	126.13%	128.45%

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)

	As at 31 December 2020	As at 31 December 2019
Leverage ratio	7.38%	7.12%

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/tzzgx/xxpl/jgzb/>.

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	Other	
As at 31 December 2020				
Spot assets	14,772,961	11,506	170,624	14,955,091
Spot liabilities	(23,067,745)	(5,150)	(106,097)	(23,178,992)
Net position	(8,294,784)	6,356	64,527	(8,223,901)
As at 31 December 2019				
Spot assets	14,999,850	259,751	78,156	15,337,757
Spot liabilities	(22,747,175)	(246,082)	(36,877)	(23,030,134)
Net position	(7,747,325)	13,669	41,279	(7,692,377)

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)

	As at 31 December 2020	As at 31 December 2019
INTERNATIONAL CLAIMS		
Asia Pacific excluding mainland China	29,020	103,134
– of which attributed to Hong Kong	8,735	93,369
Europe	39,078	44,890
North America	758,933	1,279,569
Total	827,031	1,427,593

OVERDUE LOANS

Loans and advances to customers which have been overdue are set out as follows:

	As at 31 December 2020	As at 31 December 2019
Below 3 months (inclusive)	4,577,681	3,689,078
Between 3 and 6 months (inclusive)	3,026,621	964,414
Between 6 and 12 months (inclusive)	2,470,117	937,588
Over 12 months	2,210,337	3,786,117
Total	12,284,756	9,377,197
As a percentage of gross loans and advances to customers		
Below 3 months (inclusive)	1.49%	1.25%
Between 3 and 6 months (inclusive)	0.98%	0.33%
Between 6 and 12 months (inclusive)	0.80%	0.32%
Over 12 months	0.72%	1.29%
Total	3.99%	3.19%

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)

EXPOSURES TO MAINLAND CHINA NON-BANK ENTITIES

	As at 31 December 2020	As at 31 December 2019
On-balance sheet exposure	295,752,349	281,229,242
Off-balance sheet exposure	67,720,036	72,373,028

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 2020 is disclosed on the official website of the Bank at <http://www.bankoftianjin.com/tzzgx/xxpl/jgzb/>.

List of Branches

As at 31 December 2020, 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, southern side of the Wushui Road, Jinnan District, Tianjin	300000
7	Bank of Tianjin, Jingu Road sub-branch	No. 1-3, Ground Floor, Zonglvuyuan 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, Southern 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	No. 1 (south side of the first and third floors), People's West Road, North Bus Station, west side of Zhongchang Road, 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	No. 82, Jianshe Road, Heping District, Tianjin	300042

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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, Jincai sub-branch	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	No. 80, Jiulong Road, Hexi District, Tianjin	300204
52	Bank of Tianjin, Jinxi sub-branch	Extension No. 9, No. 89, Qixiangtai Road, Heping District, Tianjin	300074
53	Bank of Tianjin, Qixiangtai Road sub-branch	Extension No. 11, No. 89, Fenghuangcheng, Junction of Qixiangtai Road and Pingquan Road, Hexi District, Tianjin	300074
54	Bank of Tianjin, Xilian sub-branch	Ground Floor, Tianjin Library, Tianjin Culture Center, Pingjiang Road, Hexi District, Tianjin	300201
55	Bank of Tianjin, Shaoxing Road sub-branch	No. 105, Ground Floor Store, Senmiao Apartment, Pingshan Road, Hexi District, Tianjin	300074
56	Bank of Tianjin, Chentang Park sub-branch	106 Chentang Science and Technology Business Service Center, No. 20, Dongting Road, Hexi District, Tianjin	300220
57	Bank of Tianjin, Jinhua sub-branch	Extension No. 14, No. 16, Heiniucheng Road, Hexi District, Tianjin	300210

