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BANK OF TIANJIN CO., LTD.*

天津銀行股份有限公司*

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

(Stock Code: 1578)

2018 ANNUAL RESULTS ANNOUNCEMENT

The board of directors (the “**Board**”) of Bank of Tianjin Co., Ltd. (the “**Bank**”) hereby announces the audited consolidated annual results of the Bank for the year ended December 31, 2018 (the “**Reporting Period**”). The content of this results announcement has been prepared in accordance with applicable disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”) in relation to preliminary announcements of annual results and the International Financial Reporting Standards (the “**IFRSs**”) promulgated by the International Accounting Standards Board. Such annual results have also been reviewed and confirmed by the Board and the audit committee of the Board. Unless otherwise stated, financial data of the Bank and its subsidiaries are presented in Renminbi.

1. CORPORATE INFORMATION

1.1 Basic Information

Legal Chinese Name	天津銀行股份有限公司
Abbreviation in Chinese	天津銀行
Legal English Name	Bank of Tianjin Co., Ltd.
Abbreviation in English	Bank of Tianjin
Legal Representative	LI Zongtang
Authorized Representatives	ZHANG Furong, NGAI Wai Fung
Listing Place of H shares	The Stock Exchange of Hong Kong Limited
Stock Name	Bank of Tianjin
Stock Code	1578

1.2 Contact Persons and Contact Details

Board Secretary	ZHANG Furong
Joint Company Secretaries	ZHANG Furong, 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, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong
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2. SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

	For the year ended December 31,		Rate of
	2018	2017	change
	<i>(Amounts in thousands of RMB unless otherwise stated)</i>		(%)
OPERATING RESULTS			
Interest income ⁽¹⁾	27,487,524	27,894,735	N/A
Interest expense	(20,781,987)	(19,493,523)	6.6
NET INTEREST INCOME ⁽¹⁾	6,705,537	8,401,212	N/A
Investment income ⁽¹⁾	3,793,253	–	N/A
Fee and commission income	1,881,805	2,112,839	(10.9)
Fee and commission expense	(344,211)	(79,374)	333.7
NET FEE AND COMMISSION INCOME ⁽²⁾	1,537,594	2,033,465	(24.4)
Net trading losses	(145,176)	(157,018)	(7.5)
Net gains arising from derecognition of financial assets measured at amortized cost	132,526	–	N/A
Other income, gains or losses	114,480	(134,343)	185.2
OPERATING INCOME	12,138,214	10,143,316	19.7

Notes:

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

	For the year ended December 31,		Rate of
	2018	2017	change
	(Amounts in thousands of RMB unless otherwise stated)		(%)
Operating expenses	(3,447,071)	(3,102,593)	11.1
Impairment losses, net of reversals	(3,481,867)	(2,131,853)	63.3
Share of results of associates	8,233	(25,932)	131.7
PROFIT BEFORE TAX	5,217,509	4,882,938	6.9
Income tax expense	(987,422)	(939,874)	5.1
PROFIT FOR THE YEAR	4,230,087	3,943,064	7.3
Attributable to:			
Equity holders of the Bank	4,181,248	3,916,386	6.8
Non-controlling interests	48,839	26,678	83.1
Earnings per share (Expressed in RMB Yuan per share)			
– Basic	0.69	0.65	6.2
MAJOR INDICATORS OF ASSETS/LIABILITIES			
Total assets	659,339,903	701,913,589	(6.1)
Of which: loans and advances to customers	276,943,278	241,637,249	14.6
Total liabilities	611,619,166	657,157,727	(6.9)
Of which: due to customers	342,877,165	357,857,635	(4.2)
Share capital	6,070,552	6,070,552	–
Equity attributable to equity holders of the Bank	46,999,489	44,083,453	6.6
Total equity	47,720,737	44,755,862	6.6

	For the year ended December 31,		
	2018	2017	Change
PROFITABILITY INDICATORS (%)			
Return on average total assets ⁽³⁾	0.62	0.58	0.04
Return on average equity ⁽⁴⁾	9.15	9.12	0.03
Net interest spread ^{(1), (5)}	1.23	0.81	0.42
Net interest margin ^{(1), (6)}	1.59	1.25	0.34
Net fee and commission income to operating income	12.67	20.05	(7.38)
Cost-to-income ratio ⁽⁷⁾	27.18	29.42	(2.24)
	As of	As of	
	December 31,	December 31,	
	2018	2017	Change
ASSET QUALITY INDICATORS (%)			
Non-performing loan ratio ⁽⁸⁾	1.65	1.50	0.15
Allowance coverage ratio ⁽⁹⁾	250.37	193.81	56.56
Allowance to gross loan ratio ⁽¹⁰⁾	4.13	2.91	1.22
CAPITAL ADEQUACY RATIO INDICATORS (%)			
<i>Calculated based on Capital Adequacy Measures</i>			
Core capital adequacy ratio ⁽¹¹⁾	N/A	N/A	N/A
Capital adequacy ratio ⁽¹²⁾	N/A	N/A	N/A
<i>Calculated based on Capital Administrative Measures</i>			
Core tier-one capital adequacy ratio ⁽¹³⁾	9.83	8.64	1.19
Tier-one capital adequacy ratio ⁽¹⁴⁾	9.84	8.65	1.19
Capital adequacy ratio ⁽¹⁵⁾	14.53	10.74	3.79
Total equity to total assets	7.24	6.38	0.86
OTHER INDICATORS (%)			
Loan-to-deposit ratio ⁽¹⁶⁾	85.59	69.56	16.03
Liquidity ratio ⁽¹⁷⁾	50.29	35.41	14.88
Percentage of loans to the single largest customer ⁽¹⁸⁾	5.02	6.36	(1.34)
Percentage of loans to the top ten customers ⁽¹⁹⁾	29.47	41.55	(12.08)

Notes:

- (3) Calculated by dividing net profit for the year by average balance of total assets at the beginning and the end of the year.
- (4) Calculated by dividing net profit for the year by average balance of total equity at the beginning and the end of the year.
- (5) Calculated as the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities.
- (6) Calculated by dividing net interest income by the daily average balance of total interest-earning assets.
- (7) Calculated by dividing total operating expenses (excluding tax and surcharges) by total operating income.
- (8) Calculated by dividing total non-performing loans by gross loans (excluding tax).
- (9) Calculated by dividing total allowance for impairment losses on loans to customers by total non-performing loans.
- (10) Calculated by dividing total allowance for impairment losses on loans to customers by gross loans to customers.
- (11) Calculated by dividing (i) core capital, net of core capital deductions, by (ii) sum of risk-weighted assets and 12.5 times capital charge for market risk.
- (12) Calculated by dividing (i) total capital, net of capital deductions, by (ii) sum of risk-weighted assets and 12.5 times capital charge for market risk.
- (13) Calculated by dividing core tier-one capital, net of core tier-one capital deductions, by risk-weighted assets.
- (14) Calculated by dividing tier-one capital, net of tier-one capital deductions, by risk-weighted assets.
- (15) Calculated by dividing total capital, net of capital deductions, by risk-weighted assets.
- (16) Loan-deposit ratios of as of December 31, 2017 and December 31, 2018 were calculated according to the Notice on Adjusting the Calculation of Loan-to-Deposit Ratio for Commercial Banks (《中國銀監會關於調整商業銀行存貸比計算口徑的通知》) issued by CBRC.
- (17) Liquidity ratio is calculated in accordance with the formula promulgated by the China Banking and Insurance Regulatory Commission.
- (18) Calculated by dividing total loans to the single largest customer by net capital.
- (19) Calculated by dividing total loans to the top ten customers by net capital.

