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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

The board of directors (the "**Board**") of Bank of Tianjin Co., Ltd. (the "**Bank**") hereby announces the unaudited consolidated interim results of the Bank for the six months ended 30 June 2019 (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 interim results. The interim financial statements of the Bank for the six months ended 30 June 2019 have been prepared in accordance with the International Accounting Standard 34-Interim Financial Reporting (the "**IAS 34**") and the Hong Kong Listing Rules and reviewed by Deloitte Touche Tohmatsu in accordance with International Standard on Review Engagements. Such interim 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 six months ended 30 June		
	2019	2018	**Rate of change (%)**
	(Amounts in thousands of RMB unless otherwise stated)		
OPERATING RESULTS			
Interest income	**15,953,879**	12,703,261	25.6
Interest expense	**(9,487,780)**	(10,737,324)	(11.6)
NET INTEREST INCOME	**6,466,099**	1,965,937	228.9
Investment income	**824,219**	2,776,471	(70.3)
Fee and commission income	**1,064,950**	951,523	11.9
Fee and commission expense	**(14,869)**	(47,719)	(68.8)
NET FEE AND COMMISSION INCOME	**1,050,081**	903,804	16.2
Net trading gains	**358,873**	294,359	21.9
Net gains arising from derecognition of financial assets measured at amortized cost	**83,826**	36,202	131.6
Other income, gains or losses	**72,230**	(15,874)	555.0
OPERATING INCOME	**8,855,328**	5,960,899	48.6
Operating expenses	**(1,921,770)**	(1,572,750)	22.2
Impairment losses under expected credit loss (ECL) model, net of reversals	**(3,038,529)**	(748,950)	305.7
Share of results of associates	**8,051**	(2,634)	405.7
PROFIT BEFORE TAX	**3,903,080**	3,636,565	7.3
Income tax expense	**(759,842)**	(771,572)	(1.5)
PROFIT FOR THE PERIOD	**3,143,238**	2,864,993	9.7
Profit for the period attributable to:			
Equity holders of the Bank	**3,113,189**	2,840,472	9.6
Non-controlling interests	**30,049**	24,521	22.5
	3,143,238	2,864,993	9.7
Earnings per share attributable to equity holders of the Bank (Expressed in RMB Yuan per share)			
—Basic	**0.51**	0.47	8.5

	As of 30 June 2019	As of 31 December 2018	Rate of change (%)
	(Amounts in thousands of RMB unless otherwise stated)		
MAJOR INDICATORS OF ASSETS/ LIABILITIES			
Total assets	**665,853,950**	659,339,903	1.0
Of which: loans and advances to customers	**301,659,709**	276,943,278	8.9
Total liabilities	**616,162,054**	611,619,166	0.7
Of which: due to customers	**358,550,255**	342,877,165	4.6
Share capital	**6,070,552**	6,070,552	–
Equity attributable to equity holders of the Bank	**48,940,599**	46,999,489	4.1
Total equity	**49,691,896**	47,720,737	4.1

	For the six months ended 30 June 2019	2018	Change
PROFITABILITY INDICATORS (%)			
Return on average total assets [(1)]	**0.95**	0.84	**0.11**
Return on average equity [(2)]	**12.91**	12.62	**0.29**
Net interest spread [(3)]	**1.86**	1.12	**0.74**
Net interest margin [(4)]	**2.18**	1.44	**0.74**
Net fee and commission income to operating income	**11.86**	15.16	**(3.30)**
Cost-to-income ratio [(5)]	**20.54**	25.37	**(4.83)**

	As of 30 June 2019	As of 31 December 2018	Change
ASSET QUALITY INDICATORS (%)			
Non-performing loan ratio [(6)]	**1.73**	1.65	0.08
Allowance coverage ratio [(7)]	**259.71**	250.37	9.34
Allowance to gross loan ratio [(8)]	**4.50**	4.13	0.37

	As of 30 June 2019	As of 31 December 2018	Change
CAPITAL ADEQUACY RATIO INDICATORS (%)			
Calculated based on Capital Administrative Measures			
Core tier-one capital adequacy ratio [9]	**10.05**	9.83	0.22
Tier-one capital adequacy ratio [10]	**10.06**	9.84	0.22
Capital adequacy ratio [11]	**14.69**	14.53	0.16
Total equity to total assets	**7.46**	7.24	0.22
OTHER INDICATORS (%)			
Loan-to-deposit ratio [12]	**89.32**	85.59	3.73
Liquidity ratio [13]	**41.88**	50.29	(8.41)
Percentage of loans to the single largest customer [14]	**8.49**	5.02	3.47
Percentage of loans to the top ten customers [15]	**39.83**	29.47	10.36

Notes:

(1) Calculated by dividing net profit for the period by average balance of total assets at the beginning and the end of the period.

(2) Calculated by dividing net profit for the period by average balance of total equity at the beginning and the end of the period.

(3) Calculated as the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities.

(4) Calculated by dividing net interest income by the daily average balance of total interest-earning assets.

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

(6) Calculated by dividing total non-performing loans by gross loans (excluding interest).

(7) Calculated by dividing total allowance for impairment on loans to customers by total non-performing loans.

(8) Calculated by dividing total allowance for impairment on loans to customers by gross loans to customers.

(9) Calculated by dividing core tier-one capital, net of core tier-one capital deductions, by risk-weighted assets.

(10) Calculated by dividing tier-one capital, net of tier-one capital deductions, by risk-weighted assets.

(11) Calculated by dividing total capital, net of capital deductions, by risk-weighted assets.

(12) Loan-deposit ratios of as of 31 December 2018 and 30 June 2019 were calculated according to the Notice on Adjusting the Calculation of Loan-to-Deposit Ratio for Commercial Banks (《中國銀監會關於調整商業銀行存貸比計算口徑的通知》) issued by CBRC.

(13) Liquidity ratio is calculated in accordance with the formula promulgated by the China Banking and Insurance Regulatory Commission.

(14) Calculated by dividing total loans to the single largest customer by net capital.

(15) Calculated by dividing total loans to the top ten customers by net capital.

3. MANAGEMENT DISCUSSION AND ANALYSIS

3.1 Environment and Prospects

In the first half of 2019, amidst a general slowdown of the global economy, our domestic economic growth was overally stable and managed to continuously maintain a progressive trend. That was a situation better than other major powers worldwide. Our major marcroeconomic indicators stayed at an appropriate range. In particular, the supply-side structural reform was further advanced, the "Reform and Opening Up" policy was deepened, consumption served as a pillar of our national economic growth, and new economic drivers accelerated their momentum. Our economic landscape demonstrated a situation of a high employment rate and a continuous improvement in living standards in the country. The stability, coordination and sustainability of our economic development were strengthened.

For the second half of 2019, in response to a greater downward pressure in economic growth, we shall continue to take the supply-side structural reform as the backbone of our economy with unwavering emphasis of an innovation-driven and higher-quality development. While having a firm idea in macro-approach, we ought to be flexible in micro-measures and make no compromise in helping the poor in the community. A more aggressive fiscal policy will target to reduction in taxes and levies as well as expansion in government expenditures while a relatively loosen monetary policy will address the financing problems of private, small and micro enterprises and inject vitality into the economic development. As a regional commercial bank, while based on the regional economic development, we will closely abide by the State's policy, "improve the real economy, keep financial risks at bay and deepen the financial reform", in order to provide diversified and differentiated financial services for the synergistic development of the Beijing-Tianjin-Hebei region and actively promote the transformation and paradigm shift in the development of the region. We will continue to uphold the "dual track" strategy of transformation and innovation, consolidate our core competitiveness with an aim to comprehensively enhance the economic efficiency and overall strength of Bank of Tianjin.

3.2 Corporate Strategies

During the first half of 2019, we further realized our six core visions, to be a "mainstream bank in Beijing-Tianjin-Hebei region, dual-track bank, value-driven bank, bank proud of compliance and integrity, bank offering superior experience, bank that cares for employees". Under the dual track strategy of "transformation + innovation", we continued to proactively adjust our asset and liability structure with corporate banking, personal banking, and financial market business as trio-engines which jointly boosted our development as shown in indicators of various aspects. In particular, our corporate banking adhered to "Four Tailor-made Approaches" by strictly following changes in macro policies and regulatory requirements and actively optimizing and adjusting our business structure as well as strengthening our support to the synergistic development of Beijing-Tianjin-Hebei region's major projects and emerging industries of our country; our personal banking prioritized technology empowerment and actively promoted boundless connections for a complete implementation of intelligent transformation and establishment of a new model which enables us to acquire customers in massive number and employ precision marketing tactics so as to effectively facilitate ultra-conventional development of this business segment; and our financial market business continued to insist on the return to our origins, put great efforts in building it as "centres for asset management, initiative debt transactions and innovation products as well as a channel between other banks and clients", and bolster development of the unique FICC (Fixed income, Currency & Commodity) business set within financial markets which includes bonds, foreign exchange, commodities, and derivatives in order to improve profitability while complying with regulations. Meanwhile, our Bank abided by the strategic framework, "ten major projects (2.0)", making progress in comprehensive risk management, pricing management, asset allocation management as well as furthering our delicate management. For our business foundation, we continued our efforts in team building, brand promotion, improvement in corporate culture with emphasis on the Communist Party's leadership, performance appraisals, information technology-driven and disposals of banks of non-performing loans. Because of our persistence in quality and efficiency, we recorded better operation results than before.

For the first half of 2019, our Bank recorded operating income of RMB8.86 billion, 48.6% higher than the same period last year; profit before provision of RMB6.94 billion, 58.3% higher than the same period in 2018; and net profit of RMB3.14 billion, 9.7% higher than the same period in 2018, demonstrating a general upgrade in profitability. Our return on average total assets was 0.95% and return on average equity was 12.91%, representing 0.11 and 0.29 percentage point higher than the first half of 2018, respectively. Allowance coverage ratio amounted to 259.71%, 9.34 percentage points higher than as at the end of 2018. Capital adequacy ratio was 14.69%, 0.16 percentage point higher than as at the end of 2018. Tier-one capital adequacy ratio was 10.06%, 0.22 percentage point higher than as at the end of 2018. Core tier-one capital adequacy ratio was 10.05%, 0.22 percentage point higher than as at the end of 2018. All other major regulatory indicators also showed improvement, indicating the Bank's transformation and innovative measures in recent years continued to be effective.

During the first half of 2019, the Bank continued to proactively adjust and optimize our asset and liability structure with gradual expansion in size while maintaining its quality. As at 30 June 2019, the Bank had proactively increased our investment in assets as well as expanded our sources of financing and total assets and total liabilities increased by 1.0% and 0.7% as compared to the end of 2018. As our focus turned back to real instead of virtual assets, our support to real economy further strengthened. The average balance of loans and advances to customers increased by 21.9% as compared to the first half of 2018. We continued to squeeze and reduce our investment assets. The average balance of our investment securities and other financial assets decreased by 11.8% as compared to the first half of 2018. Among which, the average balance of investment in assets, such as trust beneficiary rights, wealth management products, and asset management plans, decreased by 26.5% as compared to the first half of 2018. In terms of liabilities, the Bank significantly reduced financial assets sold under repurchase agreements, financial liabilities held for trading, placements from banks and deposits from banks and other financial institutions, the average balance of these liabilities decreased by 21.0% as compared to the first half of 2018. Meanwhile, the average balances of amount due to customers, debt securities issued, and borrowings from central bank all recorded growth year-on-year. Our ratio of interbank borrowings to total liabilities (measured in accordance with the standards of the People's Bank of China and China Banking and Insurance Regulatory Commission, excluding subsidiaries) decreased from 30.09% as at the end of 2018 to 29.89% as at 30 June 2019.

The Bank continued to strengthen our pricing management while actively adjusting our asset and liability structure. For the first half of 2019, average yield of our loans and advances to customers reached 6.45%, representing an increase of 140 basis points as compared to the same period in 2018, and average yield of our debt securities investment increased by 94 basis points as compared to the same period in 2018. Net interest margin increased by 74 basis points from 1.44% in the first half of 2018 to 2.18% in the first half of 2019. Net interest spread increased by 74 basis points from 1.12% in the first half of 2018 to 1.86% in the first half of 2019. Net interest margin and net interest spread demonstrated a "double increment".

In the second half of 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 six months ended 30 June		
	2019	2018	**Rate of change (%)**
	(Amounts in thousands of RMB unless otherwise stated)		
Interest income	**15,953,879**	12,703,261	25.6
Interest expense	**(9,487,780)**	(10,737,324)	(11.6)
NET INTEREST INCOME	**6,466,099**	1,965,937	228.9
Investment income	**824,219**	2,776,471	(70.3)
Fee and commission income	**1,064,950**	951,523	11.9
Fee and commission expense	**(14,869)**	(47,719)	(68.8)
NET FEE AND COMMISSION INCOME	**1,050,081**	903,804	16.2
Net trading gains	**358,873**	294,359	21.9
Net gains arising from derecognition of financial assets measured at amortized cost	**83,826**	36,202	131.6
Other income, gains or losses	**72,230**	(15,874)	555.0
OPERATING INCOME	**8,855,328**	5,960,899	48.6
Operating expenses	**(1,921,770)**	(1,572,750)	22.2
Impairment losses under ECL model, net of reversals	**(3,038,529)**	(748,950)	305.7
Share of results of associates	**8,051**	(2,634)	405.7
PROFIT BEFORE TAX	**3,903,080**	3,636,565	7.3
Income tax expense	**(759,842)**	(771,572)	(1.5)
PROFIT FOR THE PERIOD	**3,143,238**	2,864,993	9.7

For the six months ended 30 June 2019, the Bank's profit before tax increased by 7.3% from RMB3,636.6 million for the six months ended 30 June 2018 to RMB3,903.1 million and the profit for the same period increased by 9.7% from RMB2,865.0 million for the six months ended 30 June 2018 to RMB3,143.2 million.