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No.	Name of Branch	Address	Postcode
58	Bank of Tianjin, Rongcheng sub-branch	No. 75, Heiniucheng Road, Hexi District, Tianjin	300061
59	Bank of Tianjin, Heiniucheng Road sub-branch	202-203, Extension No. 1, Lidabolan, Heiniucheng Road, Hexi District, Tianjin	300381
60	Bank of Tianjin, Donghai sub-branch	No. 33, Huanhu Middle Road, Hexi District, Tianjin	300060
61	Bank of Tianjin, Yinlian sub-branch	No. 26 & 28, Shuangshui Road, Hexi District, Tianjin	300222
62	Bank of Tianjin, Xietong sub-branch	1/F Jinhuang Building, No. 20, Nanjing Road, Hexi District, Tianjin.	300042
63	Bank of Tianjin, Huiyuan sub-branch	South Ground Floor, Building 1, Huaxiafuyu Plaza, Jiefang South Road, Hexi District, Tianjin	300202
64	Bank of Tianjin, Guhai Road sub-branch	No. 423, Jiefang South Road, Hexi District, Tianjin	300210
65	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
66	Bank of Tianjin, Tianma sub-branch	F1 to F2, No. 10, Lianshuiyuan, southeastern side of the junction of Youyi South Road and Zhujiang Road, Hexi District, Tianjin	300221
67	Bank of Tianjin, Tanjiang Road sub-branch	Unit 17, Ground Floor, Chuanshuiyuan Estate (Public Building III), Suijiang Street, Hexi District, Tianjin	300221
68	Bank of Tianjin, Zhujiang Road sub-branch	Junction of Zhujiang Road and Xueyuan Road, Hexi District, Tianjin	300222
69	Bank of Tianjin, Limin Road sub-branch	No. 89, Xinanlou Weidi Road, Hexi District, Tianjin	300201
70	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
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, Kema 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

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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, Xingnan sub-branch	No. 14, 16 & 18, Huaianhuan Road, Nankai District, Tianjin	300193
82	Bank of Tianjin, Lingbin Road sub-branch	No. 96-98, Lingbin Road, Nankai District, Tianjin	300381
83	Bank of Tianjin, Xianyang Road sub-branch	Ground Floor, Door 3, Building 9, Jialingbeili, Xianyang Road, Nankai District, Tianjin	300122
84	Bank of Tianjin, Huanghe Road sub-branch	Extension No. 10 & 11, No. 65, Xianyang Road, Nankai District, Tianjin	300111
85	Bank of Tianjin, Shuishang Gongyuan Road sub-branch	No. 46, Shuishang Gongyuan West Road, Nankai District, Tianjin	300191
86	Bank of Tianjin, Huayuan sub-branch	No. 25 & 27, Yashi Road, Nankai District, Tianjin	300380
87	Bank of Tianjin, Weijin South Road sub-branch	No. 70, Weijin South Road, Nankai District, Tianjin	300381
88	Bank of Tianjin, Tianda 1st sub-branch	Siji Village, Tianjin University, Nankai District, Tianjin	300072
89	Bank of Tianjin, Yuanyin Road sub-branch	Ground Floor, Building 8, Yuanyinbeili, Yuanyin Road, Wangdingdi, Nankai District, Tianjin	300191
90	Bank of Tianjin, Chengjiang Road sub-branch	Ground Floor, Building 16, Huaningbeili, Chengjiang Road, Nankai District, Tianjin	300190
91	Bank of Tianjin, Keji sub-branch	No. 6, Meiyuan Road, Huayuan Industrial Park, Nankai District, Tianjin	300384
92	Bank of Tianjin, Wanhua sub-branch	No. 148-1, Yingshui Road, Huayuan Industrial Park, New Industrial Park, Tianjin	300384
93	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
94	Bank of Tianjin, Haihe Education Park (Beiyang Zone) sub-branch	No.104, Xinyuan South Road, Tianjin University, Haihe Education Park, Tianjin	300350
95	Bank of Tianjin, Fourth central sub-branch	Ground Floor, 1-3/F, Fujian Building, Huaxing Road, Hedong District, Tianjin	300011
96	Bank of Tianjin, Donglian sub-branch	Tianshan Road, Wanxin Village, Hedong District, Tianjin	300162