3. MANAGEMENT DISCUSSION AND ANALYSIS

3.1 Environment and Prospects

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

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

3.2 Corporate Strategies

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

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

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

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

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

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

3.3 Analysis of the Income Statement

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

Notes:

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

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

3.3.1 Net Interest Income, Net Interest Spread and Net Interest Margin

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

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

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

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

Notes:

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

3.3.2 Interest Income

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

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

Interest income from loans and advances to customers

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

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

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

Interest income from debt securities investment

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

Interest income from amounts due from banks and other financial institutions

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

Interest income from deposits with banks and other financial institutions

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

Interest income from balances with central bank

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

3.3.3 Interest Expense

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

Interest expense on amounts due to customers

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

Interest expense on deposits from banks and other financial institutions

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

Interest expense on amounts due to banks and other financial institutions

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

Interest expense on debt securities issued

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

Interest expense on borrowings from central bank

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

3.3.4 Investment Income

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

3.3.5 Net Fee and Commission Income

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

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

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

3.3.6 Net Trading Losses

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

3.3.7 Operating Expenses

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

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

Notes:

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

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

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

Staff costs

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

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

Other general and administrative expenses

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

Office expenses and rental and property management expenses

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

Depreciation and amortization

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

Sundry taxes

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

3.3.8 Impairment Losses

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

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

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

3.3.9 Income Tax Expenses

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

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

Note:

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

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

3.4 Analysis of the Statement of Financial Position

3.4.1 Assets

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

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

Note:

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

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

Loans and advances to customers

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

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

Corporate loans

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

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

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

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

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

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

Note:

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

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

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

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

Personal loans

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

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

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

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

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

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

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

Finance lease receivables

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

Discounted bills

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

Investment securities and other financial assets

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

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

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

	As of December 31, 2018		As of December 31, 2017	
	Amount	% of the total	Amount	% of the total
	<i>(Amounts in millions of RMB, except percentages)</i>			
Equity investments				
Available-for-sale equity investments	N/A	N/A	58.6	0.0
Equity investment measured at fair value through current profit or loss	<u>58.6</u>	<u>0.0</u>	<u>N/A</u>	<u>N/A</u>
Subtotal	<u>58.6</u>	<u>0.0</u>	<u>58.6</u>	<u>0.0</u>
Total investment securities and other financial assets, net	<u><u>294,971.2</u></u>	<u><u>100.0</u></u>	<u><u>363,452.6</u></u>	<u><u>100.0</u></u>

Debt securities

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

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

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

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

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

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

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

Distribution of investment securities and other financial assets by investment intention

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

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

Financial assets held under resale agreements

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

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

Note:

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

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

Other components of our assets

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

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

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

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

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

3.4.2 Liabilities

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

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

Note:

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

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

Due to customers

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

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

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

Notes:

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

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

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

Deposits from banks and other financial institutions

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

Financial assets sold under repurchase agreements

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

3.4.3 Equity

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

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

As of December 31, 2018, our shareholders' equity amounted to RMB47,720.7 million, representing an increase of 6.6% compared to RMB44,755.5 million as of December 31, 2017. Equity attributable to equity holders of the Bank was RMB46,999.4 million as of December 31, 2018, representing an increase of 6.6% compared to RMB44,083.5 million as of December 31, 2017. The increase in the shareholders' equity in the year ended December 31, 2018 was caused mainly by an increase of our net profit in 2018.

3.5 Analysis of Off-Balance Sheet Items

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

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

3.6 Analysis

Distribution of loans by five-category loan classification

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

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

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

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

Distribution of corporate loans by industry

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

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

Note:

(1) Consist of finance lease receivables.

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

Distribution of Non-Performing Corporate Loans by Industry

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

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

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

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

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

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

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

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

Distribution of Non-Performing Loans by Product Type

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

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

Notes:

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

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

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

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

Distribution of non-performing loans by geographical region

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

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

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

Distribution of loans by collateral

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

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

Note:

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

Borrowers concentration

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

a. Indicators of concentration

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

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

b. Loans to top ten single borrowers

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

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

Note:

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

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

Aging Schedule of Loans Past Due

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

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

Changes to allowance for impairment losses

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

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

Note:

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

3.7 Segment Report

Geographical Segment Report

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

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

Business Segment Report

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

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

Note:

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

3.8 Analysis on Capital Adequacy Ratio

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

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

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

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

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

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

3.9 Risk Management

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

Credit Risk

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

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

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

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

Operational risk

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

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

Market risk

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

Liquidity risk management

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

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

Information technology risk management

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

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

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

3.10 Business Review

Corporate Banking Business

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

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

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

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

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

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

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

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

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

Personal Banking Business

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

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

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

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

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

Rural Financial Services

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

Treasury Operations Business

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

As of December 31, 2018, our Bank had acquired business qualifications including first-tier trader in RMB open markets, being admitted as a member of Ministry of Finance book-entry treasury bond underwriting syndicates and a member of financial debt underwriting syndicates of the three major policy banks, namely China Development Bank, The Export-Import Bank of China and Agricultural Development Bank of China, and the license for hedging derivatives trading. In the year, our Bank also obtained qualifications of core dealer of CRMW instruments, issuing institution of CRMW and issuing institution of credit-linked notes, and business qualifications for interest rate swap business, interbank gold price asking transactions through the Shanghai Gold Exchange, etc., laying a solid foundation for exploration into and development of new business. In 2018, the Bank actively participated in various types of transactions in capital market with a transaction volume in domestic currency of RMB4,850 billion and transaction volume in forex currencies of nearly US\$60.0 billion, was awarded honorary titles including "Active Trader in Inter-bank Domestic Currency Market of 2018", "Top 300 in Inter-bank Domestic Currency Market Transaction of 2018", "Award for 2018 Outstanding Issuer of Financial debts", "Top 100 Settlers-Outstanding Proprietary Trader" from China Central Depository & Clearing, "The Member Who Made the Overall Greatest Progress in Interbank Forex Market in 2018" from China Foreign Exchange Trade System, signifying the continuous elevation of our market influence and brand image, and "Outstanding Contribution Award for Advanced Institutions in Credit Assets Registration & Circulation Business of the Banking Industry in 2018" from Center for Bank Credit Assets Registration and Transfer.