3.3.1 Net Interest Income[(1)], Net Interest Spread and Net Interest Margin

For the six months ended 30 June 2019, our net interest income amounted to RMB6,466.1 million and net interest income of financial instruments measured at fair value through profit or loss ("FVTPL"), the figure under the item "investment income", amounted to RMB824.2 million. The sum of two was RMB7,290.3 million, a growth of 53.7% as compared to the figure as at 30 June 2018 measured in the same standard. Our net interest spread increased from 1.12% for the six months ended 30 June 2018 to 1.86% for the six months ended 30 June 2019, primarily due to the fact that the average yield of our interest-earning assets increased by 0.36 percentage point to 5.04%, and the average cost of our interest-bearing liabilities decreased by 0.38 percentage point to 3.18%. Our net interest margin increased from 1.44% for the six months ended 30 June 2018 to 2.18% for the six months ended 30 June 2019, because our net interest income[(1)] increased by 53.7% for the six months ended 30 June 2019, while the average balance of our interest-earning assets increased by 0.7% for the six months ended 30 June 2019.

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

The following tables set forth, for the six months ended 30 June 2018 and 2019, 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 six months ended 30 June					
	2019			2018		
	Average balance	**Interest income/ expense** [7]	**Average yield/ Average cost (%)**	Average balance	Interest income/ expense [7]	Average yield/ Average cost (%)
	(Amounts in millions of RMB, except percentages)					
Interest-earning assets						
Loans and advances to customers	**300,996.7**	**9,703.3**	**6.45**	246,965.6	6,240.4	5.05
Investment securities and other financial assets, including	**289,881.7**	**6,237.3**	**4.30**	328,651.8	8,239.0	5.01
－Trust beneficiary rights, funds, wealth management products and asset management plans	**143,526.9**	**3,114.2**	**4.34**	195,205.5	6,017.4	6.17
－Debt securities investment	**146,354.8**	**3,123.1**	**4.27**	133,446.3	2,221.6	3.33
Amounts due from banks and other financial institutions [1]	**22,774.4**	**463.0**	**4.07**	24,285.2	459.8	3.79
Deposits with banks and other financial institutions	**6,946.8**	**46.2**	**1.33**	7,030.0	127.2	3.62
Balances with central bank	**45,776.4**	**332.0**	**1.45**	54,745.2	413.3	1.51
Total interest-earning assets (include assets at FVTPL)	**666,376.0**	**16,781.8**	**5.04**	661,677.8	15,479.7	4.68
Allowance for impairment losses	**(13,954.2)**			(10,879.9)		
Non-interest earning assets [2]	**17,987.9**			13,197.7		
Total assets	**670,409.7**	**16,781.8**	**5.01**	663,995.6	15,479.7	4.66
Interest-bearing liabilities						
Due to customers	**339,012.4**	**5,076.0**	**2.99**	332,010.7	4,935.2	2.97
Deposits from banks and other financial institutions	**31,158.8**	**482.7**	**3.10**	63,645.3	1,493.0	4.69
Amounts due to banks and other financial institutions [3]	**62,180.1**	**786.6**	**2.53**	54,540.3	826.2	3.03
Debt securities issued	**150,199.2**	**2,890.7**	**3.85**	141,956.1	3,317.5	4.67
Lease liabilities	**1,055.5**	**23.3**	**4.41**	–	–	–
Borrowings from central bank	**14,022.7**	**232.2**	**3.31**	10,337.5	165.4	3.20
Total interest-bearing liabilities (include liabilities at FVTPL)	**597,628.7**	**9,491.5**	**3.18**	602,489.9	10,737.3	3.56
Non-interest-bearing liabilities [4]	**21,594.8**			31,038.3		
Total liabilities	**619,223.5**	**9,491.5**	**3.07**	633,528.2	10,737.3	3.39
Net interest income		**7,290.3**			4,742.4	
Net interest spread [5]			**1.86**			1.12
Net interest margin [6]			**2.18**			1.44

Notes:

(1) Consists of financial assets held under resale agreements and placements with banks and other financial institutions.

(2) Consists of cash, interest receivables, property and equipment, intangible assets, other receivables, repossessed assets, deferred tax assets, derivative financial assets, and interests in associates.

(3) Consists of financial assets sold under repurchase agreements, financial liabilities held for trading and placements from banks and other financial institutions.

(4) Consists of interest payables, taxes payable, other payables, provision, salaries and benefits payables, dividends payable and derivative financial liabilities.

(5) Calculated as the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities.

(6) Calculated by dividing net interest income by the daily average balance of total interest-earning assets.

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

3.3.2 Interest Income

For the six months ended 30 June 2019, our interest income (includes interest income at FVTPL) increased by 8.4% to RMB16,781.8 million from RMB15,479.7 million for the six months ended 30 June 2018, which was primarily attributable to the increases in the average balance of our loans and advances to customers, resulting in a 0.7% increase in average balance of interest-earning assets from RMB661,677.8 million for the six months ended 30 June 2018 to RMB666,376.0 million for the six months ended 30 June 2019, and the average yield of our interest-earning assets increased by 36 basis points from 4.68% for the six months ended 30 June 2018 to 5.04% for the six months ended 30 June 2019.

Interest income from loans and advances to customers

For the six months ended 30 June 2019, interest income from loans and advances to customers increased by 55.5% from RMB6,240.4 million for the six months ended 30 June 2018 to RMB9,703.3 million for the six months ended 30 June 2019, primarily due to a 21.9% increase in average balance of loans and advances to customers from RMB246,965.6 million for the six months ended 30 June 2018 to RMB300,996.7 million for the six months ended 30 June 2019, and the average yield of our loans and advances to customers increased by 140 basis points from 5.05% for the six months ended 30 June 2018 to 6.45% for the six months ended 30 June 2019. The increase in average balance of our loans and advances to customers primarily reflected the Bank's remarkable outcome achieved from the active adjustment in the asset structure to support the real economy. The increase of the average yield of our loans and advances to customers was primarily due to our continuously upholding the principle of "putting quality first and giving priority to performance" during the first half of 2019, leading to an increase of the average interest rate of loans year-on-year with the remarkable outcome from the asset structure adjustment.

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

For the six months ended 30 June 2019, interest income from trust beneficiary rights, funds, wealth management products and asset management plans decreased by 48.2% from RMB6,017.4 million for the six months ended 30 June 2018 to RMB3,114.2 million for the six months ended 30 June 2019, primarily due to the fact that the average balance of our trust beneficiary rights, funds, wealth management products and asset management plans decreased by 26.5% from RMB195,205.5 million for the six months ended 30 June 2018 to RMB143,526.9 million for the six months ended 30 June 2019, and the average yield of our trust beneficiary rights, funds, wealth management products and asset management plans decreased by 183 basis points from 6.17% for the six months ended 30 June 2018 to 4.34% for the six months ended 30 June 2019. The decrease in average balance of trust beneficiary rights, funds, wealth management products and asset management plans was primarily due to our Bank's active adjustment in the asset structure and reduction in the corresponding scale of assets. The decrease in average yield of trust beneficiary rights, funds, wealth management products and asset management plans was primarily due to a decline in market interest level.

Interest income from debt securities investment

Interest income from debt securities investment increased by 40.6% from RMB2,221.6 million for the six months ended 30 June 2018 to RMB3,123.1 million for the six months ended 30 June 2019, principally due to the fact that the the average balance of our debt securities investment increased by 9.7% from RMB133,446.3 million for the six months ended 30 June 2018 to RMB146,354.8 million for the six months ended 30 June 2019, and the average yield of our debt securities investment increased by 94 basis points from 3.33% for the six months ended 30 June 2018 to 4.27% for the six months ended 30 June 2019. The increase in the average balance of our debt securities investment was primarily due to our increase in allocation to debt securities for they are highly liquid. The main reason for the increase in the average yield of our debt securities investment was that our Bank further enhanced the research on market judgement and strategy, adjusted the types and structure of investment products in accordance to the market trend and obtained higher revenue.

Interest income from amounts due from banks and other financial institutions

Interest income from amounts due from banks and other financial institutions increased by 0.7% from RMB459.8 million for the six months ended 30 June 2018 to RMB463.0 million for the six months ended 30 June 2019, primarily due to the relatively stable performance that the average yield of our amounts due from banks and other financial institutions increased by 28 basis points from 3.79% for the six months ended 30 June 2018 to 4.07% for the six months ended 30 June 2019.

Interest income from deposits with banks and other financial institutions

Interest income from deposits with banks and other financial institutions decreased by 63.7% from RMB127.2 million for the six months ended 30 June 2018 to RMB46.2 million for the six months ended 30 June 2019, primarily due to a 1.2% decrease in the average balance of deposits with banks and other financial institutions from RMB7,030.0 million for the six months ended 30 June 2018 to RMB6,946.8 million for the six months ended 30 June 2019, and the decrease in the average yield of deposits with banks and other financial institutions by 229 basis points from 3.62% for the six months ended 30 June 2018 to 1.33% for the six months ended 30 June 2019. The average balance of our deposits with banks and other financial institutions remained broadly stable. The decrease in the average yield of our deposits with banks and other financial institutions was primarily due to the decline in market interest level.

Interest income from balances with central bank

Interest income from balances with central bank decreased by 19.7% from RMB413.3 million for the six months ended 30 June 2018 to RMB332.0 million for the six months ended 30 June 2019, primarily due to a 16.4% decrease in the average balance of our balances with central bank from RMB54,745.2 million for the six months ended 30 June 2018 to RMB45,776.4 million for the six months ended 30 June 2019.

3.3.3 Interest Expense

Our interest expense, including interest expense measured at FVTPL, decreased by 11.6% from RMB10,737.3 million for the six months ended 30 June 2018 to RMB9,491.5 million for the six months ended 30 June 2019, primarily due to a decrease of 38 basis points in the average cost of our interest-bearing liabilities from 3.56% for the six months ended 30 June 2018 to 3.18% for the six months ended 30 June 2019, and a decrease of 0.8% in the average balance of the interest-bearing liabilities from RMB602,489.9 million for the six months ended 30 June 2018 to RMB597,628.7 million for the six months ended 30 June 2019. The decrease in the average cost of our interest-bearing liabilities was primarily due to a decrease in the average cost of our deposits from banks and other financial institutions, amounts due to banks and other financial institutions, and debt securities issued. The decrease in the average balance of our interest-bearing liabilities was primarily due to a decrease of the average balance of deposits from banks and other financial institutions.

Interest expense on amounts due to customers

Our interest expense on deposits from customers increased by 2.9% from RMB4,935.2 million for the six months ended 30 June 2018 to RMB5,076.0 million for the six months ended 30 June 2019, primarily due to an increase of 2 basis points in the average cost of deposits from customers from 2.97% for the six months ended 30 June 2018 to 2.99% for the six months ended 30 June 2019, and a 2.1% increase in the average balance of the total deposits from customers from RMB332,010.7 million for the six months ended 30 June 2018 to RMB339,012.4 million for the six months ended 30 June 2019. The average balance and average cost of the deposits from customers both 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 67.7% from RMB1,493.0 million for the six months ended 30 June 2018 to RMB482.7 million for the six months ended 30 June 2019, primarily due to a 51.0% decrease in the average balance of the our deposits from banks and other financial institutions from RMB63,645.3 million for the six months ended 30 June 2018 to RMB31,158.8 million for the six months ended 30 June 2019, and a decrease of 159 basis points in the cost of deposits from banks and other financial institutions from 4.69% for the six months ended 30 June 2018 to 3.10% for the six months ended 30 June 2019. The decrease in the average balance of our deposits from banks and other financial institutions primarily reflected active adjustment of the liability structure and reduction of the scale of deposits from banks and other financial institutions by our Bank. The decrease in the average cost of our deposits from banks and other financial institutions was primarily due to the decline in market interest level.

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 4.8% from RMB826.2 million for the six months ended 30 June 2018 to RMB786.6 million for the six months ended 30 June 2019, primarily due to a decrease of 50 basis points in the average cost of our amounts due to banks and other financial institutions from 3.03% for the six months ended 30 June 2018 to 2.53% for the six months ended 30 June 2019, but partially offset by a 14.0% increase in the average balance of amounts due to banks and other financial institutions from RMB54,540.3 million for the six months ended 30 June 2018 to RMB62,180.1 million for the six months ended 30 June 2019. The decrease in the average cost of our amounts due to banks and other financial institutions was primarily due to the decline in market interest level.

Interest expense on debt securities issued

Our interest expense on debt securities issued decreased by 12.9% from RMB3,317.5 million for the six months ended 30 June 2018 to RMB2,890.7 million for the six months ended 30 June 2019, primarily due to a 82 basis points decrease in the average cost of our debt securities issued from 4.67% for the six months ended 30 June 2018 to 3.85% for the six months ended 30 June 2019. The decrease in the average cost of our debt securities issued was primarily due to the decline in market interest level.

Interest expense on lease liabilities

For the six months ended 30 June 2019, interest expense on lease liabilities of the Bank amounted to RMB23.3 million. The average balance of the lease liabilities was RMB1,055.5 million and the average cost of lease liabilities was 4.41%.

Interest expense on borrowings from central bank

Our interest expense on borrowings from central bank increased by 40.4% from RMB165.4 million for the six months ended 30 June 2018 to RMB232.2 million for the six months ended 30 June 2019, primarily due to a 35.6% increase in the average balance of borrowings from central bank from RMB10,337.5 million for the six months ended 30 June 2018 to RMB14,022.7 million for the six months ended 30 June 2019. The average cost of our borrowings from central bank increased by 11 basis points from 3.20% for the six months ended 30 June 2018 to 3.31% for the six months ended 30 June 2019. The increase in the average balance of our borrowings from central bank was primarily due to a general increase of our borrowings from central bank. The increase in the average cost of our borrowings from central bank was primarily due to an increase in interest rates of borrowings from central bank.