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No.	Name of Branch	Address	Postcode
97	Bank of Tianjin, Dongxin sub-branch	Extension No. 1, No. 2, No. 40, Jintang Road, Hedong District, Tianjin	300182
98	Bank of Tianjin, Dongyin sub-branch	Extension No. 3, No. 80, Jintang Road, Hedong District, Tianjin	300170
99	Bank of Tianjin, Daqiao Road sub-branch	Outpatient hall, the 3rd Central Hospital, No. 83, Jintang Road, Hedong District, Tianjin	300170
100	Bank of Tianjin, Jintang Road sub-branch	Ground Floor, No. 2, Door 1, Building 2, Youainanli, Zhongshanmen, Jintang Road, Hedong District, Tianjin	300180
101	Bank of Tianjin, Hedong sub-branch	101 & 102, Yitingyuan, Liuwei Road, Hedong District, Tianjin	300012
102	Bank of Tianjin, Jiahua sub-branch	No. 17-5, Jiahuali, Chenglinzhuang Road, Hedong District, Tianjin	300161
103	Bank of Tianjin, Taixing South Road sub-branch	Ground Floor, No. 3, Building 1, Jinwan Apartment, No. 100, Chenglinzhuang Road, Hedong District, Tianjin	300160
104	Bank of Tianjin, Weiguo Road sub-branch	No. 163, Weiguo Road, Hedong District, Tianjin	300250
105	Bank of Tianjin, Chengguang Road sub-branch	No. 71, Taixing South Road, Hedong District, Tianjin	300162
106	Bank of Tianjin, Zhongxin North Road sub-branch	No. 41, Zhongxin North Road, Hedong District, Tianjin	300181
107	Bank of Tianjin, Zile Plaza sub-branch	No. 148, Gate 4, 5, 6, Building 2, Zile Plaza, Hedong District, Tianjin	300180
108	Bank of Tianjin, Changzhou Road sub-branch	No. 22, Changzhou Road, Hedong District, Tianjin	300250
109	Bank of Tianjin, Fifth central sub-branch	Ground Floor, Hongji Garden, Shizilin Street, Hebei District, Tianjin	300143
110	Bank of Tianjin, Bada Road sub-branch	No. 23, Minzu Road, Hebei District, Tianjin	300010
111	Bank of Tianjin, Xingbei sub-branch	Ground Floor, Building 1, Huiyingli Community, No. 10, Zengchan Road, Hebei District, Tianjin	300250
112	Bank of Tianjin, Zhenbei sub-branch	Building 2, Shuyuanli, Zhongshan North Road, Hebei District, Tianjin	300241
113	Bank of Tianjin, Zhongshan Road sub-branch	Ground Floor, Zerenli Building, Zhongshan Road, Hebei District, Tianjin	300142
114	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
115	Bank of Tianjin, Jincheng sub-branch	Ground Floor, Fangjingmingju, Junction of Jinzhonghe Street and Zengchan Road, Hebei District, Tianjin	300150

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No.	Name of Branch	Address	Postcode
116	Bank of Tianjin, Wuhaio Road sub-branch	No. 24, Wangchuanchang 5th Road, Hebei District, Tianjin	300150
117	Bank of Tianjin, Beiningwan sub-branch	No. 131 & 133, Yingxian Road, Hebei District, Tianjin	300402
118	Bank of Tianjin, Yuguan Road sub-branch	No. 698 & 700, Yuguan Road, Hebei District, Tianjin	300232
119	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
120	Bank of Tianjin, Sixth central sub-branch	No. 187, Qinjian Road, Hongqiao District, Tianjin	300130
121	Bank of Tianjin, Hongxin sub-branch	No. 84, Xiqing Road, Hongqiao District, Tianjin	300122
122	Bank of Tianjin, Hongyin sub-branch	Room 101, Gate 61, Xiangju Apartment, Guangrong Road, Hongqiao District, Tianjin	300130
123	Bank of Tianjin, Xiangtan Road sub-branch	No. 11, Xiangtan Road, Hongqiao District, Tianjin	300133
124	Bank of Tianjin, Yihua Road sub-branch	No. 41, 43, 45 & 47, Yihua Road, Hongqiao District, Tianjin	300121
125	Bank of Tianjin, Fuxing Road sub-branch	Ground Floor, No. 16, Kanghuali, Fuxing Road, Hongqiao District, Tianjin	300121
126	Bank of Tianjin, Guanyinhao sub-branch	No. 5, Dongma Road, Nankai District, Tianjin	300090
127	Bank of Tianjin, Binhai branch	E2ABC, No. 20, Plaza East Road, Binhai Finance Street, the Third Street, Economic and Technology Development District, Tianjin	300457
128	Bank of Tianjin, Haibin sub-branch	No. 2048, Shanghai Road, Tanggu District, Tianjin	300450
129	Bank of Tianjin, Hangzhou Road sub-branch	No. 8, Zhongxin North Road, Tanggu District, Tianjin	300451
130	Bank of Tianjin, Tanggu sub-branch	No. 289, 295 & 301, Yingkou Road, Tanggu District, Tianjin	300450
131	Bank of Tianjin, Heping Road sub-branch	No. 9, Heping Road, Tanggu District, Tianjin	300450
132	Bank of Tianjin, Oil North Road sub-branch	No. 79, Dongyan Road, Tanggu District, Tianjin	300452
133	Bank of Tianjin, Chunguang Road sub-branch	No. 617, Xingfujiayuan, Chunguang Road, Tanggu District, Tianjin	300456
134	Bank of Tianjin, Hebei Road sub-branch	No. 25, Hebei Road, Tanggu District, Tianjin	300451