Money Market Transactions

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

Fixed Income Business

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

Forex and Precious Metal Transactions

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

Treasury Business Conducted on Behalf of Customers

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

1. To accelerate the product transformation to be net worth type. In 2018, our Bank strictly followed the new regulatory requirements on asset management business and contributed to the net worth type transformation of wealth management business in the industry. By the end of the year, our net worth product portfolio was quite complete and comprehensive, and a variety of products had been introduced. Among them, “HongDing Fortune – Open-ended Net Worth Product (鴻鼎財富 – 天天開放淨值產品)”, the first quasi money market fund launched by a commercial bank in the country, received intensive subscription from the market. By the end of 2018, the product recorded sales of over RMB4,000 million.
2. To optimize asset allocation and enhance value gains. In accordance with the overall policy of our Bank, “Four Tailor-made Approaches” and “Improvement in both Quality and Efficiency”, our Bank's wealth management business strengthened the management of existing assets, reduced poor-quality and low-yield assets, replaced below-standard existing assets by investment in bonds, debt financing plan of Beijing Financial Assets Exchange, etc., and realized quality and efficiency improvements with rate of return increased from 5.9% at the beginning of the year to 6.4%. The increase in rate of return directly boosted the profitability of our Bank's wealth management business.

3. To seek for optimization of customer profile. Based on the guideline for asset management business, i.e. “restoring to real economy”, and our Bank’s ultra-conventional development approach for retail business, we strive to be a leading city commercial bank by seeking for optimization of customer profile in wealth management business. Through concerted efforts, our Bank’s customer profile in wealth management was significantly optimized. As of December 31, 2018, the proportion of our basic core wealth management customers increased to 70% from 51% at the beginning of the year. The size of our existing wealth management business for individuals exceeded RMB80,000 million and its weighting for the overall figure also increased from 38% to 68% during the same period. The ratio now turned out to be in the neighborhood of other city commercial banks’.
4. To comply with the regulatory requirements and adjust the composition of wealth management products sponsored and issued. In 2018, our principal guaranteed wealth management products accounted for 30% of the aggregate amount of wealth management products sponsored and issued by us, 12 percentage points lower than 2017, while the non-principal guaranteed wealth management products made up 70% of the total amount, 12 percentage points higher than 2017.

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

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

International Business

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

4. ACQUISITION AND DISPOSAL OF ASSETS AND BUSINESS MERGER

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

5. OTHER INFORMATION

5.1 Corporate Governance Code

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

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

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

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

5.2 Directors, Supervisors and Senior Management of the Bank

As of the date of this announcement, the composition of the Board, the board of supervisors and senior management of the Bank are as follows:

The Board of the Bank comprised a total of fifteen directors, including four executive directors, namely Mr. LI Zongtang (Chairman), Mr. SUN Ligu (President), Ms. ZHANG Furong (Vice President, Board Secretary) and Mr. LIANG Jianfa (Vice President, Chief Financial Officer); six non-executive directors, namely Ms. SUN Jingyu, Mr. WU Tao, Mr. Alistair Marshall Bulloch, Mr. ZHAO Wei, Mr. XIAO Jingxi and Ms. LI Jun; and five independent non-executive directors, namely Mr. FENG Heping, Mr. LAW Yee Kwan, Quinn, Mr. JIN Qingjun, Mr. HUA Yaogang and Mr. HE Jia.

The Board of Supervisors of the Bank comprised a total of five supervisors, including two employee representative supervisors, namely Ms. FENG Xia (the Chairwoman of the Board of Supervisors) and Mr. YAO Tao; one shareholder representative supervisor, namely Mr. YU Yang; and two external supervisors, namely Mr. ZHANG Lianming and Mr. LIU Baorui.

The senior management of the Bank comprised a total of six members, namely Mr. Sun Liguo, Ms. Zhang Furong, Ms. Zhang Ying, Mr. Liang Jianfa, Mr. Xia Zhenwu and Mr. Wang Feng.

5.3 Changes in Directors, Supervisors and Senior Management during the Reporting Period

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

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

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

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

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

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

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

5.4 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 of 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.

5.5 Profits and Dividends

The Bank’s revenue for the year ended December 31, 2018 and the Bank’s financial position as of the same date are set out in the section headed “Annual Financial Statements” of this annual results announcement.

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

The Board has recommended the payment of the final dividend of RMB1.8 per ten shares (tax inclusive) in cash for the year ended December 31, 2018, representing a total payment of approximately RMB1,092.7 million. The final dividend is subject to approval of the shareholders at the annual general meeting of the Bank for 2018. If approved, the final dividend of the Bank for the year ended December 31, 2018 will be denominated and declared in Renminbi. Distribution of the dividends to holders of domestic shares of the Bank will be paid in Renminbi, while dividends to holders of H shares of the Bank will be paid in Hong Kong dollars. For such conversion, Renminbi will be converted into Hong Kong dollars based on the average middle exchange rate of the five business days preceding May 16, 2019 (inclusive), being the date of the Bank’s 2018 annual general meeting, as announced by the People’s Bank of China. If approved

by the Bank's 2018 annual general meeting, it is expected the final dividend will be payable on July 10, 2019. The H shares register of members of the Bank will be closed from (Wednesday) May 22, 2019 to (Monday) May 27, 2019 (both days inclusive). Shareholders whose names appear on the register of H share register of members and domestic share register of members of the Bank on (Monday) May 27, 2019 will be entitled to receive the final dividend. The holders of H Shares who qualify for receiving the final dividend must lodge all the transfer documents accompanied by the relevant H share certificates with the H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong to process the registration not later than 4:30 p.m. on (Tuesday) May 21, 2019.

5.6 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.

5.7 Review of the Final Results

The final financial statements for the year ended December 31, 2018 prepared by the Bank in accordance with the IFRSs promulgated by the International Accounting Standards Board have been audited by Deloitte Touche Tohmatsu in accordance with the International Standard on Auditing.

The Board and the audit committee of the Board have reviewed and approved the final results of the Bank.

5.8 Use of Proceeds

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

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

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

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

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

5.9 Subsequent Events

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

Save as the disclosures above, no other significant events occurred to the Bank after the Reporting Period.