3.3.4 Investment Income

The Bank adopted the IFRS 9 since 1 January 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.

Investment income represent gains from investment in financial instruments measured at fair value through profit or loss, mainly including debt securities investment, funds, trust beneficiary rights, wealth management products and asset management plans measured at fair value through profit or loss. Investment income for the six months ended 30 June 2019 was RMB824.2 million, representing a decrease of 70.3% from the investment income of RMB2,776.5 million for the six months ended 30 June 2018, mainly due to a decrease of the average daily investment measured at fair value through profit or loss.

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 six months ended 30 June 2018 and 2019.

	For the six months ended 30 June			
	2019	2018	**Change in amount**	**Rate of change (%)**
	(Amounts in millions of RMB, except percentages)			
Fee and commission income				
Settlement and clearing fees	**96.8**	91.1	5.7	6.3
Wealth management service fees	**621.6**	526.3	95.3	18.1
Acceptance and guarantee commitment fees	**41.9**	36.5	5.4	14.8
Agency commissions and fiduciary services fees	**184.3**	158.7	25.6	16.1
Bank card fees	**30.0**	18.3	11.7	63.9
Consultancy fees	**89.0**	118.0	(29.0)	(24.6)
Others	**1.4**	2.6	(1.2)	(46.2)
Subtotal	**1,065.0**	951.5	113.5	11.9
Fee and commission expense	**(14.9)**	(47.7)	32.8	(68.8)
Net Fee and Commission Income	**1,050.1**	903.8	146.3	16.2

Our net fee and commission income increased by 16.2% from RMB903.8 million for the six months ended 30 June 2018 to RMB1,050.1 million for the six months ended 30 June 2019. The increase was primarily due to an increase of wealth management service fees of our Bank.

3.3.6 Net Trading Gains

Net trading gains 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 gains amounted to RMB358.9 million for the six months ended 30 June 2019, while the Bank recorded a net trading gain of RMB294.4 million for the six months ended 30 June 2018. The main reason was because we exerted more efforts in debt security trading and boosted gains in these transactions.

3.3.7 Operating Expenses

The following table sets forth, for the six months ended 30 June 2018 and 2019, the principal components of our operating expenses.

	For the six months ended 30 June			
	2019	2018	**Change in amount**	**Rate of change (%)**
	(Amounts in millions of RMB, except percentages)			
Operating expenses				
Staff costs	**1,212.6**	935.1	277.5	29.7
Sundry taxes	**102.5**	60.3	42.2	70.0
Other general and administrative expenses	**152.3**	140.7	11.6	8.2
Office expenses	**112.0**	101.1	10.9	10.8
Rental and property management expenses	**86.1**	212.6	(126.5)	(59.5)
Depreciation and amortization	**256.3**	123.0	133.3	108.4
Total operating expenses	**1,921.8**	1,572.8	349.0	22.2
Cost-to-income ratio [1]	**20.5%**	25.4%	–	(4.9)

Notes:

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

Our operating expenses increased by 22.2% from RMB1,572.8 million for the six months ended 30 June 2018 to RMB1,921.8 million for the six months ended 30 June 2019. The increase was primarily due to an increase of staff costs. For the six months ended 30 June 2018 and 2019, our cost-to-income ratio (excluding sundry taxes) was 25.4% and 20.5%, respectively.

Staff costs

Staff costs are the largest component of our operating expenses, which amounted to RMB1,212.6 million for the six months ended 30 June 2019, representing an increase of 29.7% from RMB935.1 million for the six months ended 30 June 2018. The following table sets forth the major components of staff costs for the periods indicated.

	For the six months ended 30 June			
	2019	2018	**Change in amount**	**Rate of change (%)**
	(Amounts in millions of RMB, except percentages)			
Salaries, bonuses and allowances	**928.2**	661.6	266.6	40.3
Social insurance	**132.8**	129.5	3.3	2.5
Housing funds	**59.4**	56.9	2.5	4.4
Staff welfare	**23.1**	24.8	(1.7)	(6.9)
Labor union fees and staff education expenses	**17.9**	17.0	0.9	5.3
Contribution to annuity schemes	**51.2**	45.3	5.9	13.0
Total	**1,212.6**	935.1	277.5	29.7

Sundry taxes

Sundry taxes amounted to RMB102.5 million for the six months ended 30 June 2019, representing an increase of 70.0% from RMB60.3 million for the six months ended 30 June 2018. The increase in sundry taxes was primarily due to an increase in the value-added tax payable for the period as compared to last year, leading to an increase in sundry taxes.

Office expenses and rental and property management expenses

The office expenses and rental and property management expenses amounted to RMB198.1 million for the six months ended 30 June 2019, representing a decrease of 36.9% from RMB313.7 million for the six months ended 30 June 2018.

Other general and administrative expenses

Our other general and administrative expenses amounted to RMB152.3 million for the six months ended 30 June 2019, representing an increase of 8.2% from RMB140.7 million for the six months ended 30 June 2018.

Depreciation and amortization

Depreciation and amortization, including right-of-use assets, amounted to RMB256.3 million for the six months ended 30 June 2019, representing an increase of 108.4% from RMB123.0 million for the six months ended 30 June 2018.

3.3.8 Impairment Losses Under ECL model, net of reversals

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

	For the six months ended 30 June			
	2019	2018	**Change in amount**	**Rate of change (%)**
	(Amounts in millions of RMB, except percentages)			
Loans and advances to customers	**3,031.9**	1,449.0	1,582.9	109.2
Credit commitments	**8.9**	(125.1)	134.0	(107.1)
Debt instruments measured at amortized cost	**(79.5)**	(578.4)	498.9	(86.3)
Debt instruments measured at fair value through other comprehensive income	**74.6**	7.0	67.6	965.7
Deposits with banks and other financial institutions	**2.4**	(0.8)	3.2	(400.0)
Placements with banks and other financial institutions	**(0.0)**	(2.2)	2.2	(100.0)
Financial assets held under resale agreements	**0.1**	(0.6)	0.7	(116.7)
Other assets	**0.1**	–	0.1	–
Total	**3,038.5**	748.9	2,289.6	305.7

Our impairment losses under ECL model for the six months ended 30 June 2019 were RMB3,038.5 million, representing an increase of 305.7% from RMB748.9 million for the six months ended 30 June 2018, which was primarily due to an overall increase of our loans and advances to customers.

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 six months ended 30 June			
	2019	2018	**Change in amount**	**Rate of change (%)**
	(Amounts in millions of RMB, except percentages)			
Profit before tax	**3,903.1**	3,636.6	266.5	7.3
Tax calculated at applicable statutory tax rate of 25%	**975.8**	909.2	66.6	7.3
Underprovision of tax in prior years	**9.1**	12.0	(2.9)	(24.2)
Tax effect of expense not deductible for tax purposes	**(12.3)**	0.4	(12.7)	(3,175.0)
Tax effect of income not taxable for tax purposes[1]	**(212.8)**	(150.0)	(62.8)	41.9
Income tax expenses	**759.8**	771.6	(11.8)	(1.5)

Note:

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

Our income tax expenses for the six months ended 30 June 2019 were RMB759.8 million, representing a decrease of 1.5% from RMB771.6 million for the six months ended 30 June 2018. The decrease was mainly due to an increase in income not taxable for tax purposes.

3.4 Analysis of the Statement of Financial Position

3.4.1 Assets

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

	As of 30 June 2019		As of 31 December 2018	
	Amount	**% of the total**	Amount	% of the total
	(Amounts in millions of RMB, except percentages)			
ASSETS				
Gross loans and advances to customers	**315,789.9**	**47.4**	288,789.0	43.8
Allowance for impairment losses	**(14,130.2)**	**(2.1)**	(11,845.7)	(1.8)
Loans and advances to customers, net	**301,659.7**	**45.3**	276,943.3	42.0
Investment securities and other financial assets, net	**281,821.5**	**42.3**	294,971.2	44.7
Financial assets held under resale agreements	**7,001.2**	**1.1**	2,556.0	0.4
Cash and balances with central bank	**45,909.2**	**6.9**	62,313.4	9.5
Deposits with banks and other financial institutions	**7,061.5**	**1.1**	4,063.5	0.6
Placements with banks and other financial institutions	**12,399.7**	**1.9**	11,187.0	1.7
Derivative financial assets	**276.0**	**0.0**	70.3	0.0
Other assets [(1)]	**9,725.2**	**1.4**	7,235.2	1.1
TOTAL ASSETS	**665,854.0**	**100.0**	659,339.9	100.0

Note:

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

As of 30 June 2019, our total assets amounted to RMB665,854.0 million, representing an increase of 1.0% from RMB659,339.9 million for the year ended 31 December 2018. The increase was primarily due to an increase of our loans and advances to customers.

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 30 June 2019		As of 31 December 2018	
	Amount	**% of the total**	Amount	% of the total
	(Amounts in millions of RMB, except percentages)			
Corporate loans	**171,486.5**	**54.3**	171,739.2	59.5
Personal loans	**132,825.9**	**42.1**	106,010.4	36.7
Finance lease receivables	**6,310.5**	**2.0**	8,774.3	3.0
Discounted bills	**5,167.0**	**1.6**	2,265.1	0.8
Total	**315,789.9**	**100.0**	288,789.0	100.0

Corporate loans

Our corporate loans amounted to RMB171,486.5 million as of 30 June 2019, representing a decrease of 0.1% compared to RMB171,739.2 million as of 31 December 2018.

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

	As of 30 June 2019		As of 31 December 2018	
	Amount	**% of the total**	Amount	% of the total
	(Amounts in millions of RMB, except percentages)			
Short-term loans (one year or less)	**68,599.2**	**40.0**	57,224.7	33.3
Medium and long-term loans (over one year)	**102,887.3**	**60.0**	114,514.5	66.7
Total corporate loans	**171,486.5**	**100.0**	171,739.2	100.0

Short-term loans as a percentage of our corporate loan portfolio increased from 33.3% as of 31 December 2018 to 40.0% as of 30 June 2019 and our medium- and long-term loans as a percentage of our corporate loan portfolio decreased from 66.7% as of 31 December 2018 to 60.0% as of 30 June 2019. The changes in the above percentages of our corporate loan portfolio were mainly because our Bank proactively optimized our credit business structure.

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

	As of 30 June 2019		As of 31 December 2018	
	Amount	**% of the total**	Amount	% of the total
	(Amounts in millions of RMB, except percentages)			
Working capital loans	**96,477.3**	**56.2**	102,802.7	59.9
Fixed assets loans	**57,942.2**	**33.8**	57,428.8	33.4
Trade finance	**11,422.1**	**6.7**	4,880.5	2.8
Others [(1)]	**5,644.9**	**3.3**	6,627.2	3.9
Total corporate loans	**171,486.5**	**100.0**	171,739.2	100.0

Note:

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

Our working capital loans amounted to RMB96,477.3 million as of 30 June 2019, representing a decrease of 6.2% compared to RMB102,802.7 million as of 31 December 2018. The decrease was mainly because our Bank proactively optimized our credit business structure.

Our fixed assets loans amounted to RMB57,942.2 million as of 30 June 2019, 0.9% higher than RMB57,428.8 million as of 31 December 2018, and they were broadly stable.

Our trade finance amounted to RMB11,422.1 million as of 30 June 2019, representing an increase of 134.0% compared to RMB4,880.5 million as of 31 December 2018. The increase was mainly because our Bank exerted more efforts in trade finance business in response to the market situation.

Our other corporate loans amounted to RMB6,627.2 million and RMB5,644.9 million as of 31 December 2018 and 30 June 2019, respectively.

Personal loans

Our personal loans amounted to RMB132,825.9 million as of 30 June 2019, representing an increase of 25.3% as compared to RMB106,010.4 million as of 31 December 2018. This increase was mainly attributable to stable growth of personal consumptions loans.

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

	As of 30 June 2019		As of 31 December 2018	
	Amount	**% of the total**	Amount	% of the total
		(Amounts in millions of RMB, except percentages)		
Personal consumption loans	**101,169.6**	**76.2**	77,896.2	73.6
Residential mortgage loans	**22,298.8**	**16.8**	22,928.9	21.6
Personal business loans	**8,421.1**	**6.3**	4,496.6	4.2
Credit card overdrafts	**936.4**	**0.7**	688.7	0.6
Total personal loans	**132,825.9**	**100.0**	106,010.4	100.0

Our personal consumption loans amounted to RMB101,169.6 million as of 30 June 2019, representing an increase of 29.9% compared to RMB77,896.2 million as of 31 December 2018. The increase primarily due to our proactive response to market changes. We engaged Internet financial technology platforms and e-commerce platforms in cooperation for provision of loan facilitation services, syndicated loans in relevant consumption scenarios, acquiring a great number of customers from these platforms. With independent risk control and review mechanism, our vigorous efforts in the development of personal online consumption loan services achieved encouraging results.

Our residential mortgage loans amounted to RMB22,298.8 million as of 30 June 2019, representing a decrease of 2.7% compared to RMB22,928.9 million as of 31 December 2018. The decrease in our residential mortgage loans was primarily due to slowing down demand for our residential loans since the implementation of regulatory policies on the property market which brought a more rational demand for housing and gradually stabilized transactions of properties.