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No.	Name of Branch	Address	Postcode
135	Bank of Tianjin, Road No. 3 sub-branch	Door 2, Building 24, Ziyunyuan, No. 3462, Xingang Road No. 3, Tanggu District, Tianjin	300456
136	Bank of Tianjin, Station North Road sub-branch	No. 830 & 836, Station North Road, Tanggu District, Tianjin	300451
137	Bank of Tianjin, Jinzhou Road sub-branch	No. 1024, Jinzhou Road, Tanggu District, Tianjin	300451
138	Bank of Tianjin, Hebin Road sub-branch	No. 228, Hebin Road, Binhai New Village, Bohai Oil, Tanggu District, Tianjin	300452
139	Bank of Tianjin, Hekou Road sub-branch	No. 2-37, Hekou Road, Tanggu District, Tianjin	300452
140	Bank of Tianjin, Zhejiang Road sub-branch	Ground Floor, Door 1, Building 7, Huianli, Tanggu District, Tianjin	300450
141	Bank of Tianjin, Gangkou Road sub-branch	Xingang Road No. 2, Tanggu, Binhai New Area, Tianjin	300450
142	Bank of Tianjin, Baoshan Road sub-branch	No. 3807, Tangguxin North Road, Binhai New Area, Tianjin	300451
143	Bank of Tianjin, Yuanyang City sub-branch	No. 138, Yuanyang Central Road, Tanggu, Binhai New Area, Tianjin	300450
144	Bank of Tianjin, Guangzhou Road sub-branch	No. 1156, Fuzhou Road, Tanggu, Binhai New Area, Tianjin	300450
145	Bank of Tianjin, Hangu sub-branch	No. 77, Xinkai Middle Road, Hangu, Binhai New Area, Tianjin	300480
146	Bank of Tianjin, Dagang sub-branch	No. 75, Yingbin Street, Dagang District, Tianjin	300270
147	Bank of Tianjin, Xingfu Road sub-branch	East No. 1, No. 666, Xingfu Avenue, Dagangyoutian, Dagang District, Tianjin	300280
148	Bank of Tianjin, Yingxin Street sub-branch	No. 96, Yingxin Street, Dagang, Binhai New Area, Tianjin	300270
149	Bank of Tianjin, Shengli Road sub-branch	Binhai House Trading Center, Dagang District, Junction of Guangming Avenue and Chuangye Road, Dagangyoutian, Tianjin	300280
150	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
151	Bank of Tianjin, Development Area sub-branch	No. 76, Dongting Road, Economic Development Zone, Tianjin	300457
152	Bank of Tianjin, Tianbao sub-branch	Room 101 & 201, Block B, No. 27, the Second Street, Economic and Technology Development District, Tianjin	300457