6. ANNUAL FINANCIAL STATEMENTS

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

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

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

Consolidated Statement of Financial Position

As at December 31, 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

	December 31, 2018	December 31, 2017
ASSETS		
Cash and balances with central bank	62,313,393	57,372,466
Deposits with banks and other financial institutions	4,063,486	8,003,859
Placements with banks and other financial institutions	11,186,976	12,295,007
Derivative financial assets	70,255	–
Financial assets held for trading	–	5,720,098
Financial assets held under resale agreements	2,555,983	9,356,836
Financial assets at fair value through profit or loss	60,744,554	–
Available-for-sale financial assets	–	36,270,946
Debt instruments at fair value through other comprehensive income	49,457,614	–
Loans and advances to customers	276,943,278	241,637,249
Debt instruments at amortised cost	184,769,026	–
Held-to-maturity investments	–	49,123,275
Investments classified as receivables	–	272,338,316
Deferred tax assets	3,165,838	2,237,505
Other assets	1,949,842	5,700,341
Property and equipment	1,907,562	1,653,828
Interests in associates	212,096	203,863
Total assets	659,339,903	701,913,589

	December 31, 2018	December 31, 2017
LIABILITIES		
Borrowings from central bank	17,001,392	7,505,000
Deposits from banks and other financial institutions	33,728,238	77,036,368
Placements from banks	21,555,660	22,719,415
Derivative financial liabilities	27,836	–
Financial assets sold under repurchase agreements	28,362,473	50,696,397
Income tax payable	970,269	635,060
Other liabilities	7,272,472	22,019,537
Due to customers	342,877,165	357,857,635
Debt securities issued	159,823,661	118,688,315
Total liabilities	611,619,166	657,157,727
EQUITY		
Share capital	6,070,552	6,070,552
Capital reserve	10,731,130	10,731,130
Investment revaluation reserve	148,547	(575,715)
Surplus reserve	3,352,480	3,352,331
General reserve	9,133,134	8,363,493
Retained earnings	17,563,646	16,141,662
Equity attributable to equity holders of the Bank	46,999,489	44,083,453
Non-controlling interests	721,248	672,409
Total equity	47,720,737	44,755,862
Total equity and liabilities	659,339,903	701,913,589

Consolidated Statement of Changes in Equity

For the year ended December 31, 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

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

Consolidated Statement of Cash Flows*For the year ended December 31, 2018**(Amounts in thousands of Renminbi, unless otherwise stated)*

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

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

7. NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7.1 Application of New and Amendments to International Financial Reporting Standards (“IFRSs”)

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

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

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

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

Application of IFRS 15 Revenue from Contracts with Customers

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

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

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

Information about the Group’s performance obligations and accounting policies resulting from application of IFRS 15 are disclosed in the financial statements.

Application of IFRS 9 Financial Instruments

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

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

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

Accounting policies resulting from application of IFRS 9 are disclosed in the financial statements.

Summary of effects arising from initial application of IFRS 9

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

	Financial assets at FVTPL required by IAS 39/ IFRS 9 RMB'000	Available- for-sale financial assets ("AFS") RMB'000	Held-to- maturity RMB'000	Debt instruments at FVTOCI RMB'000	Amortised cost (previously classified as loans and receivables) RMB'000	Financial guarantee contracts/ other liabilities RMB'000	Deferred tax assets/ liabilities RMB'000	Investment revaluation reserve RMB'000	Retained earnings RMB'000	Non- controlling interests RMB'000
<i>Notes</i>										
Closing balance at December 31, 2017 – IAS 39	5,720,098	36,270,946	49,123,275	-	543,631,267	379,323	2,237,505	(575,715)	16,141,662	672,409
Effect arising from initial application of IFRS 9:										
Reclassification										
From available-for-sale	(a) 3,361,638	(36,270,946)	-	32,909,308	-	-	-	6,303	(6,303)	-
From financial assets held for trading	(b) -	-	-	-	-	-	-	-	-	-
From held-to-maturity	(c) -	-	(49,123,275)	-	49,123,275	-	-	-	-	-
From investments classified as receivables	(d) 138,530,042	-	-	4,687,982	(143,218,024)	-	-	-	-	-
Remeasurement										
Impairment under ECL model	(e) -	-	-	-	(861,515)	264,361	281,470	20,781	(865,187)	-
From amortised cost to fair value	(d) (33,911)	-	-	(26,540)	-	-	15,112	(19,905)	(25,434)	-
Opening balance at January 1, 2018	147,577,867	-	-	37,570,750	448,675,003	643,684	2,534,087	(568,536)	15,244,738	672,409

(a) Available-for-sale investments

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

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

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

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

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

(b) Financial assets held for trading

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

(c) Held-to-maturity investments

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

(d) Investments classified as receivables

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

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

(e) Impairment under ECL model

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

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

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

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

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

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

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

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

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

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

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

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

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

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

IFRS 16 Leases

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

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

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

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

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

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

Furthermore, extensive disclosures are required by IFRS 16.

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

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

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

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

7.2 Segment Analysis

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

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

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

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

Segment revenues, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

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.

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 December 31, 2018					
External interest income	10,631,862	3,319,292	13,536,370	–	27,487,524
External interest expense	(7,954,399)	(2,082,916)	(10,744,672)	–	(20,781,987)
Inter-segment interest income/ (expense)	3,367,290	851,102	(4,218,392)	–	–
Net interest income	6,044,753	2,087,478	(1,426,694)	–	6,705,537
Investment income	–	–	3,793,253	–	3,793,253
Fee and commission income	1,118,627	486,088	277,090	–	1,881,805
Fee and commission expense	(45,322)	(298,883)	(6)	–	(344,211)
Net fee and commission income	1,073,305	187,205	277,084	–	1,537,594
Net trading losses	–	–	(145,176)	–	(145,176)
Net gains arising from the derecognition of financial assets measured at amortised cost	–	–	132,526	–	132,526
Other income, gains or losses	–	–	(1,440)	115,920	114,480
Operating income	7,118,058	2,274,683	2,629,553	115,920	12,138,214
Operating expenses	(1,586,876)	(1,221,873)	(638,322)	–	(3,447,071)
Impairment losses, net of reversals	(3,099,890)	(376,799)	(5,178)	–	(3,481,867)
Share of results of associates	–	–	–	8,233	8,233
Profit before tax	2,431,292	676,011	1,986,053	124,153	5,217,509
Income tax expense					(987,422)
Profit for the year					4,230,087
Depreciation and amortisation	(141,219)	(46,405)	(52,171)	–	(239,795)
Capital expenditure	(207,717)	(226,837)	(53,408)	(70,333)	(558,295)
As at December 31, 2018					
Segment assets	175,777,213	102,711,026	380,149,195	702,469	659,339,903
Segment liabilities	(276,669,271)	(72,429,338)	(261,507,783)	(1,012,774)	(611,619,166)
Supplementary information Credit commitments	78,329,774	2,172,192	–	–	80,501,966