Our personal business loans amounted to RMB8,421.1 million as of 30 June 2019, representing an increase of 87.3% compared to RMB4,496.6 million as of 31 December 2018. The increase in our personal business loans was primarily due to our effective implementation dual-track strategy of “transformation + innovation”. By combining our online and offline business, we actively launched and developed online loan products such as e-loans for taxpayers (“銀稅e貸”) and e-loans for supermarkets (“商超e貸”) targeting individuals and broadened our pools for potential customers online while strengthening our independent risk control and review mechanism. As such, our business scale and client base in this sector realized significant growth.

Our credit card overdrafts amounted to RMB688.7 million and RMB936.4 million as of 31 December 2018 and 30 June 2019.

Finance lease receivables

As of 30 June 2019, we recorded a decrease of 28.1% in our finance lease receivables from RMB8,774.3 million as of 31 December 2018 to RMB6,310.5 million, which was primarily due to the business restructuring adopted by Bank of Tianjin Financial Leasing Co., Ltd., our consolidated subsidiary, in the first half of 2019, which reduced investment in financial leasing business.

Discounted bills

Our discounted bills increased by 128.1% from RMB2,265.1 million as of 31 December 2018 to RMB5,167.0 million as of 30 June 2019, primarily due to the proactive adjustment in our asset portfolio which increased allocation in this business area.

Investment securities and other financial assets

As of 30 June 2019, the balance of our investment securities and other financial assets amounted to RMB281,821.5 million, representing a decrease of 4.5% compared to RMB294,971.2 million as of 31 December 2018. The decrease was mainly due to the proactive adjustment in our asset portfolio which reduced allocation to asset management plans and other investment products issued by other financial institutions.

The following table sets forth, as of 31 December 2018 and 30 June 2019, the components of our investment securities and other financial assets.

	As of 30 June 2019		As of 31 December 2018	
	Amount	**% of the total**	Amount	% of the total
	(Amounts in millions of RMB, except percentages)			
Debt securities				
Debt securities measured at amortized cost	**91,920.5**	**32.6**	93,271.7	31.6
Debt securities measured at fair value through other comprehensive income	**39,923.3**	**14.2**	49,457.6	16.8
Debt securities measured at fair value through profit or loss	**1,490.6**	**0.5**	1,854.1	0.6
Allowance for impairment losses	**(287.4)**	**(0.1)**	(153.7)	(0.1)
Subtotal	**133,047.0**	**47.2**	144,429.7	48.9
Funds	**11,972.6**	**4.2**	5,900.9	2.0
Wealth management products issued by other financial institutions	**2,009.6**	**0.7**	1,039.3	0.4
Trust beneficiary rights and assets management plans, net				
Asset management plans	**76,463.5**	**27.2**	85,869.9	29.2
Trust beneficiary rights	**59,693.5**	**21.2**	59,309.4	20.1
Allowance for impairment losses	**(1,423.3)**	**(0.5)**	(1,636.6)	(0.6)
Subtotal	**134,733.7**	**47.9**	143,542.7	48.7
Equity investments				
Equity investment measured at fair value through profit or loss	**58.6**	**0.0**	58.6	0.0
Subtotal	**58.6**	**0.0**	58.6	0.0
Total investment securities and other financial assets, net	**281,821.5**	**100.0**	294,971.2	100.0

Debt securities

The following table sets forth, as of 31 December 2018 and 30 June 2019, the components of our debt securities.

	As of 30 June 2019		As of 31 December 2018	
	Amount	**% of the total**	Amount	% of the total
	(Amounts in millions of RMB, except percentages)			
PRC government bonds	**43,388.0**	**32.5**	46,281.7	32.0
Debt securities issued by PRC policy banks	**43,985.4**	**33.1**	41,891.6	29.0
Debt securities issued by PRC corporate issuers	**24,458.4**	**18.3**	29,257.5	20.2
Debt securities issued by PRC banks and other financial institutions	**1,322.6**	**1.0**	1,548.5	1.1
Asset-backed securities	**20,180.0**	**15.1**	25,604.1	17.7
Total	**133,334.4**	**100.0**	144,583.4	100.0

Our holding of debt securities issued by PRC governments decreased by 6.3% from RMB46,281.7 million as of 31 December 2018 to RMB43,388.0 million as of 30 June 2019.

Our holding of debt securities issued by PRC policy banks increased by 5.0% from RMB41,891.6 million as of 31 December 2018 to RMB43,985.4 million as of 30 June 2019.

Our holding of debt securities issued by PRC corporate issuers decreased by 16.4% from RMB29,257.5 million as of 31 December 2018 to RMB24,458.4 million as of 30 June 2019, primarily due to our reduction in business scale of principal guaranteed wealth management products and others for lowering allocation to this kind of on-balance sheet assets.

Our holding of debt securities issued by PRC banks and other financial institutions decreased by 14.6% from RMB1,548.5 million as of 31 December 2018 to RMB1,322.6 million as of 30 June 2019, which reflected our adjustment of asset portfolio which reduced allocation to this asset area.

Our holding of asset-backed securities decreased by 21.2% from RMB25,604.1 million as of 31 December 2018 to RMB20,180.0 million as of 30 June 2019 because a larger portion of our holding matured.

Distribution of investment securities and other financial assets by investment intention

The following table sets forth, as of 31 December 2018 and 30 June 2019, the distribution of our investment securities and other financial assets by our investment intention.

	As of 30 June 2019		As of 31 December 2018	
	Amount	**% of the total**	Amount	% of the total
	(Amounts in millions of RMB, except percentages)			
Debt securities measured at amortized cost	**179,304.5**	**63.6**	184,769.0	62.6
Debt securities measured at fair value through other comprehensive income	**39,923.3**	**14.2**	49,457.6	16.8
Financial assets measured at fair value through profit or loss	**62,593.7**	**22.2**	60,744.6	20.6
Total	**281,821.5**	**100.0**	294,971.2	100.0

Financial assets held under resale agreements

The table below sets forth, as of 31 December 2018 and 30 June 2019, the distribution of our financial assets held under resale agreements by collateral type.

	As of 30 June 2019		As of 31 December 2018	
	Amount	**% of the total**	Amount	% of the total
	(Amounts in millions of RMB, except percentages)			
Analyzed by collateral type:				
Bonds	**6,322.4**	**86.4**	1,877.1	65.4
Bills	**993.5**	**13.6**	993.5	34.6
Gross amount	**7,315.9**	**100.0**	2,870.6	100.0
Allowance for impairment losses	**(314.7)**		(314.6)	
Net amount	**7,001.2**		**2,556.0**	

Our financial assets held under resale agreements amounted to RMB7,001.2 million as of 30 June 2019, representing an increase of 173.9% compared to RMB2,556.0 million as of 31 December 2018. The increase was a result of the Bank's increase in provision of short-term funds.

Other components of our assets

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

Our cash and deposits with central bank amounted to RMB45,909.2 million as of 30 June 2019, representing a decrease of 26.3% compared to RMB62,313.4 as of 31 December 2018.

Our deposits with banks and other financial institutions amounted to RMB7,061.5 million as of 30 June 2019, representing an increase of 73.8% compared to RMB4,063.5 million as of 31 December 2018. The increase was primarily due to the cooperation in the small and medium enterprise inclusive financial online business with banks and other financial institutions, which increased our deposit in current saving accounts for settlement purposes.

Our placements with banks and other financial institutions amounted to RMB12,399.7 million as of 30 June 2019, representing an increase of 10.8% compared to RMB11,187.0 million as of 31 December 2018.

Our derivative financial assets amounted to RMB276.0 million as of 30 June 2019, representing an increase of 292.6% compared to RMB70.3 million as of 31 December 2018. The increase was primarily due to an increase of our transaction volume of derivative financial instruments as a result of the increase of unrealized gains from the valuation of such derivative financial instruments because of market fluctuation.

Our other assets consist primarily of property and equipment, right-of-use assets, deferred tax assets, repossessed assets, interests in associates, prepaid expenses, intangible assets and other receivables. Our other assets increased by 34.4 % from RMB7,235.2 million as of 31 December 2018 to RMB9,725.2 million as of 30 June 2019, primarily due to the adoption of the new accounting standard, IFRS 16, which led to an increase of right-of-use assets.

3.4.2 Liabilities

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

	As of 30 June 2019		As of 31 December 2018	
	Amount	**% of the total**	Amount	% of the total
	(Amounts in millions of RMB, except percentages)			
Due to customers	**358,550.3**	**58.2**	342,877.2	56.1
Debt securities issued	**133,040.4**	**21.6**	159,823.7	26.1
Deposits from banks and other financial institutions	**27,550.1**	**4.5**	33,728.2	5.5
Financial assets sold under repurchase agreements	**33,181.2**	**5.4**	28,362.5	4.6
Placements from banks	**33,627.2**	**5.5**	21,555.7	3.5
Financial liabilities held for trading	**1,400.5**	**0.2**	–	–
Borrowings from central bank	**19,952.8**	**3.2**	17,001.4	2.8
Income tax payable	**807.8**	**0.1**	970.3	0.2
Derivative financial liabilities	**39.5**	**0.0**	27.8	0.0
Other liabilities[1]	**8,012.3**	**1.3**	7,272.4	1.2
TOTAL LIABILITIES	**616,162.1**	**100.0**	611,619.2	100.0

Note:

(1) Consist primarily of lease liabilities, other payables, settlement payable, salaries and benefits payables, dividend payable, provision, and tax payable.

As of 30 June 2019, our total liabilities were RMB616,162.1 million, representing an increase of 0.7% compared to RMB611,619.2 million as of 31 December 2018.

Due to customers

As of 30 June 2019, our due to customers amounted to RMB358,550.3 million, representing an increase of 4.6% compared to RMB342,877.2 million as of 31 December 2018. The increase in our due to customers was primarily due to enhancement of client acquisition capability and client loyalty of our Bank. By adhering our "Four Tailor-made Approaches" and precision marketing tactics, we were more focused to acquire corporate clients with emphasis on account planning as well as enhanced quality and efficiency. Consequently, contribution from due to customer area was boosted.

The following table sets forth, as of 31 December 2018 and 30 June 2019, our due to customers by product type and maturity profile of deposits.

	As of 30 June 2019		As of 31 December 2018	
	Amount	**% of the total**	Amount	% of the total
	(Amounts in millions of RMB, except percentages)			
Corporate deposits				
Demand	**179,769.2**	**50.1**	177,579.0	51.8
Time [(1)]	**84,810.2**	**23.7**	79,203.6	23.1
Subtotal	**264,579.4**	**73.8**	256,782.6	74.9
Personal deposits				
Demand	**20,828.5**	**5.8**	17,718.1	5.2
Time [(1)]	**49,756.0**	**13.9**	51,514.2	15.0
Subtotal	**70,584.5**	**19.7**	69,232.3	20.2
Others[(2)]	**23,386.4**	**6.5**	16,862.3	4.9
Total due to customers	**358,550.3**	**100.0**	342,877.2	100.0

Notes:

(1) Include principal-guaranteed wealth management products, which we classify as due to customers pursuant to the rules of the People's Bank of China.

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

Our corporate deposits increased by 3.0% from RMB256,782.6 million as of 31 December 2018 to RMB264,579.4 million as of 30 June 2019. The increase in our corporate deposits was primarily due to enhancement of client acquisition capability and client loyalty of our Bank. By adhering our "Four Tailor-made Approaches" and precision marketing tactics, we were more focused to acquire corporate clients with emphasis on account planning as well as enhanced quality and efficiency. Consequently, contribution from due to customer area was boosted.

Our personal deposits increased by 2.0% from RMB69,232.3 million as of 31 December 2018 to RMB70,584.5 million as of 30 June 2019. 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 the 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 personal debt business was stabilized.

Debt securities issued

As of 30 June 2019, our debt securities issued amounted to RMB133,040.4 million, representing a decrease of 16.8% from RMB159,823.7 million as of 31 December 2018. The decrease in our debt securities issued was primarily because we extended to more financing channels to get other fund support.

Deposits from banks and other financial institutions

As of 30 June 2019, our deposits from banks and other financial institutions amounted to RMB27,550.1 million, representing a decrease of 18.3% from RMB33,728.2 million as of 31 December 2018. The decrease in our deposits from banks and other financial institutions primarily reflected the fact that the Bank adjusted our liability structure and reduced the size of this business area.

Financial assets sold under repurchase agreements

As of 30 June 2019, our financial assets sold under repurchase agreements amounted to RMB33,181.2 million, representing an increase of 17.0% from RMB28,362.5 million as of 31 December 2018. The increase in our financial assets sold under repurchase agreements was primarily because the Bank adjusted our liability structure and increased the size of this business area.

Placements from banks

As of 30 June 2019, our placements from banks amounted to RMB33,627.2 million, representing an increase of 56.0% from RMB21,555.7 million as of 31 December 2018. The increase in our placements from banks was primarily due to an increase in the size of this business area of the Bank because of the requirement for adjustment of our liability structure and operation needs.

Financial liabilities held for trading

As of 30 June 2019, our financial liabilities held for trading amounted to RMB1,400.5 million.

Borrowings from central bank

As of 30 June 2019, our borrowings from central bank amounted to RMB19,952.8 million, representing an increase of 17.4% from RMB17,001.4 million as of 31 December 2018. The increase in our borrowings from central bank was primarily due to an general increase of our borrowings from central bank.

Income tax payable

As of 30 June 2019, our income tax payable amounted to RMB807.8 million, representing a decrease of 16.7% from RMB970.3 million as of 31 December 2018.

Derivative financial liabilities

As of 30 June 2019, our derivative financial liabilities amounted to RMB39.5 million, representing an increase of 42.1% from RMB27.8 million as of 31 December 2018.