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No.	Name of Branch	Address	Postcode
153	Bank of Tianjin, the Second Street sub-branch	No. H3-103, 203, G/H Area, TEDA MSD, No. 61, the Second Street, Tianjin Economic and Technological Development Area	300457
154	Bank of Tianjin, the Third Avenue sub-branch	No. 31-6, Building 1, No. 31, the Third Avenue, Tianjin Economic and Technological Development Area	300457
155	Bank of Tianjin, Huanghai Road sub-branch	No. 21-9, the Second Street, Development Zone, Tianjin	300457
156	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
157	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
158	Bank of Tianjin, Tianjin Free-Trade Zone branch	Building 2, Finance Center, No. 158, West 3rd Road, Tianjin Airport Logistics Processing Zone	300308
159	Bank of Tianjin, Beijing branch	Xuanwumen Building, No. 73, Dongheyan Hutong, Xicheng District, Beijing	100052
160	Bank of Tianjin, Beijing Finance Street sub-branch	Building A33, Erlong Road, Xicheng District, Beijing	100032
161	Bank of Tianjin, Beijing Guangqumen sub-branch	101-02, 1/F, Floor 3, Guangqujiayuan, Dongcheng District, Beijing	100022
162	Bank of Tianjin, Beijing Dongzhimen sub-branch	101, 1/F & 201, 2/F, Building 1, No. 46, Dongzhimenwai Street, Dongcheng District, Beijing	100027
163	Bank of Tianjin, Beijing Dongcheng sub-branch	Ground Floor, No. 8, Chaoyangmennei Street, Dongcheng District, Beijing	100010
164	Bank of Tianjin, Beijing Chaowai sub-branch	No. 0185, Ground Floor & No. 1133 Office, Chaowai SOHO, B6 Chaowai Street, Chaoyang District, Beijing	100020
165	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
166	Bank of Tianjin, Beijing Xinxingqiao sub-branch	Ground Floor, No. 21 and Office, 10/F, Fuxing Road, Haidian District, Beijing	100036
167	Bank of Tianjin, Beijing Zhongguancun sub-branch	Ground Floor, 1-E & 1-F, Yuanzhongyuelai, No. 15, Haidian Middle Street, Haidian District, Beijing	100080
168	Bank of Tianjin, Beijing Xizhimen sub-branch	No. 52, North Street, Xizhimen, Haidian District, Beijing	100082
169	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

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No.	Name of Branch	Address	Postcode
170	Bank of Tianjin, Beijing Fengtai sub-branch	Unit 01, F1 and F2, Commercial Building, No. 232 West Shiliuzhuang Street, Fengtai District, Beijing	100070
171	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
172	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
173	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
174	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
175	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
176	Bank of Tianjin, Shijiazhuang branch	No. 49, Yuhua East Road, Qiaoxi District, Shijiazhuang, Hebei Province	050000
177	Bank of Tianjin, Shijiazhuang Zhongshan Road sub-branch	No. 151, Zhongshan West Road, Qiaoxi District, Shijiazhuang, Hebei Province	050000
178	Bank of Tianjin, Baoding branch	No. 3108, Fuxing Middle Road, Baoding, Hebei Province	071000
179	Bank of Tianjin, Baoding Zhuozhou sub-branch	No. 293, Fanyang Middle Road, Zhuozhou, Hebei Province	072750
180	Bank of Tianjin, Tangshan branch	No. 603, Xiangyun Road, Lubei District, Tangshan, Hebei	063000
181	Bank of Tianjin, Tangshan Fenghuangxincheng sub-branch	No. 131 & 133, Xingyuan Road, Lubei District, Tangshan, Hebei	063000
182	Bank of Tianjin, Tangshan Fengnan sub-branch	No. 82, 84 & 86, Jiaoyu Street, Fengnan District, Tangshan, Hebei	063000
183	Bank of Tianjin, Tangshan Caofeidian sub-branch	No. 198 & 200, Jianshe Avenue, Caofeidian District, Tangshan, Hebei	063299
184	Bank of Tianjin, Tangshan Laoting sub-branch	No. 8, Dazhao Road, Laoting County, Tangshan, Hebei	063000
185	Bank of Tianjin, Tangshan Qianan sub-branch	No. 689, Gangcheng Street, Qianan Town, Qianan, Hebei	064000
186	Bank of Tianjin, Tangshan Zunhua sub-branch	No. 1 & 2, Ground Floor, Kaiyuanjiezu, Wenbai Road, Zunhua, Hebei	064200
187	Bank of Tianjin, Shanghai branch	Baojing Business Building No.1859 Expo Avenue, Pudong District, Shanghai	200002
188	Bank of Tianjin, Shanghai Lujiazui sub-branch	Room 101 & 1201, China Shipbuilding Tower, No. 1, Pudong Avenue, Pudong New Area, Shanghai	200120