	Corporate banking	Personal banking	Treasury operations	Others	Total
Year ended December 31, 2017					
External interest income	9,348,550	1,498,077	17,048,108	–	27,894,735
External interest expense	(7,073,313)	(1,671,516)	(10,748,694)	–	(19,493,523)
Inter-segment interest income/ (expense)	<u>3,659,737</u>	<u>1,565,333</u>	<u>(5,225,070)</u>	<u>–</u>	<u>–</u>
Net interest income	5,934,974	1,391,894	1,074,344	–	8,401,212
Fee and commission income	1,534,002	378,668	200,169	–	2,112,839
Fee and commission expense	<u>(65,394)</u>	<u>(13,976)</u>	<u>(4)</u>	<u>–</u>	<u>(79,374)</u>
Net fee and commission income	1,468,608	364,692	200,165	–	2,033,465
Net trading losses	–	–	(157,018)	–	(157,018)
Other income, gains or losses	<u>(60,000)</u>	<u>–</u>	<u>(81,271)</u>	<u>6,928</u>	<u>(134,343)</u>
Operating income	7,343,582	1,756,586	1,036,220	6,928	10,143,316
Operating expenses	(1,825,469)	(976,571)	(300,553)	–	(3,102,593)
Impairment losses, net of reversals	(1,798,570)	(225,033)	(108,250)	–	(2,131,853)
Share of results of associates	<u>–</u>	<u>–</u>	<u>–</u>	<u>(25,932)</u>	<u>(25,932)</u>
Profit/(losses) before tax	3,719,543	554,982	627,417	(19,004)	4,882,938
Income tax expense					<u>(939,874)</u>
Profit for the year					<u><u>3,943,064</u></u>
Depreciation and amortisation	(163,175)	(38,484)	(22,839)	–	(224,498)
Capital expenditure	<u>(117,290)</u>	<u>(67,683)</u>	<u>(9,136)</u>	<u>(24,645)</u>	<u>(218,754)</u>
As at December 31, 2017					
Segment assets	212,058,853	34,607,292	454,701,284	546,160	701,913,589
Segment liabilities	(306,411,501)	(71,087,087)	(278,975,443)	(683,696)	(657,157,727)
Supplementary information					
Credit commitments	<u>63,710,227</u>	<u>1,799,981</u>	<u>–</u>	<u>–</u>	<u>65,510,208</u>

7.3 Net Interest Income

		Year ended December 31,	
	<i>Notes</i>	2018	2017
Interest income:			
Loans and advances to customers, including:			
Corporate loans and advances		9,979,067	9,054,002
Personal loans and advances		3,319,292	1,498,077
Discounted bills		190,733	100,227
Finance lease		549,236	228,357
Balances with central bank		786,748	832,184
Deposits with banks and other financial institutions		179,949	556,032
Placements with banks and other financial institutions		805,502	653,640
Financial assets held under resale agreements		208,217	503,743
Investments, including:			
Bond investments		–	4,016,448
Other investments classified as receivables	(1)	–	10,452,025
Debt instruments at FVTOCI		2,064,021	–
Debt instruments at amortised costs		9,404,759	–
Subtotal		27,487,524	27,894,735
Interest expense:			
Borrowings from central bank		(430,615)	(80,501)
Deposits from banks and other financial institutions		(2,137,970)	(4,240,365)
Placements from banks		(788,999)	(533,129)
Financial assets sold under repurchase agreements		(850,878)	(1,971,998)
Due to customers		(10,037,315)	(8,744,829)
Debt securities issued		(6,536,210)	(3,922,701)
Subtotal		(20,781,987)	(19,493,523)
Net interest income	(2)	6,705,537	8,401,212

Notes:

- (1) Other investments classified as receivables include trust beneficiary rights, wealth management products and asset management plans.
- (2) The Group initially adopted IFRS 9 for the current year, and therefore, the Group reclassified certain financial assets measured at amortised cost under IAS 39 to financial assets at FVTPL under IFRS 9. As a result of amendments to IAS 1 Presentation of Financial Statements in responses to changes in IFRS 9, interest income generated by financial assets at FVTPL was presented as “investment income” instead of “interest income”. Therefore, the nature of “interest income”, “net interest income” and “investment income” were changed accordingly.

7.4 Investment Income

	Year ended December 31,	
	2018	2017
Investment income from financial assets at fair value through profit or loss	<u>3,793,253</u>	<u>–</u>

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

7.5 Net Fee and Commission Income

	<i>Note</i>	Year ended December 31,	
		2018	2017
Fee and commission income	(1)		
Wealth management service fees		1,010,519	1,229,197
Consultancy fees		139,196	258,976
Acceptance and guarantee commitment fees		90,106	194,369
Agency commissions and fiduciary service fees		380,809	237,431
Settlement and clearing fees		216,953	157,350
Bank card fees		40,461	35,249
Others		<u>3,761</u>	<u>267</u>
Subtotal		<u>1,881,805</u>	<u>2,112,839</u>
Fee and commission expense		<u>(344,211)</u>	<u>(79,374)</u>
Total		<u>1,537,594</u>	<u>2,033,465</u>

Note:

- (1) The Group provides asset management services in respect of wealth management products. The Group is entitled residual values of wealth management products after distribution of returns to its customers for its services rendered. Performance obligation is satisfied over the term of respective wealth management products. Management fees of wealth management products are recognised to the extent that it is highly probable that such recognition will not result in a significant revenue reversal in the future when the uncertainty associated with the quantum of management fees is subsequently resolved. Therefore, in practice it can only be recognised when the residual values of relevant wealth management products can be almost ascertained.

The Group distributes financial products for other financial institutions. Performance obligation is satisfied when customers enter into contracts with the relevant financial institutions. The Group collects commissions from these financial institutions usually on monthly or quarterly basis.

The Group provides fiduciary, settlement and clearing services to its customers and performance obligations are satisfied at one point time. The Group retains relevant fees from funds collected when the transactions are processed.

Most contracts with customers have original expected duration of less than one year and therefore information about their remaining performance obligations is not disclosed.

The Group provides services to both corporate and personal customers and its disaggregation of revenue from these services by types of customers in reportable segments are disclosed in the financial statements. For commission income, this disaggregation was performed according to type of customers that purchase the relevant financial products sponsored by other financial institutions.

7.6 Net Trading Losses

	Year ended December 31,	
	2018	2017
Realised and unrealised losses from financial assets at fair value through profit or loss	(198,946)	(172,619)
Net gains on disposal of available-for-sale financial assets	–	15,601
Net gains on disposal of debt instruments at fair value through other comprehensive income	53,770	–
Total	<u>(145,176)</u>	<u>(157,018)</u>

7.7 Net Gains Arising from Derecognition of Financial Assets Measured at Amortised Cost

		Year ended December 31,	
	<i>Note</i>	2018	2017
Net gains on disposal of financial assets measured at amortised cost	(1)	<u>132,526</u>	<u>–</u>

Note:

- (1) During the year ended at December 31, 2018, the Group sold some financial assets measured at amortised cost due to the demand of liquidity.

7.8 Other Income, Gains or Losses

	<i>Notes</i>	Year ended December 31,	
		2018	2017
Dividend income		880	5,000
Government subsidies	(1)	34,006	11,488
Exchange differences		(1,440)	(81,271)
Dormant accounts		4,707	3,381
Provision	(2)	–	(60,000)
Rental income		38,176	5,385
Early repayment penalties for internet personal loans		73,486	–
Others		(35,335)	(18,326)
Total		<u>114,480</u>	<u>(134,343)</u>

Notes:

- (1) Government subsidies primarily represent subsidies of RMB9.19 million (December 31, 2017: Nil) to a banking subsidiary of the Group according to its balances of loan and advances to customers, and the other subsidies of tax rebates of RMB13.39 million (December 31, 2017: RMB9.83 million) to a financial leasing subsidiary of the Group.
- (2) Provision was made in relation to the Group's legal proceedings. Details are disclosed in the financial statements.