Other liabilities

Our other liabilities mainly include lease liabilities, other payables, settlement payable, salaries and benefits payable, dividends payable, provision and sundry taxes payable. Our other liabilities increased by 10.2% from RMB7,272.4 million as of 31 December 2018 to RMB8,012.3 million as of 30 June 2019, which was primarily due to the adoption of the new accounting standard, IFRS 16, which led to an increase of lease liabilities.

3.4.3 Equity

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

	As of 30 June 2019		As of 31 December 2018	
	Amount	**% of the total**	Amount	% of the total
	(Amounts in millions of RMB, except percentages)			
EQUITY				
Share capital	**6,070.6**	**12.2**	6,070.6	12.7
Capital reserve	**10,731.1**	**21.6**	10,731.1	22.5
Investment revaluation reserve	**69.2**	**0.1**	148.5	0.3
Surplus reserve	**3,352.5**	**6.8**	3,352.5	7.0
General reserve	**9,196.7**	**18.5**	9,133.1	19.2
Retained earnings	**19,520.5**	**39.3**	17,563.7	36.8
Equity attributable to equity holders of the Bank	**48,940.6**	**98.5**	46,999.5	98.5
Non-controlling interests	**751.3**	**1.5**	721.2	1.5
TOTAL EQUITY	**49,691.9**	**100.0**	47,720.7	100.0

As of 30 June 2019, our shareholders' equity amounted to RMB49,691.9 million, representing an increase of 4.1% compared to RMB47,720.7 million as of 31 December 2018. Equity attributable to equity holders of the Bank was RMB48,940.6 million as of 30 June 2019, representing an increase of 4.1% compared to RMB46,999.5 million as of 31 December 2018. The increase in the shareholders' equity in the six months ended 30 June 2019 was caused mainly by an increase of our net profit in the first half of 2019.

3.5 Analysis of Off-Balance Sheet Items

The following table sets forth, as of 31 December 2018 and 30 June 2019, the contractual amounts of our credit commitments.

	As of 30 June 2019	As of 31 December 2018
	(Amounts in millions of RMB)	
Acceptances	**28,228.5**	27,623.5
Letters of credit issued	**11,656.5**	11,415.7
Letters of guarantee	**1,545.8**	2,607.7
Undrawn corporate loans limit	**34,459.4**	36,682.9
Undrawn credit card limit	**2,307.2**	2,172.2
Total	**78,197.4**	80,502.0

3.6 Analysis

Distribution of loans by five-category loan classification

The following table sets forth, as of 31 December 2018 and 30 June 2019, the distribution of our loan portfolio by the five-category loan classification.

	As of 30 June 2019		As of 31 December 2018	
	Amount	**% of the total(1)**	Amount	% of the total(1)
	(Amounts in millions of RMB, except percentages)			
Normal	**295,080.3**	**93.44**	270,754.5	93.75
Special mention	**15,268.8**	**4.84**	13,303.5	4.61
Subtotal	**310,349.1**	**98.28**	284,058.0	98.36
Substandard	**3,387.4**	**1.07**	2,507.9	0.87
Doubtful	**1,398.2**	**0.44**	1,437.5	0.50
Loss	**655.2**	**0.21**	785.6	0.27
Subtotal	**5,440.8**	**1.72**	4,731.0	1.64
Total loans and advances to customers	**315,789.9**	**100.00**	288,789.0	100.00

As of 30 June 2019, according to the five-category classification, the normal loans amounted to RMB295,080.3 million, representing an increase of RMB24,325.8 million compared to that as of 31 December 2018. The normal loans accounted for 93.44% of all the loans of the Bank as of 30 June 2019. Loans classified as special mention were RMB15,268.8 million, representing an increase of RMB1,965.3 million compared to that as of 31 December 2018. The loans classified as special mention accounted for 4.84% of all loans. The non-performing loans were RMB5,440.8 million, representing an increase of RMB709.8 million compared to that as of 31 December 2018 with a non-performing loan ratio[1] of 1.72%, representing an increase of 0.08 percentage point compared to that as of 31 December 2018, primarily due to weakened repayment ability of our certain corporate customers and individual customers.

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 30 June 2019		As of 31 December 2018	
	Amount	**% of the total**	Amount	% of the total
	(Amounts in millions of RMB, except percentages)			
Real estate	**41,229.1**	**23.2**	35,834.1	19.9
Manufacturing	**37,665.0**	**21.3**	35,687.3	19.8
Wholesale and retail	**28,828.0**	**16.2**	30,253.6	16.8
Leasing and business services	**21,464.3**	**12.1**	24,462.8	13.6
Construction	**19,019.0**	**10.7**	19,975.5	11.1
Water, environment and public facilities management	**13,466.0**	**7.6**	15,657.8	8.7
Transportation, storage and postal services	**3,995.3**	**2.2**	4,591.5	2.5
Electricity, heat, gas and water production and supply	**3,153.9**	**1.8**	3,249.8	1.8
Finance	**2,963.2**	**1.7**	3,696.4	2.0
Resident services, repair and other services	**1,624.8**	**0.9**	2,167.9	1.2
Accommodation and catering	**799.0**	**0.4**	974.3	0.5
Mining	**796.6**	**0.4**	611.8	0.3
Cultural, sports and entertainment	**716.5**	**0.4**	914.3	0.5
Information transmission, software and information technology services	**679.2**	**0.4**	763.1	0.4
Agriculture, forestry, animal husbandry and fishery	**419.9**	**0.2**	728.1	0.4
Scientific research and technical services	**347.3**	**0.2**	437.5	0.2
Health and social services	**332.5**	**0.2**	238.4	0.2
Public administration, social security and social organization	**213.4**	**0.1**	214.0	0.1
Education	**84.0**	**0.0**	55.3	0.0
Total corporate loans (1)	**177,797.0**	**100.0**	180,513.5	100.0

Note:

(1) Consist of finance lease receivables.

In the first half of 2019, the Bank actively supported the development of the real economy with its loans structure further optimized. As of 30 June 2019, loans provided to customers in the industries of (i) real estate, (ii) manufacturing, (iii) wholesale and retail, (iv) leasing and business services, and (v) construction represented the top five largest components of the Bank's corporate loans. As of 30 June 2019 and 31 December 2018, the balance of loans provided to the corporate customers in these five industries were RMB148,205.4 million and RMB146,213.3 million, respectively, accounting for 83.5% and 81.2% of the total corporate loans and advances issued by the Bank, respectively. The proportion of our corporate loans in the real estate industry to our total corporate loans increased from 19.9% as of the end of 2018 to 23.2% as of 30 June 2019. The increase was due to the facts that: 1) we acquired more business from the premium real estate development projects in Beijing-Tianjin-Hebei region in 2019; and 2) we vigorously involved in the supply-side reform and proactively adjusted our credit business structure by squeezing and withdrawing from loan business in high energy consumption and high pollution sectors, leading to a decline in proportion of our corporate loans in other industries to our total corporate loans.

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 30 June 2019			As of 31 December 2018		
	Amount	**% of the total (%)**	**NPL ratio [(1)] (%)**	Amount	% of the total (%)	NPL ratio [(1)] (%)
	(Amounts in millions of RMB, except percentages)					
Manufacturing	**1,973.2**	**43.7**	**5.24**	1,929.6	47.6	5.41
Wholesale and retail	**1,863.5**	**41.3**	**6.46**	1,435.3	35.5	4.74
Mining	**209.9**	**4.7**	**26.35**	305.4	7.5	49.92
Construction	**194.6**	**4.3**	**1.02**	130.8	3.2	0.65
Accommodation and catering	**74.5**	**1.7**	**9.32**	62.5	1.5	6.41
Real estate	**61.2**	**1.4**	**0.15**	61.2	1.5	0.17
Transportation, storage and postal services	**58.1**	**1.3**	**1.45**	58.1	1.4	1.27
Information transmission, software and information technology services	**47.5**	**1.1**	**6.99**	34.0	0.8	4.46
Scientific research and technical services	**12.0**	**0.3**	**3.46**	14.7	0.4	3.36
Agriculture, forestry, animal husbandry and fishery	**7.9**	**0.2**	**1.88**	25.7	0.6	3.53
Total non-performing corporate loans [(2)]	**4,502.4**	**100.0**	**2.53**	4,057.3	100.0	2.25

Notes:

(1) Calculated by dividing non-performing loans to corporate customers in each industry by gross loans to corporate customers in that industry.

(2) Consist of finance lease receivables.

Our non-performing corporate loans consist primarily of non-performing loans to corporate borrowers in the manufacturing industry and wholesale and retail industry. The non-performing loan ratio for our corporate loans in the manufacturing industry were 5.41% and 5.24% as of 31 December 2018 and 30 June 2019, respectively. As of 31 December 2018 and 30 June 2019, non-performing corporate loans to borrowers in this industry accounted for 47.6% and 43.7% of our total non-performing corporate loans, respectively. The decrease in the non-performing loan ratio for our corporate loans to borrowers in the manufacturing industry was primarily due to faster growth of corporate loans whereas small change in non-performing loans for this industry.

The non-performing loan ratios for our corporate loans in the wholesale and retail industry were 4.74% and 6.46% as of 31 December 2018 and 30 June 2019, respectively. As of 31 December 2018 and 30 June 2019, non-performing corporate loans to borrowers in this industry accounted for 35.5% and 41.3% of our total non-performing corporate loans, respectively. The increase of our non-performing loan ratio for our corporate loans to borrowers in the wholesale and retail industry was primarily due to the weakened repayment ability of certain corporate customers in this industry.

The non-performing loan ratios for our corporate loans in the mining industry were 49.92% and 26.35% as of 31 December 2018 and 30 June 2019, respectively. As of 31 December 2018 and 30 June 2019, non-performing corporate loans to borrowers in this industry accounted for 7.5% and 4.7% of our total non-performing corporate loans, respectively. The decrease of our non-performing loan ratio for our corporate loans to borrowers in the mining industry primarily was primarily due to our active management and write-off of non-performing loans.

The non-performing loan ratios for our corporate loans in the construction industry were 0.65% and 1.02% as of 31 December 2018 and 30 June 2019, respectively. As of 31 December 2018 and 30 June 2019, non-performing corporate loans to borrowers in this industry accounted for 3.2% and 4.3% of our total non-performing corporate loans, respectively. The increase of our non-performing loan ratio for our corporate loans to borrowers in this industry primarily reflected the weakened repayment ability of certain corporate customers in the industry.

The non-performing loan ratios for our corporate loans in the accommodation and catering industry were 6.41% and 9.32% as of 31 December 2018 and 30 June 2019, respectively. As of 31 December 2018 and 30 June 2019, non-performing corporate loans to borrowers in this industry accounted for 1.5% and 1.7% of our total non-performing corporate loans, respectively. The increase of our non-performing loan ratio for our corporate loans to borrowers in the accommodation and catering industry 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 30 June 2019			As of 31 December 2018		
	Amount	**% of the total (%)**	**NPL ratio [1] (%)**	Amount	% of the total (%)	NPL ratio [1] (%)
	(Amounts in millions of RMB, except percentages)					
Corporate loans[2]						
Working capital loans	**4,060.1**	**74.7**	**4.21**	3,545.5	74.9	3.45
Fixed asset loans	**62.5**	**1.1**	**0.11**	62.5	1.3	0.11
Trade finance	**23.3**	**0.4**	**0.20**	23.6	0.5	0.48
Others[3]	**356.5**	**6.6**	**6.32**	425.7	9.0	6.42
Subtotal	**4,502.4**	**82.8**	**2.53**	4,057.3	85.7	2.25
Discounted bills	**58.6**	**1.1**	**1.13**	59.9	1.3	2.64
Subtotal	**58.6**	**1.1**	**1.13**	59.9	1.3	2.64
Personal loans						
Personal business loans	**396.4**	**7.3**	**4.71**	393.2	8.3	8.74
Personal consumption loans	**377.4**	**6.9**	**0.37**	134.2	2.8	0.17
Residential mortgage loans	**66.0**	**1.2**	**0.30**	46.1	1.0	0.20
Credit card overdrafts	**40.0**	**0.7**	**4.28**	40.3	0.9	5.86
Subtotal	**879.8**	**16.1**	**0.66**	613.8	13.0	0.58
Total non-performing loans	**5440.8**	**100.0**	**1.72**	4,731.0	100.0	1.64

Notes:

(1) Calculated by dividing non-performing loans in each product type by gross loans (interests included) in that product type.

(2) Total corporate loans here consist of our corporate loans and finance lease receivables.

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

The non-performing loan ratio for our corporate loans increased from 2.25% as of 31 December 2018 to 2.53% as of 30 June 2019, with a 10.97% increase in our non-performing corporate loans from RMB4,057.3 million to RMB4,502.4 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 increased from 0.58% as of 31 December 2018 to 0.66% as of 30 June 2019, with a 43.34% increase in our non-performing personal loans from RMB613.8 million as of 31 December 2018 to RMB879.8 million as of 30 June 2019. The increase in the non-performing loan ratio for our personal loans was primarily due to the weakened repayment ability of certain individual customers. The substantial increase of our non-performing personal loan balances from 31 December 2018 was primarily due to the weakened repayment ability of certain individual customers.

The non-performing loan ratio for our discounted bills was 2.64% as of 31 December 2018 and our non-performing loans for discounted bills amounted to RMB59.9 million as of the same date. The non-performing loan ratio for our discounted bills was 1.13% as of 30 June 2019 and our non-performing loans for discounted bills amounted to RMB58.6 million as of the same date. The decrease in the non-performing loan ratio for our discounted bills was primarily due to faster growth of our discounted bill business.

Distribution of non-performing loans by geographical region

The following table sets forth, as of 31 December 2018 and 30 June 2019, the distribution of our non-performing loans by geographical region.