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No.	Name of Branch	Address	Postcode
189	Bank of Tianjin, Shanghai Fushan sub-branch	Room 1A, 1/F, No. 450, Fushan Road, Pudong New Area, Shanghai	200122
190	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
191	Bank of Tianjin, Shanghai Xuhui sub-branch	1 & 3/F, No. 2119, Xietu Road, Xuhui District, Shanghai	200032
192	Bank of Tianjin, Shanghai Changning sub-branch	Room 101 & 1905, Orient Century Building, No. 345, Xianxia Road, Changning District, Shanghai	200336
193	Bank of Tianjin, Shanghai Jing'an sub-branch	Street Front Shop, 1-2/F, No. 1056, Changde Road, Jing'an District, Shanghai	200040
194	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
195	Bank of Tianjin, Shanghai Putuo sub-branch	1 & 2/F, No. 108, Guangxin Road, Putuo District, Shanghai	200061
196	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
197	Bank of Tianjin, Shanghai Minhang sub-branch	1/F, No. 1058, Caobao Road, Minhang District, Shanghai	201101
198	Bank of Tianjin, Jinan branch	1-109, Building 2 & 5, Area 1 Sanjianruifuyuan, No. 20999, Jingshi Road, Shizhong District, Jinan	250001
199	Bank of Tianjin, Jinan Shizhong sub-branch	3F, No. 2666, Shop B2-002, No. 2688, Erhuannan Road, Shizhong District, Jinan City	250022
200	Bank of Tianjin, Jinan Lixia sub-branch	Yanjie Building, No. 14958, Courtyard 14966, Jingshi Road, Jinan	250014
201	Bank of Tianjin, Jinan Quancheng sub-branch	Jiefangge Business Center, No. 187, Heihuquan North Road, Lixia District, Jinan	250001
202	Bank of Tianjin, Jinan Dianliu sub-branch	No. 5006-9, Erhuan East Road, Lixia District, Jinan City	250014
203	Bank of Tianjin, Jinan Licheng sub-branch	Building 27, No. 47, Huayuan Road, Licheng District, Jinan	250199
204	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
205	Bank of Tianjin, Jinan Huaiyin sub-branch	Building 1 & 2, east side, Ground Floor, Shunchengyuan Community, No. 24916, Jingshi Road, Huaiyin District, Jinan	250022

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No.	Name of Branch	Address	Postcode
206	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
207	Bank of Tianjin, Jinan Tianqiao sub-branch	No. 965, 975 & 985, Minghu West Road, Jinan	250000
208	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
209	Bank of Tianjin, Jinan Changqing sub-branch	No. S1-A14, No. 2345 Ziwei Road, Science and Technology Park, College Town, Changqing District, Jinan	250399
210	Bank of Tianjin, Jinan Hi-tech District sub-branch	No. 5006, Aoti Middle Road, Hi-tech District, Jinan	250101
211	Bank of Tianjin, Jinan Zhangqiu sub-branch	Shop 104, Building 16, Qilujianqiao Community, No. 35, Mingshuishuangshan Street, Zhangqiu District, Jinan	250299
212	Bank of Tianjin, Dongying branch	No. 55, Fuqian Street, Dongying District, Dongying	257000
213	Bank of Tianjin, Dongying Xicheng sub-branch	Jindu Tower, No. 680-1, Yellow River Road, Dongying District, Dongying City	257061
214	Bank of Tianjin, Taian branch	No. 483, Dongyue Street, Taian, Shandong	271000
215	Bank of Tianjin, Yantai branch	No. 16 Hengshan Road, Yantai Economic and Technological Development District, Yantai Development Zone, Yantai Area of Shandong Pilot Free Trade Zone, PRC	264006
216	Bank of Tianjin, Chengdu branch	No. 688, Tianfu Avenue Middle, Hi-tech District, Chengdu, Sichuan	610041
217	Bank of Tianjin, Chengdu Jingjiang sub-branch	No. 318 & 328, Tongying Street, Jinjiang District, Chengdu, Sichuan	610065
218	Bank of Tianjin, Chengdu Binjiang sub-branch	No. 10, Binjiang West Road, Jinjiang District, Chengdu, Sichuan Province	610021
219	Bank of Tianjin, Chengdu Qingyang sub-branch	No. 53 & Attachment No. 1-2, No. 53, Jinyang Road, Qingyang District, Chengdu, Sichuan	610072
220	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
221	Bank of Tianjin, Chengdu Wuhou sub-branch	No. 1, 1/F, Building 1, No. 518, Lidu Road, Wuhou District, Chengdu, Sichuan	610047
222	Bank of Tianjin, Chengdu Chenghua sub-branch	No. 69, 71, 73, 75; No. 204 of Building 1, No. 67, Fuqing Road (Section 2), Chenghua District, Chengdu, Sichuan	610057
223	Bank of Tianjin, Luzhou branch	No. 189, Chunjingxia Road, Jiangyang District, Luzhou, Sichuan Province	646000



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