7.9 Operating Expenses

	<i>Notes</i>	Year ended December 31,	
		2018	2017
Staff costs	(1)	1,955,676	1,843,233
Office expenses		299,218	222,420
Rental and property management expenses		389,234	339,916
Other general and administrative expenses	(2)	415,158	353,875
Sundry taxes		147,990	118,651
Depreciation		152,307	144,427
Amortisation		87,488	80,071
Total		<u>3,447,071</u>	<u>3,102,593</u>

Notes:

- (1) Staff costs

	Year ended December 31,	
	2018	2017
Salaries, bonuses and allowances	1,322,595	1,201,147
Social insurance	299,105	275,537
Housing funds	116,465	105,848
Staff welfare	89,614	102,690
Labor union fees and staff education expenses	37,596	36,288
Contribution to annuity funds	90,301	121,723
Total	1,955,676	1,843,233

- (2) The Group's statutory audit fee for the year ended December 31, 2018 was RMB2.55 million (2017: RMB2.95 million).

7.10 Impairment Losses, Net of Reversals

	Year ended December 31,	
	2018	2017
Loans and advances to customers	3,857,714	1,338,595
Deposits with banks and other financial institutions	(1,565)	—
Placements with banks and other financial institutions	(5,942)	—
Financial assets held under resale agreements	76,570	(39,250)
Investments classified as receivables	—	1,035,542
Debt instruments at amortised costs	(62,855)	—
Financial assets at fair value through other comprehensive income	(11,385)	—
Credit commitments	(370,670)	(207,334)
Others	—	4,300
Total	3,481,867	2,131,853

7.11 Income Tax Expense

	Year ended December 31,	
	2018	2017
Income tax expense comprises:		
Current income tax		
– PRC Enterprise Income Tax	1,865,128	1,359,307
Deferred tax	(877,706)	(419,433)
Total	<u>987,422</u>	<u>939,874</u>

PRC Enterprise Income Tax is calculated at 25% of the estimated assessable profit for the year.

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

	<i>Note</i>	Year ended December 31,	
		2018	2017
Profit before tax		<u>5,217,509</u>	<u>4,882,938</u>
Tax calculated at applicable statutory tax rate of 25%		1,304,377	1,220,735
Underprovision of tax in prior years		4,898	3,972
Tax effect of expenses not deductible for tax purpose		15,116	25,173
Tax effect of income not taxable for tax purpose	(1)	<u>(336,969)</u>	<u>(310,006)</u>
Income tax expense		<u>987,422</u>	<u>939,874</u>

Note:

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

7.12 Earnings Per Share

The calculation of basic earnings per share attributable to owners of the Bank is as follows:

	Year ended December 31,	
	2018	2017
Earnings:		
Profit for the year attributable to equity holders of the Bank for the purpose of basic earnings per share	4,181,248	3,916,386
Numbers of shares:		
Weighted average number of shares in issue for the purpose of basic earnings per share (in thousand)	6,070,552	6,070,552
Basic earnings per share (RMB Yuan)	0.69	0.65

No diluted earnings per share has been presented for the year ended December 31, 2018 and 2017 as the Group had no potential ordinary shares in issue during the years.

7.13 Dividends

		Year ended December 31,	
	<i>Notes</i>	2018	2017
2016 Final Dividend	(1)	–	1,214,110
2017 Final Dividend	(2)	1,092,699	–

Notes:

- (1) A final dividend of RMB20 cents per share (tax inclusive) in respect of the year ended December 31, 2016 amounting in a total of RMB1,214 million was proposed by the Board of Directors and approved by the 2016 annual general meeting on May 12, 2017.
- (2) A final dividend of RMB18 cents per share (tax inclusive) in respect of the year ended December 31, 2017 amounting in a total of RMB1,093 million was proposed by the Board of Directors and approved by the 2017 annual general meeting on May 11, 2018.

7.14 Interests in Associates

The balance of interests in associates is as follows:

	As at December 31, 2018	As at December 31, 2017
Unlisted shares, at cost	223,000	223,000
Share of post-acquisition losses and other comprehensive income	<u>(10,904)</u>	<u>(19,137)</u>
Total	<u>212,096</u>	<u>203,863</u>

Notes:

Details of the Bank's associates as at December 31, 2018 are set out below:

Name of entity	Type of legal entity	Place of incorporation/ establishment	Date of incorporation/ establishment	Share capital/ registered capital as at December 31, 2018 (In RMB'000)	Proportion of ownership and voting rights held by the Group		Principal activities
					As at December 31, 2018	As at December 31, 2017	
					%	%	
Tianjin Jizhou County Bank Company Limited (天津市薊州村鎮銀行股份有限公司)	Limited company	Tianjin, PRC	August 2008	300,000	35	35	Banking
AlaEr JinHui County Bank Company Limited (阿拉爾津匯村鎮銀行有限責任公司)	Limited liability company	Xinjiang, PRC	August 2016	50,000	40	40	Banking
Tiemenguan Jinhui County Bank Company Limited (鐵門關津匯村鎮銀行有限責任公司)	Limited liability company	Xinjiang, PRC	September 2016	50,000	49	49	Banking
HuTuBi JinHui County Bank Company Limited (呼圖壁津匯村鎮銀行有限責任公司)	Limited liability company	Xinjiang, PRC	September 2016	50,000	49	49	Banking
TaCheng JinHui County Bank Company Limited (塔城津匯村鎮銀行有限責任公司)	Limited liability company	Xinjiang, PRC	June 2017	50,000	49	49	Banking
FuKang JinHui County Bank Company Limited (阜康津匯村鎮銀行有限責任公司)	Limited liability company	Xinjiang, PRC	August 2017	50,000	49	49	Banking

For the year ended December 31, 2018, the total amount of associated companies' operating income was RMB126 million (2017: RMB102 million). Total assets and total equity as at December 31, 2018 were RMB3,947 million (December 31, 2017: RMB3,496 million) and RMB552 million (December 31, 2017: RMB511 million) respectively. They represent 1.04%, 0.60% and 1.16% (December 31, 2017: 1.00%, 0.50% and 1.14%) to the Group's operating income, total assets, and total equity respectively. Directors of the Bank consider that these associates are immaterial to the Group.