	As of 30 June 2019			As of 31 December 2018		
	Amount	**% of the total (%)**	**NPL ratio[1] (%)**	Amount	% of the total (%)	NPL ratio[1] (%)
	(Amounts in millions of RMB, except percentages)					
Tianjin	**1,694.8**	**31.2**	**1.44**	1,247.7	26.3	1.13
Beijing	**198.2**	**3.6**	**0.67**	194.4	4.1	0.94
Shandong Province	**819.2**	**15.1**	**2.16**	940.5	19.9	2.80
Shanghai	**894.1**	**16.4**	**1.12**	546.9	11.6	0.76
Hebei Province	**1,726.3**	**31.7**	**6.58**	1,768.2	37.4	6.29
Sichuan Province	**107.2**	**2.0**	**0.46**	33.3	0.7	0.14
Ningxia	**1.0**	**0.0**	**0.09**	–	–	–
Total non-performing loans	**5,440.8**	**100.0**	**1.72**	4,731.0	100.0	1.64

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 31 December 2018 and 30 June 2019, the distribution of our loans and advances to customers by type of collateral.

	As of 30 June 2019		As of 31 December 2018	
	Amount	**% of the total (%)**	Amount	% of the total (%)
	(Amounts in millions of RMB, except percentages)			
Unsecured loan	**118,227.1**	**37.4**	88,108.6	30.5
Guaranteed loan	**110,095.9**	**34.9**	108,737.2	37.7
Collateralized loans[1]	**73,204.0**	**23.2**	71,681.3	24.8
Pledged loans[1]	**14,262.9**	**4.5**	20,261.9	7.0
Total loans and advances to customers	**315,789.9**	**100.0**	288,789.0	100.0

Note:

(1) Represent 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

As of 30 June 2019, the Bank's total loans to its largest single borrower accounted for 8.49% of its regulatory capital while total loans to its top ten customers accounted for 39.83% of its regulatory capital, which were in compliance with regulatory requirements.

a. *Indicators of concentration*

Major regulatory indicators	**Regulatory standard**	**As of 30 June 2019**	**As of 31 December 2018**
Loan concentration ratio for the largest single customer (%)	<=10	8.49	5.02
Loan concentration ratio for the top ten customers (%)	<=50	39.83	29.47

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 30 June 2019			
	Industry	**Amount**	**% of total loans (%)**	**% of regulatory capital[(1)] (%)**	**Classification**
		(Amounts in millions of RMB, except percentages)			
Borrower A	Manufacturing	**6,050.6**	**1.92**	**8.49**	Normal
Borrower B	Manufacturing	**3,482.4**	**1.10**	**4.89**	Normal
Borrower C	Manufacturing	**3,431.6**	**1.09**	**4.81**	Normal
Borrower D	Wholesale and retail	**2,600.0**	**0.82**	**3.65**	Normal
Borrower E	Construction	**2,488.5**	**0.79**	**3.49**	Normal
Borrower F	Real estate	**2,294.2**	**0.72**	**3.22**	Normal
Borrower G	Real estate	**2,173.5**	**0.69**	**3.05**	Normal
Borrower H	Wholesale and retail	**1,985.0**	**0.63**	**2.78**	Normal
Borrower I	Leasing and business services	**1,955.0**	**0.62**	**2.74**	Normal
Borrower J	Real estate	**1,930.0**	**0.61**	**2.71**	Normal
Total		**28,390.8**	**8.99**	**39.83**	

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 Chinese Generally Accepted Accounting Principles.

As of 30 June 2019, the loan balance of the largest single borrower of the Bank was RMB6,050.6 million, accounting for 1.92% of the total amount of loans of the Bank, and the total amount of loans of the top ten single borrowers was RMB28,390.8 million, representing 8.99% 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.

	As of 30 June 2019		As of 31 December 2018	
Past Due	**Amount**	**% of the total loans and advances to customers (%)**	Amount	% of the total loans and advances to customers (%)
	(Amounts in thousands of RMB, except percentages)			
Past due 1 to 90 days	**12,765,066**	**4.04**	3,467,476	1.21
Past due 90 days to 1 year	**2,519,021**	**0.80**	819,992	0.28
Past due 1 to 3 years	**1,724,061**	**0.55**	2,742,350	0.95
Past due more than 3 years	**1,546,236**	**0.49**	869,986	0.30
Total	**18,554,384**	**5.88**	7,899,804	2.74

Changes to allowance for impairment losses

The allowance for impairment losses of loans increased by 19.3% to RMB14,130.2 million as of 30 June 2019 from RMB11,845.7 million as of 1 January 2019. This was mainly because we increased our allowance for impairment losses of our loans to cover potential losses which may be incurred as we had larger amount of loans and advances to customers.

	As of 30 June 2019		As of 31 December 2018	
	Amount	**NPL ratio[(2)] (%)**	Amount	NPL ratio[(2)] (%)
	(Amounts in millions of RMB, except percentages)			
Beginning of period	**11,845.7**	**1.64**	7,966.5	1.50
Net provisions for the period[(1)]	**3,031.9**		3,857.7	
Reversal interest revenue	**(36.6)**		(105.5)	
Write-off and transfers	**(712.3)**		(14.2)	
Recovery	**1.5**		141.2	
End of period	**14,130.2**	**1.72**	11,845.7	1.64

Notes:

(1) Represent 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 six months ended 30 June			
	2019		2018	
	Amount	**% of the total (%)**	Amount	% of the total (%)
	(Amounts in millions of RMB, except percentages)			
Tianjin	**4,944.5**	**55.8**	3,433.3	57.6
Shandong Province	**623.5**	**7.0**	574.6	9.6
Shanghai	**1,443.3**	**16.3**	425.1	7.1
Sichuan Province	**651.5**	**7.4**	440.0	7.4
Beijing	**892.1**	**10.1**	647.6	10.9
Hebei Province	**247.9**	**2.8**	398.6	6.7
Ningxia	**52.5**	**0.6**	41.7	0.7
Total	**8,855.3**	**100.0**	5,960.9	100.0

Business Segment Report

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

	For the six months ended 30 June			
	2019		2018	
	Amount	**% of the total (%)**	Amount	% of the total (%)
	(Amounts in millions of RMB, except percentages)			
Corporate banking business	**3,716.9**	**42.0**	3,830.2	64.3
Personal banking business	**2,762.3**	**31.1**	825.0	13.8
Treasury operations	**2,360.5**	**26.7**	1,312.9	22.0
Others[(1)]	**15.6**	**0.2**	(7.2)	(0.1)
Total	**8,855.3**	**100.0**	5,960.9	100.0

Note:

(1) Consist primarily of income that is not directly attributable to any specific segment.

3.8 Analysis on Capital Adequacy Ratio

As of 30 June 2019, capital adequacy ratio was 14.69%, 0.16 percentage point higher than that at the end of 2018 while tier-one capital adequacy ratio and core tier-one capital adequacy ratio were 10.06% and 10.05%, respectively, 0.22 percentage point higher than those at the end of 2018.

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

	As of 30 June 2019	As of 31 December 2018
	(Amounts in millions of RMB, except percentages)	
Core capital		
– Share capital	**6,070.6**	6,070.6
– Capital reserve and investment revaluation reserve	**10,800.3**	10,879.6
– Surplus reserve	**3,352.5**	3,352.5
– General reserve	**9,196.7**	9,133.1
– Retained earnings	**19,520.5**	17,563.6
– Non-controlling interests that may be included	**215.7**	271.4
Total Core Capital	**49,156.3**	47,270.8
Core tier-one capital	**49,156.3**	47,270.8
Core tier-one capital deductible items	**(357.4)**	(346.2)
Net core tier-one capital	**48,798.9**	46,924.6
Net tier-one capital	**48,827.6**	46,960.8
Tier-two capital		
– Net tier-two capital instruments and related premiums	**16,680.0**	16,680.0
– Surplus allowance for impairment losses on loans	**5,716.5**	5,616.1
– Non-controlling interests that may be included	**57.5**	72.4
Total tier-two capital	**22,454.0**	22,368.5
Net capital	**71,281.6**	69,329.3
Total risk-weighted assets	**485,319.8**	477,241.1
Core tier-one capital adequacy ratio (expressed in percentage)	**10.05**	9.83
Tier-one capital adequacy ratio (expressed in percentage)	**10.06**	9.84
Capital adequacy ratio (expressed in percentage)	**14.69**	14.53

As of 30 June 2019, the Bank's leverage ratio was 6.99%.

	As of 30 June 2019	As of 31 December 2018
Leverage ratio	**6.99%**	6.79%

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 2019, 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 maintain asset quality.

Credit risk

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

Our bank has established a relatively sound 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 information technology systems.

Our Bank continues to perfect our operational risk management system. We have formulated and issued implementation rules for three main operational risk management tools (provisional), namely assessment on operational risk identification and self-control, key risk index and operational risk incidents collection. The Bank regularly carries out self-assessment on risk identification and control, key risk index monitoring and implements the collection of loss information because of operational risk. The Bank has issued the Negative List for Risk Prevention"《天津銀行業務風險防控負面清單》) and regulated the reporting system of operational risk. Our Bank has made the effort to carry out various inspection procedures which are carrying forward, stereoscopic and multi-dimensional. We have placed emphasis on our accountability and reporting system. In addition, we have established a risk warning system. Multi-dimensional educative activities have been carried out thorough out the Bank in order to enhance awareness of risk prevention and encourage whistleblowing.

Market risk

Market risk is the risk of loss in on- and off-balance sheet positions arising from movements in market prices caused by interest rates, exchange rates and other market factors, which primarily includes interest rate risk and exchange rate risk.

Our Board undertakes the ultimate responsibility for monitoring on market risk management to ensure that the Bank effectively identifies, measures, monitors and controls the various market risks assumed by various businesses. Our senior management is responsible for formulating, regularly reviewing and supervising the implementation of policies, procedures and specific operation procedures for market risk management, keeping abreast of the level of market risk and its management and ensuring the Bank has sufficient human resources, materials, and appropriate 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 operational, legal and reputational risks. Our Bank continuously improves IT risk management, formulates and revises IT risk management-related policies and sets up IT management system to improve IT application capability and ensure system, internet, and information security. We have also effectively reduced potential risks by enhancing management and increasing IT investment.

Our Bank has issued IT Risk Management Policies of Bank of Tianjin Co., Ltd. (《天津銀行股份有限公司信息科技風險管理政策》), Administrative Measures for IT Risk Management of Bank of Tianjin (《天津銀行信息科技風險管理辦法》), IT Risk Management Strategies of Bank of Tianjin (《天津銀行信息科技風險管理策略》) and Administrative Measures for Risk Management of Sub-contracting IT Work of Bank of Tianjin (《天津銀行信息科技外包風險管理辦法》); and has 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 commenced business continuity risk evaluation, business continuity special training and IT risk monitoring evaluation.

3.10 Business Review

Corporate Banking Business

During the first half of 2019, based on the development notion of "putting quality first and giving priority to performance", our corporate banking business took supporting the real economy as our starting point and a strong foothold to develop the business. We were more focused to implement the doctrine of our "Four Tailor-made Approaches". Our service scope was extended to cover industrial clients which have synergy with the strategic development of Beijing-Tianjin-Hebei region and also clients in emerging industries. We upgraded our overall service quality to retain a group of stable customers and maintained relationship with long-term clients by offering them secured lines of credit. To response to the supply-side reform policy, we withdrawn from business with certain clients who are in high energy-consumption and high-pollution and very risky sectors.

For the six months ended 30 June 2019, our operating income from corporate banking business amounted to RMB3,716.9 million, accounting for 42.0% of the total operating income over the same period, representing a decrease of 3.0% as compared to the same period last year.

As of 30 June 2019, the balance of our corporate loans (excluding discounted bills and finance leases receivable) amounted to RMB171,486.5 million, representing a decrease of 0.1% as compared to that of 31 December 2018. As of 30 June 2019, our total corporate deposits amounted to RMB264,579.4 million, representing an increase of 3.0% as compared to that of 31 December 2018.

Personal Banking Business

For the six months ended 30 June 2019, the Bank's personal banking business fully implemented our strategy of "ultra-conventional development approach for retail business", utilizing both on-line and off-line channels to connect our customers and caring for them in their usual daily lives with our banking services. As always, our operation strictly followed and fully complied with laws and regulations and processes in a prudent manner while making full use of modern IT technology for continuously being innovative in terms of extension of our personal banking product and service coverage. Our Bank continued to employ differentiated product and service tactics to offer suitable financial products and efficient and convenient services to our customers. For liability business, we issued or launched large-denomination certificates of deposit, happy certificates of deposit (幸福存單), exclusive wealth management products for new customers, exclusive wealth management products for union members, exclusive wealth management products for high net worth customers, exclusive payroll wealth management products, etc. This is an almost full coverage of financial investment products catering diverse needs of customers of different background. For asset business, we accelerated the development of scenario-based online loans business, increased the scale of online consumer credit business, focused on improving asset returns, and effectively promoted the transformation of our retail business.

For the six months ended 30 June 2019, the operating income from our retail banking business amounted to RMB2,762.3 million, accounting for 31.1% of our total operating income over the same period and representing an increase of 234.8% as compared to the same period last year. As of 30 June 2019, the balance of our personal loans reached RMB132,825.9 million, accounting for 42.1% of our total loans to customers. As of 30 June 2019, our residential mortgage loans, personal consumption loans, personal business loans and credit card overdrafts amounted to RMB22,298.8 million, RMB101,169.6 million, RMB8,421.1 million and RMB936.4 million, respectively, and accounted for 16.8%, 76.2%, 6.3% and 0.7%, respectively, of our total personal loans. As of the same date, our total personal deposits amounted to RMB70,584.5 million, representing an increase of 2.0% as compared to that of 31 December 2018.