7.15 Debt Securities Issued

	Notes	As at December 31, 2018	As at December 31, 2017
12 Tianjin Bank bonds 01	(1)	1,500,000	1,500,000
12 Tianjin Bank bonds 02	(2)	1,199,757	1,198,986
15 Tianjin Bank bonds 01	(3)	–	2,499,365
15 Tianjin Bank bonds 02	(4)	–	2,499,305
15 Tianjin Bank bonds	(5)	5,083,720	4,993,797
18 Tianjin Bank bonds	(6)	10,440,087	–
18 Tianjin Bank bonds 01	(7)	10,311,396	–
18 Tianjin Bank bonds 02	(8)	6,150,791	–
18 Tianjin Bank bonds 03	(9)	4,018,905	–
Tianjin Bank 1 – month negotiable certificates of deposit	(10)	1,993,961	6,375,449
Tianjin Bank 3 – month negotiable certificates of deposit	(11)	8,487,144	32,554,492
Tianjin Bank 6- month negotiable certificates of deposit	(12)	32,433,655	32,055,517
Tianjin Bank 9- month negotiable certificates of deposit	(13)	27,597,272	21,471,049
Tianjin Bank 1 – year negotiable certificates of deposit	(14)	50,606,973	13,540,355
Total		159,823,661	118,688,315

Notes:

- (1) The 10 year fixed-rate subordinated bonds were issued on December 27, 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 December 27, 2017, and the interest rate remains unchanged at 5.90% per annum.
- (2) The 15 year fixed-rate subordinated bonds were issued on December 27, 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 3 year fixed-rate financial bonds were issued on May 11, 2015 by the Bank at a face value of RMB2.5 billion with a fixed coupon rate of 4.64% per annum, payable annually. These bonds were fully repaid on May 13, 2018.
- (4) The 3 year fixed-rate financial bonds were issued on May 22, 2015 by the Bank at a face value of RMB2.5 billion with a fixed coupon rate of 4.27% per annum, payable annually. These bonds were fully repaid on May 26, 2018.
- (5) The 10 year fixed-rate tier-two capital bonds were issued on August 21, 2015 by the Bank at a face value of RMB5.0 billion with a fixed coupon rate of 5.00% per annum, payable annually. The Bank has an option to redeem part or all of the bonds at face value on the last day of the fifth year if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. If no early redemption is exercised, the interest rate will remain at 5.00% per annum. This tier-two capital bonds have write-down feature of a tier-two capital instrument, which allows the Bank to write down the entire principal of the bonds and any accumulated unpaid interests when regulatory trigger events as stipulated in the offering documents occur. These tier-two capital bonds are qualified as tier-two capital instruments in accordance with the CBIRC requirements.

- (6) The 10 year fixed-rate tier-two capital bonds were issued on January 18, 2018 by the Bank at a face value of RMB10.0 billion with a fixed coupon rate of 4.80% per annum, payable annually. The Bank has an option to redeem part or all of the bonds at face value on the last day of the fifth year if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. If no early redemption is exercised, the interest rate will remain at 4.80% per annum. These bonds have the same tier-two capital features as 15 Tianjin Bank tier-two capital bonds as set out in note (5).
- (7) The 3 year fixed-rate financial bonds were issued on April 24, 2018 by the Bank at a face value of RMB10.0 billion with a fixed coupon rate of 4.70% per annum, payable annually.
- (8) The 3 year fixed-rate financial bonds were issued on June 15, 2018 by the Bank at a face value of RMB6.0 billion with a fixed coupon rate of 4.90% per annum, payable annually.
- (9) The 3 year fixed-rate financial bonds were issued on November 6, 2018 by the Bank at a face value of RMB4.0 billion with a fixed coupon rate of 4.08% per annum, payable annually.
- (10) The Bank issued a series of 1-month negotiable certificates of deposit (“CD”) at a discount. As at December 31, 2018, the face value of outstanding CD amounted to RMB2.00 billion, with a reference return rate of 3.73% (December 31, 2017: 5.00%-5.72%) per annum, payable at maturity.
- (11) The Bank issued a series of 3-month CD at a discount. As at December 31, 2018, the face value of outstanding CD amounted to RMB8.53 billion, with a reference return rate of 2.85%-3.55% (December 31, 2017: 4.55%-5.40%) per annum, payable at maturity.
- (12) The Bank issued a series of 6-month CD at a discount. As at December 31, 2018, the face value of outstanding CD amounted to RMB32.75 billion, with a reference return rate of 3.25%-4.10% (December 31, 2017: 4.35%-5.25%) per annum, payable at maturity.
- (13) The Bank issued a series of 9-month CD at a discount. As at December 31, 2018, the face value of outstanding CD amounted to RMB28.03 billion, with a reference return rate of 3.50%-4.70% (December 31, 2017: 4.50%-5.40%) per annum, payable at maturity.
- (14) The Bank issued a series of 1-year CD at a discount. As at December 31, 2018, the face value of outstanding CD amounted to RMB51.73 billion, with a reference return rate of 3.30%-5.17% (December 31, 2017: 4.55%-5.30%) per annum, payable at maturity.

7.16 Share Capital

	Year ended December 31,	
	2018	2017
At beginning and end of the year	<u>6,070,552</u>	<u>6,070,552</u>

7.17 Structured Entities

Unconsolidated structured entities

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

The Bank holds interests in these structured entities sponsored by third party institutions through investments in the rights or plans issued relating to these structured entities. The Bank does not consolidate these structured entities. Such structured entities include wealth management products issued by financial institutions, asset management plans, trust beneficiary rights and asset-backed securities.

The following table set out an analysis of the gross carrying amounts of interests held by the Group as at December 31, 2018 in the structured entities sponsored by third party institutions.

	As at December 31, 2018	As at December 31, 2017
Asset-backed securities	25,604,087	19,850,680
Wealth management products	1,039,259	67,924,624
Asset management plans	85,869,823	81,347,831
Trust beneficiary rights	59,309,436	84,937,452
Total	<u>171,822,605</u>	<u>254,060,587</u>

All of these unconsolidated structured entities are recorded in financial assets at fair value through profit or loss and debt investments at amortised costs as at December 31, 2018 (December 31, 2017: investments classified as receivables).

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

The types of unconsolidated structured entities sponsored by the Bank mainly include non-principal-guaranteed wealth management products. The purpose of sponsoring these structured entities is to generate fees from managing assets on behalf of investors. Interests held by the Bank includes fees charged by providing management services to these structured entities as disclosed in the financial statements.

For the year ended December 31, 2018, the management fee recognised amounted to RMB974 million (For the year ended December 31, 2017: RMB1,015 million).

As at December 31, 2018, the amount of assets held by the unconsolidated non-principal-guaranteed wealth management products sponsored by the Bank amounted to RMB104,626 million (December 31, 2017: RMB96,084 million).