For the six months ended 30 June 2019, our Bank continued to expand our credit card product offering and enrich product features. As of 30 June 2019, our Bank issued 205,562 credit cards.

Micro and Small Enterprise Financial Services

As of 30 June 2019, our loans to small and micro enterprises, including personal business loans, amounted to RMB92,725.6 million, representing a decrease of 5.8% as compared to the 31 December 2018. Number of clients for loans to small and micro enterprises, including personal business, grew by 271% to 296,098. The non-performing loan ratio for our loans to small and micro enterprises was 1.48% as of 30 June 2019. In the first half of 2019, the Bank launched our first self-operated fully on-line inclusive finance product, e-loans for taxpayers ("銀稅e貸"), a product offered to owners of small and micro enterprises who pay taxes according to laws for their operation entities' daily fund transactions under our business line of on-line personal business loans. With its fully on-line financing model which combines "Big Data +Tax+Finance", our e-loans for taxpayers facilitates a virtuous circle which "secures credit by tax payment and helps tax payment on credit".

In addition, the Bank developed the financial leasing business through establishing Bank of Tianjin Financial Leasing Co., Ltd., which commenced its business operation in October 2016. For the six months ended 30 June 2019, total assets and net profit of Bank of Tianjin Financial Leasing Co., Ltd. amounted to RMB7,256.5 million and RMB36.1 million, respectively.

Furthermore, our Bank earnestly implemented the state's policies and requirements for supporting "agriculture, rural areas and farmers" by actively performing our responsibilities for inclusive finance and continuously optimizing our rural financial services and branch distribution in rural areas. As of 30 June 2019, our Bank established a total of 8 county banks in poor counties with small economic size and inadequate financial services in Xinjiang and Ningxia, and Jizhou District, Tianjin as well.

Treasury Operations Business

During the first half of 2019, with an aim to serve and support the real economy better, we continued to optimize our asset portfolio, make good use of various financial market products and other banks' channels, keep on restoring our financial market business to basic activities like standardized investment, bond transactions, and forex and derivatives transactions, and realize high quality development of our financial market business. As of 30 June 2019, our operating income in treasury operations business was RMB2,360.5 million, 79.8% higher than that from the same period last year, accounting for 26.7% of our Bank's total operating revenue. For the six months ended 30 June 2019, our branch in Shanghai acquired membership of China Foreign Exchange Trade System for inter-bank forex trading in Shanghai Free-Trade Zone (上海自貿區), laying a solid foundation for exploration into and development of our new business.

Money Market Transactions

For the six months ended 30 June 2019, by expanding our aggregate transaction scale and increasing our participation in the money market, our Bank responded to the changes in the money market while maintaining our liquidity.

Firstly, we engaged further with money market transactions. Among which, transactions settled in RMB market, inter-bank forex transaction volume and transaction volume in forex currencies grew by 73.8%, 154% and 640% year-on-year, respectively. In the process of satisfying our requirement for liquidity, our Bank increased participation and enhanced influence in the market. During the first half of 2019, we were listed in "Active Dealers of X-Repo" of National Interbank Funding Center of the China in May and June 2019 and were granted the "Best Progress Award" among the list of "X-Repo Elites".

Secondly, we broadened our liability sources. Through combined application of various money market tools such as active issuance of negotiable certificates of deposit and participation in national treasury commercial bank time deposit bidding, we broadened our liability sources. For the first half of 2019, our transaction volume amounted to RMB2.4 trillion.

Fixed Income Business

For the six months ended 30 June 2019, by further strengthening research and analysis on financial market and changes of policy environment, our Bank proactively responded to market changes while bolstered our solid foundation in traditional bond business. As such, we continued to optimize our asset portfolio and exert efforts in enhancement of our profitability.

Firstly, to engage further with bond transactions and become more active in the trading. During the first half of 2019, our scale in spot trading grew rapidly. For the first half of 2019, our Bank was the member of book-entry treasury bond underwriting syndicates with the third highest treasury spot trading volume and was honored to be listed in "X-Bond Monthly List" of National Interbank Funding Center of the China for several times, signifying our growth in influence in market trading.

Secondly, to strengthen market analysis and enhance profitability. We continued to fully capitalize on adjustments in bond markets and proactively modified our bond portfolio to rationalize weighting of bonds with different maturities for locking in gains and effective reduction of market risk.

Thirdly, to exert more effort in underwriting and distribution of interest rate bonds. Continuous leveraging on the competition edges and customer bases 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 further broadened our sales channels. For the first half of 2019, the Bank underwritten a total of RMB87.15 billion in treasury bonds, local government bonds and policy bank bonds.

Fourthly, to continue optimize our investment portfolio with an appropriate allocation of credit bonds. During the first half of 2019, our Bank kept on allocating funds among high-grade credit bonds and asset-backed securities to support financing need in the Bohai region and assist synergistic development of the Beijing-Tianjin-Hebei region. We increased investment in assets of small and micro business, promoted small and micro-finance financial services, giving practical services and feasible support to the real economy.

Forex and Precious Metal Transactions

From the beginning of 2019, in order to meet our customers' foreign exchange settlement demand and our Bank's hedging needs, we exerted more efforts in building up relationship with financial derivatives trading counterparties and cooperation foundation with our peers in the industry. Simultaneously, we further expanded scale in innovative business such as forex derivatives and interbank gold price asking transactions. For the first half of 2019, the total transaction volume of forex trading and interbank gold price asking transactions amounted to approximately USD7.4 billion and approximately 4.45 tonnes, respectively. By promoting trading business of international precious metals such as London Gold, we continuously consolidated and enhanced our capability and position in the forex and precious metal business, laying a solid foundation in FICC (Fixed Income, Currency & Commodity) business which combines investment, financing and trading business and forms a comprehensive product portfolio and integrated trading platform.

Treasury Business Conducted on Behalf of Customers

For the six months ended 30 June 2019, the wealth management business of our Bank grew steadily because (i) we made continuous efforts to provide a optimized product portfolio and have progress in transformation into net worth product category to meet our customers' diversified needs, resulting in comparatively stronger market competitiveness; and (ii) we maintained marketing efforts towards our corporate banking customers, personal banking customers and interbank customers.

As of 30 June 2019, the total outstanding amount of wealth management products issued by us was RMB114,749.0 million. For the six months ended 30 June 2019, the net fee and commission income from the wealth management products issued by us amounted to RMB621.6 million.

International Business

For the six months ended 30 June 2019, our Bank's international settlement volume amounted to USD3,729.5 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 and accountability of our corporate governance and ensured high standards of corporate governance practices to protect the interests of shareholders and enhance corporate value and commitment.

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

Our Bank is committed to maintaining high standards in corporate governance. Our Bank will continue to review and 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 comprises a total of fifteen directors, including four executive directors, namely Mr. LI Zongtang (Chairman), Mr. SUN Liguo (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 comprises 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 comprises a total of five members, namely Mr. Sun Liguo, Ms. Zhang Furong, Mr. Liang Jianfa, Mr. Xia Zhenwu and Mr. Wang Feng. Effective from 23 May 2019, Ms. Zhang Ying, former senior management member, ceased to serve as secretary of the disciplinary committee of our Bank due to changes in her duties. Ms. Zhang Ying was appointed as vice president of our Bank during the eighth meeting of the sixth session of the Board held on 22 July 2019, subject to CBIRC Tianjin Office's approval of her relevant qualifications.

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

Effective from 23 May 2019, Ms. Zhang Ying ceased to serve as secretary of the disciplinary committee of our Bank due to changes in her duties.

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

Below are changes in our directors, supervisors and senior management members occurred from the end of the Reporting Period to the date of this announcement.

Ms. Zhang Ying was appointed as vice president of our Bank during the eighth meeting of the sixth session of the Board held on 22 July 2019, subject to CBIRC Tianjin Office's approval of her relevant qualification.

Mr. Wang Feng, assistant to president of our Bank, was engaged as chief information officer of our Bank during the eighth meeting of the sixth session of the Board held on 22 July 2019, subject to CBIRC Tianjin Office's approval of his relevant qualification.

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

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 of the Bank, 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 six months ended 30 June 2019 and the Bank's financial position as of the same date are set out in the section headed "Interim Financial Statements" of this interim results announcement.

The profit distribution plan for 2018 of the Bank was considered and approved by our shareholders at the Bank's 2018 annual general meeting held on 16 May 2019. A final dividend of RMB1.8 (tax inclusive) per ten shares for the year of 2018, amounting to a total dividend of RMB1,092.7 million (tax inclusive) was distributed to holders of H shares and domestic shares on 10 July 2019.

The Bank will not distribute any interim dividend for the first six months of 2019 or convert any capital reserve into share capital.

5.6 Purchase, Sale and Redemption of the Listed Securities of the Bank

Neither the Bank nor its subsidiary had purchased, sold or redeemed any listed securities of the Bank during the Reporting Period.

5.7 Review of the Interim Results

The interim financial statements disclosed in this interim results announcement have not been audited. The interim financial statements for the six months ended 30 June 2019 prepared by the Bank in accordance with the IAS 34 promulgated by the International Accounting Standards Board and the Hong Kong Listing Rules have been reviewed by Deloitte Touche Tohmatsu in accordance with the International Standard on Review Engagements.

The Board and the audit committee of the Board have reviewed and approved the interim 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.

5.9 Subsequent Events

No other significant events occurred to the Bank and its subsidiaries after the Reporting Period.

6. INTERIM FINANCIAL STATEMENT

6.1 CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Interest income	**15,953,879**	12,703,261
Interest expense	**(9,487,780)**	(10,737,324)
Net interest income	**6,466,099**	1,965,937
Investment income	**824,219**	2,776,471
Fee and commission income	**1,064,950**	951,523
Fee and commission expense	**(14,869)**	(47,719)
Net fee and commission income	**1,050,081**	903,804
Net trading gains	**358,873**	294,359
Net gains arising from derecognition of financial assets measured at amortised cost	**83,826**	36,202
Other income, gains or losses	**72,230**	(15,874)
Operating income	**8,855,328**	5,960,899
Operating expenses	**(1,921,770)**	(1,572,750)
Impairment losses under expected credit loss model, net of reversals	**(3,038,529)**	(748,950)
Share of results of associates	**8,051**	(2,634)
Profit before tax	**3,903,080**	3,636,565
Income tax expense	**(759,842)**	(771,572)
Profit for the period	**3,143,238**	2,864,993

6.1 CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Other comprehensive income/(expense):		
Items that may be reclassified subsequently to profit or loss:		
Fair value (losses)/gains on:		
– financial assets measured at fair value through other comprehensive income	**(79,599)**	452,322
Amount reclassified to profit or loss upon disposal of:		
– financial assets measured at fair value through other comprehensive income	**(100,797)**	22,492
Cumulative impairment loss recognised on:		
– financial assets measured at fair value through other comprehensive income	**74,556**	–
Income tax relating to items that may be reclassified to profit or loss	**26,460**	(116,953)
Other comprehensive (expense)/income for the period, net of tax	**(79,380)**	357,861
Total comprehensive income for the period	**3,063,858**	3,222,854
Profit for the period attributable to:		
Equity holders of the Bank	**3,113,189**	2,840,472
Non-controlling interests	**30,049**	24,521
	3,143,238	2,864,993
Total comprehensive income for the period attributable to:		
Equity holders of the Bank	**3,033,809**	3,198,333
Non-controlling interests	**30,049**	24,521
	3,063,858	3,222,854
Earnings per share (Expressed in RMB Yuan per share)		
– Basic	**0.51**	0.47

6.2 CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
ASSETS		
Cash and balances with central bank	**45,909,196**	62,313,393
Deposits with banks and other financial institutions	**7,061,550**	4,063,486
Placements with banks and other financial institutions	**12,399,682**	11,186,976
Derivative financial assets	**275,998**	70,255
Financial assets held under resale agreements	**7,001,174**	2,555,983
Financial assets at fair value through profit or loss	**62,593,735**	60,744,554
Debt instruments at fair value through other comprehensive income	**39,923,338**	49,457,614
Loans and advances to customers	**301,659,709**	276,943,278
Debt instruments at amortised cost	**179,304,478**	184,769,026
Deferred tax assets	**3,598,123**	3,165,838
Other assets	**2,696,414**	1,949,842
Property and equipment	**2,096,442**	1,907,562
Right-of-use assets	**1,113,964**	–
Interests in associates	**220,147**	212,096
Total assets	**665,853,950**	659,339,903

6.2 CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 30 JUNE 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
LIABILITIES		
Borrowings from central bank	**19,952,807**	17,001,392
Deposits from banks and other financial institutions	**27,550,112**	33,728,238
Placements from banks	**33,627,214**	21,555,660
Financial liabilities held for trading	**1,400,487**	–
Derivative financial liabilities	**39,519**	27,836
Financial assets sold under repurchase agreements	**33,181,164**	28,362,473
Income tax payable	**807,831**	970,269
Other liabilities	**6,962,017**	7,272,472
Lease liabilities	**1,050,218**	–
Due to customers	**358,550,255**	342,877,165
Debt securities issued	**133,040,430**	159,823,661
Total liabilities	**616,162,054**	611,619,166
EQUITY		
Share capital	**6,070,552**	6,070,552
Capital reserve	**10,731,130**	10,731,130
Investment revaluation reserve	**69,167**	148,547
Surplus reserve	**3,352,480**	3,352,480
General reserve	**9,196,749**	9,133,134
Retained earnings	**19,520,521**	17,563,646
Equity attributable to equity holders of the Bank	**48,940,599**	46,999,489
Non-controlling interests	**751,297**	721,248
Total equity	**49,691,896**	47,720,737
Total equity and liabilities	**665,853,950**	659,339,903