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

7.18 Related Party Transactions

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

	Percentage of shares held	
	As at December 31, 2018	As at December 31, 2017
Tianjin Bonded Zone Investment Co., Ltd.	15.92%	15.92%
Australia and New Zealand Banking Group Limited	11.95%	11.95%
Tianjin Pharmaceutical Holdings Ltd. and its subsidiaries	8.06%	8.06%
Tianjin Bohai Chemical Industry Group Co., Ltd. and its subsidiaries	8.04%	8.04%

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 December 31, 2018	As at December 31, 2017
Balances at the end of the year:		
Assets		
Deposits with banks and other financial institutions	4,581	4,704
Loans and advances to customers	–	2,600,000
Interest receivable from related parties	–	3,621
Total	4,581	2,608,325
Liabilities		
Due to customers	86,278	914,651
Interest payable to related parties	–	213
Total	86,278	914,864

	Year ended December 31,	
	2018	2017
Transactions during the year:		
Interest income	14,609	123,537
Interest expense	880	3,634
Interest rate ranges during the year:		%
Loans and advances to customers	4.35	4.35~5.50
Due to customers	0.35~1.38	0.05~1.32

(2) *Other related parties*

Other related parties can be individuals or enterprises, which include: members of the Board of Directors, the senior management and close family members of such individuals; entities (and their subsidiaries) controlled or jointly controlled by members of the Board of Directors, the senior management, and close family members of such individuals. Transactions with other related parties were entered into in the normal course of business, with pricing policies consistent with those transactions conducted with independent third parties.

Balances and transactions with other related parties

	As at December 31, 2018	As at December 31, 2017
Balances at the end of the year:		
Liabilities		
Deposits from banks and other financial institutions	1,066,490	591,393
Due to customers	–	50,000
Interest payable from related parties	–	1,112
Total	1,066,490	642,505
	Year ended December 31,	
	2018	2017
Transactions during the year:		
Interest expense	22,327	1,884
Interest rate range during the period:		%
Deposit from banks and other financial institutions	2.55-5.30	0.35~5.30
Due to customer	–	2.80~4.10

(3) Key management personnel

Key management personnel include directors, supervisors and senior management team members.

No major transactions have been entered into with the key management personnel for the year ended December 31, 2018 other than the emoluments paid to them (being the key management personnel compensation).

	<i>Note</i>	Year ended December 31,	
		2018	2017
Fees		1,445	1,755
Basic salaries, bonuses and allowances	(1)	4,724	6,976
Contribution to pension schemes		1,166	1,435
Total		7,335	10,166

Note:

- (1) Bonus for 2018 can only be determined after the shareholders' general meeting and regulatory approval.

(4) Annuity schemes

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

	Year ended December 31,	
	2018	2017
Contribution to annuity funds	90,301	121,723

7.19 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 December 31, 2018, the Group has assessed and measured the impact of those significant pending lawsuits and recognised reasonable amount of provisions are disclosed in the financial statements.

Capital commitments

	As at December 31, 2018	As at December 31, 2017
Contracted but not provided for – commitments for the acquisition of property and equipment	287,638	156,338

Operating lease commitments

At the end of the year, the Group had the following non-cancellable operating lease commitments as lessee with fixed lease term and lease payment:

	As at December 31, 2018	As at December 31, 2017
Within one year	366,270	297,903
In the second to fifth years inclusive	672,873	755,848
Over five years	209,887	318,895
Total	1,249,030	1,372,646

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of 5.5 years.

Credit commitments

	As at December 31, 2018	As at December 31, 2017
Acceptances	27,623,495	29,021,385
Undrawn credit card limit	2,172,192	1,799,981
Letters of credit	11,415,674	8,557,033
Letters of guarantee	2,607,714	6,272,432
Undrawn corporate loans limit	36,682,891	19,779,377
Corporate loans credit commitments	—	80,000
Total	80,501,966	65,510,208

Credit commitments represent general facility limits granted to customers. These credit facilities may be drawn in the form of loans and advances or through the issuance of letters of credit, acceptances or letters of guarantee.

The Group grants loan commitments to specific customers. Directors of the Bank are of the opinion that such commitments are conditional and irrevocable.

Credit risk weighted amounts for credit commitments

	As at December 31, 2018	2017
Credit commitments	16,102,703	19,367,185

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

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 December 31, 2018, the principal balance of certificate government bonds which the Group had an obligation to pay in advance amounted to RMB2,296 million (December 31, 2017: RMB2,144 million), and the principal balance of e-saving bonds amounted to RMB2,345 million (December 31, 2017: RMB2,371 million). The original term of these bonds is from 3 to 5 years.

The Ministry of Finance does not pay the principal and interest of the certificate government bonds before the expiry date, but pays the principal and interest of the e-savings bonds on a regular basis based on the payment approach for the e-savings bonds.

7.20 Transfer of Financial Assets

Repurchase agreement

The Group entered into repurchase agreements with certain counterparties to sell bonds of carrying amount of RMB29,046 million as at December 31, 2018 (December 31, 2017: RMB50,726 million) which are subject to the simultaneous agreements with commitments to repurchase at specified future dates and prices. The proceeds from selling such bonds totaling RMB28,362 million (December 31, 2017: RMB50,696 million) is presented as ‘financial assets sold under repurchase agreements’ 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.

7.21 Particulars of Principal Subsidiaries

Details of the Bank's subsidiaries as at December 31, 2018 are set out below:

Name of entity	Place of incorporation/ establishment	Date of incorporation/ establishment	Registered capital as at December 31, 2018	Proportion of ownership held by the Group As at December 31,		Proportion of voting rights held by the Group As at December 31,		Principal activities
			(In RMB '000)	2018	2017	2018	2017	
				%	%	%	%	
Ningxia Yuanzhou Jinhui County Bank Co., Ltd (寧夏原州津匯村鎮銀行 有限責任公司)	Ningxia, PRC	July 2016	50,000	51	51	51	51	Banking
Ningxia Tongxin Jinhui County Bank Co., Ltd (寧夏同心津匯村鎮銀行 有限責任公司)	Ningxia, PRC	August 2016	50,000	51	51	51	51	Banking
Bank of Tianjin Financial Leasing Co., Ltd (天銀金融租賃股份 有限公司)	Tianjin, PRC	October 2016	1,700,000	65.88	65.88	65.88	65.88	Financial Leasing

8. PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement was published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Bank (www.bankoftianjin.com). The 2018 annual report prepared in accordance with the IFRSs will be published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Bank (www.bankoftianjin.com), and will be despatched to the holders of H shares of the Bank in due course.

This annual results announcement is prepared in both English and Chinese versions, in the event of any discrepancies in interpretation between the English version and Chinese version, the Chinese version shall prevail.

By Order of the Board
Bank of Tianjin Co., Ltd.
LI Zongtang
Chairman

Tianjin, China
March 22, 2019

As at the date of this announcement, the board of directors of the Bank comprises Mr. LI Zongtang, Mr. SUN Liguang, Ms. ZHANG Furong and Mr. LIANG Jianfa, as executive directors; Ms. SUN Jingyu, Mr. WU Tao, Mr. Alistair Marshall Bulloch, Mr. ZHAO Wei, Mr. XIAO Jingxi and Ms. LI Jun as non-executive directors; Mr. FENG Heping, Mr. LAW Yee Kwan, Quinn, Mr. JIN Qingjun, Mr. HUA Yaogang and Mr. He Jia as independent non-executive directors.

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