6.3 CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

	Share capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Subtotal	Non-controlling interests	Total
As at 31 December 2018 (Audited)	6,070,552	10,731,130	148,547	3,352,480	9,133,134	17,563,646	46,999,489	721,248	47,720,737
Profit for the period	–	–	–	–	–	3,113,189	3,113,189	30,049	3,143,238
Other comprehensive expense for the period	–	–	(79,380)	–	–	–	(79,380)	–	(79,380)
Total comprehensive income for the period	–	–	(79,380)	–	–	3,113,189	3,033,809	30,049	3,063,858
Appropriation to general reserve	–	–	–	–	63,615	(63,615)	–	–	–
Dividend distribution	–	–	–	–	–	(1,092,699)	(1,092,699)	–	(1,092,699)
As at 30 June 2019 (Unaudited)	6,070,552	10,731,130	69,167	3,352,480	9,196,749	19,520,521	48,940,599	751,297	49,691,896
As at 31 December 2017 (Audited)	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 period	–	–	–	–	–	2,840,472	2,840,472	24,521	2,864,993
Other comprehensive income for the period	–	–	357,861	–	–	–	357,861	–	357,861
Total comprehensive income for the period	–	–	357,861	–	–	2,840,472	3,198,333	24,521	3,222,854
Appropriation to general reserve	–	–	–	–	759,091	(759,091)	–	–	–
Dividend distribution	–	–	–	–	–	(1,092,699)	(1,092,699)	–	(1,092,699)
As at 30 June 2018 (Unaudited)	6,070,552	10,731,130	(210,675)	3,352,331	9,122,584	16,233,420	45,299,342	696,930	45,996,272

6.4 CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES		
Profit before tax	**3,903,080**	3,636,565
Adjustments for:		
Depreciation and amortisation	**256,296**	123,025
Impairment losses, net of reversals	**3,038,529**	748,950
Share of results of associates	**(8,051)**	2,634
Interest income arising from debt instruments at FVTOCI and at amortised costs	**(5,409,411)**	(5,462,558)
Interest income arising from impaired financial assets	**(36,598)**	(49,893)
Interest expense arising from debt securities issued	**2,890,700**	3,317,498
Interest expense arising from leases liabilities	**23,286**	–
Investment income	**(824,219)**	(2,776,471)
Net trading gains	**(358,873)**	(277,574)
Net gains arising from derecognition of financial assets measured at amortised cost	**(83,826)**	(36,202)
Other income, gains or losses	**(145,844)**	41,910
Operating cash flows before movements in working capital	**3,245,069**	(732,116)
Decrease in balances with central bank and deposits with banks and other financial institutions	**4,375,595**	7,708,654
Increase in placements with banks and other financial institutions	**(980,944)**	(7,842,874)
(Increase)/decrease in financial instruments held for trading and derivatives	**(2,182,927)**	2,445,848
Decrease in financial assets held under resale agreements	**–**	3,096,098
(Increase)/decrease in loans and advances to customers	**(27,358,212)**	5,490,389
Increase in borrowings from central bank	**2,985,000**	4,515,000
Decrease in deposits from banks and other financial institutions	**(5,992,628)**	(51,012,605)
Increase/(decrease) in placements from banks	**12,033,718**	(746,708)
Increase/(decrease) in financial assets sold under repurchase agreements	**4,806,028**	(15,328,437)
Increase/(decrease) in due to customers	**15,778,299**	(21,528,803)
Increase in other operating assets	**(47,598)**	(641,142)
Decrease in other operating liabilities	**(1,010,408)**	(2,092,963)
Cash generated by/(used in) operating activities	**5,650,992**	(76,669,659)
Income tax paid	**(1,328,105)**	(843,807)
Net cash generated by/(used in) operating activities	**4,322,887**	(77,513,466)

6.4 CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
INVESTING ACTIVITIES		
Cash received from disposal and redemption of		
– investment securities	**123,335,857**	288,333,396
Cash received from disposal of property and equipment and other assets	**1,529**	417
Cash paid for purchases of		
– investment securities	**(109,145,528)**	(247,158,011)
Cash paid for purchase of property and equipment and other assets	**(340,141)**	(88,591)
Cash paid for payments for right-of-use assets	**(125,703)**	–
Interest and investment income received from investment securities	**7,591,598**	6,860,436
Net cash generated by investing activities	**21,317,612**	47,947,647
FINANCING ACTIVITIES		
Cash received from debt securities issued	**87,469,449**	181,971,709
Repayment of debt securities issued	**(113,910,000)**	(150,290,294)
Interest expenses paid for debt securities issued	**(3,233,380)**	(2,950,927)
Dividends paid	**(322,005)**	(319,754)
Net cash (used in)/generated by financing activities	**(29,995,936)**	28,410,734
Net decrease in cash and cash equivalents	**(4,355,437)**	(1,155,085)
Cash and cash equivalents at beginning of the period	**26,851,195**	22,816,725
Effect of foreign exchange rate changes	**1,762**	74,173
Cash and cash equivalents at end of the period	**22,497,520**	21,735,813
Net cash generated by operating activities include:		
Interest received	**11,961,124**	8,598,804
Interest paid	**(6,858,776)**	(8,488,989)
Net interest received from operating activities	**5,102,348**	109,815

7. NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7.1 BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 ("IAS 34") *Interim Financial Reporting* issued by the International Accounting Standards Board ("IASB") as well as with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2018.

7.2 PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values, as appropriate.

Other than changes in accounting polices resulting from application of new and amendments to International Financial Reporting Standards ("IFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2018.

Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the IASB which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

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

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

7.2.1 Impacts and changes in accounting policies of application on *IFRS 16 Leases*

The Group has applied IFRS 16 for the first time in the current interim period. IFRS 16 superseded IAS 17 Leases ("IAS 17"), and the related interpretations.

7.2 PRINCIPAL ACCOUNTING POLICIES – CONTINUED

7.2.1 Impacts and changes in accounting policies of application on *IFRS 16 Leases* – Continued

7.2.1.1 Key changes in accounting policies resulting from application of IFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of IFRS 16.

Definition of a lease

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

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

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

Short-term leases and leases of low-value assets

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

7.2.1 Impacts and changes in accounting policies of application on *IFRS 16 Leases* – Continued

7.2.1.1 Key changes in accounting policies resulting from application of IFRS 16 – Continued

As a lessee – continued

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

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

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

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

Leasehold land and building

For payments of a property interest which includes both land and building elements, the entire property is presented as property and equipment of the Group when the payments cannot be allocated reliably between the leasehold and building elements.

Refundable rental deposits

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

7.2 PRINCIPAL ACCOUNTING POLICIES – CONTINUED

7.2.1 Impacts and changes in accounting policies of application on *IFRS 16 Leases* – Continued

7.2.1.1 Key changes in accounting policies resulting from application of IFRS 16 – Continued

As a lessee – continued

Lease liabilities

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

The lease payments include:

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

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

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

7.2 PRINCIPAL ACCOUNTING POLICIES – CONTINUED

7.2.1 Impacts and changes in accounting policies of application on *IFRS 16 Leases* – Continued

7.2.1.1 Key changes in accounting policies resulting from application of IFRS 16 – Continued

As a lessee – continued

Taxation

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Sale and leaseback transactions

The Group acts as a buyer-lessor

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

7.2 PRINCIPAL ACCOUNTING POLICIES – CONTINUED

7.2.1 Impacts and changes in accounting policies of application on *IFRS 16 Leases* – Continued

7.2.1.2 Transition and summary of effects arising from initial application of IFRS 16

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

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

i. relied on the assessment of whether leases are onerous by applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in the People's Republic of China was determined on a portfolio basis; and

v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

7.2 PRINCIPAL ACCOUNTING POLICIES – CONTINUED

7.2.1 Impacts and changes in accounting policies of application on *IFRS 16 Leases* – Continued

7.2.1.2 Transition and summary of effects arising from initial application of IFRS 16 – Continued

As a lessee – continued

On transition, the Group has made the following adjustments upon application of IFRS 16:

The Group recognised lease liabilities of RMB1,061 million and right-of-use assets of RMB1,089 million at 1 January 2019.

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

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

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

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

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

7.2 PRINCIPAL ACCOUNTING POLICIES – CONTINUED

7.2.1 Impacts and changes in accounting policies of application on *IFRS 16 Leases* – Continued

7.2.1.2 Transition and summary of effects arising from initial application of IFRS 16 – Continued

As a lessee – continued

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

	As at 31 December 2018	Adjustments	As at 1 January 2019
Other assets	1,949,842	(77,616)	1,872,226
Right-of-use assets	–	1,138,436	1,138,436
Lease liabilities	–	1,060,820	1,060,820

Sales and leaseback transactions

The Group acts as a buyer-lessor

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

7.3 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.

7.3 SEGMENT ANALYSIS – CONTINUED

Operating segment – Continued

	Corporate banking	Personal banking	Treasury operations	Others	Total
Six months ended 30 June 2019					
External interest income	5,059,407	4,600,595	6,293,877	–	15,953,879
External interest expense	(4,108,384)	(988,429)	(4,390,967)	–	(9,487,780)
Inter-segment interest income/(expense)	2,044,702	(1,141,573)	(903,129)	–	–
Net interest income	2,995,725	2,470,593	999,781	–	6,466,099
Investment income	–	–	824,219	–	824,219
Fee and commission income	587,659	293,971	183,320	–	1,064,950
Fee and commission expense	(12,125)	(2,213)	(531)	–	(14,869)
Net fee and commission income	575,534	291,758	182,789	–	1,050,081
Net trading gains	–	–	358,873	–	358,873
Net gains arising from the derecognition of financial assets measured at amortised cost	–	–	83,826	–	83,826
Other income, gains or losses	145,600	–	(88,958)	15,588	72,230
Operating income	3,716,859	2,762,351	2,360,530	15,588	8,855,328
Operating expenses	(699,182)	(887,152)	(335,436)	–	(1,921,770)
Impairment losses, net of reversals	(2,411,925)	(629,093)	2,489	–	(3,038,529)
Share of losses of associates	–	–	–	8,051	8,051
Profit before tax	605,752	1,246,106	2,027,583	23,639	3,903,080
Income tax expense					(759,842)
Profit for the period					3,143,238
Depreciation and amortisation	(104,840)	(82,160)	(69,296)	–	(256,296)
Capital expenditure	(133,032)	(168,415)	(26,034)	(138,363)	(465,844)
As at 30 June 2019					
Segment assets	171,413,494	127,530,913	365,263,429	1,646,114	665,853,950
Segment liabilities	(290,787,928)	(74,497,824)	(249,258,726)	(1,617,576)	(616,162,054)
Supplementary information					
Credit commitments	75,890,201	2,307,159	–	–	78,197,360

7.3 SEGMENT ANALYSIS – CONTINUED

Operating segment – Continued

	Corporate banking	Personal banking	Treasury operations	Others	Total
Six months ended 30 June 2018					
External interest income	5,321,975	900,864	6,480,422	–	12,703,261
External interest expense	(3,915,941)	(1,019,261)	(5,802,122)	–	(10,737,324)
Inter-segment interest income/(expense)	1,839,311	778,248	(2,617,559)	–	–
Net interest income	3,245,345	659,851	(1,939,259)	–	1,965,937
Investment income	–	–	2,776,471	–	2,776,471
Fee and commission income	627,827	169,951	153,745	–	951,523
Fee and commission expense	(42,942)	(4,775)	(2)	–	(47,719)
Net fee and commission income	584,885	165,176	153,743	–	903,804
Net trading gains	–	–	294,359	–	294,359
Net gains arising from the derecognition of financial assets measured at amortised cost	–	–	36,202	–	36,202
Other income, gains or losses	–	–	(8,579)	(7,295)	(15,874)
Operating income	3,830,230	825,027	1,312,937	(7,295)	5,960,899
Operating expenses	(904,680)	(394,160)	(273,910)	–	(1,572,750)
Impairment losses, net of reversals	(956,515)	(23,342)	230,907	–	(748,950)
Share of losses of associates	–	–	–	(2,634)	(2,634)
Profit before tax	1,969,035	407,525	1,269,934	(9,929)	3,636,565
Income tax expense					(771,572)
Profit for the period					2,864,993
Depreciation and amortisation	(78,925)	(17,100)	(27,000)	–	(123,025)
Capital expenditure	(36,770)	(26,696)	(2,825)	(22,300)	(88,591)
As at 30 June 2018					
Segment assets	201,560,499	38,041,609	409,275,911	1,125,372	650,003,391
Segment liabilities	(280,318,686)	(73,876,807)	(248,366,271)	(1,445,355)	(604,007,119)
Supplementary information					
Credit commitments	65,896,777	2,057,663	–	–	67,954,440

7.4 NET INTEREST INCOME

	Six months ended 30 June	
	2019	2018
Interest income:		
Loans and advances to customers, including:		
Corporate loans and advances	**4,892,085**	4,962,236
Personal loans and advances	**4,600,595**	900,864
Discounted bills	**46,046**	90,757
Finance lease	**164,582**	286,554
Balances with central bank	**331,972**	413,284
Deposits with banks and other financial institutions	**46,230**	127,224
Placements with banks and other financial institutions	**376,639**	325,013
Financial assets held under resale agreements	**86,319**	134,771
Investments, including:		
Debt instruments at FVTOCI	**935,054**	978,138
Debt instruments at amortised cost	**4,474,357**	4,484,420
Subtotal	**15,953,879**	12,703,261
Interest expense:		
Borrowings from central bank	**(232,196)**	(165,415)
Deposits from banks and other financial institutions	**(482,705)**	(1,492,967)
Placements from banks	**(373,121)**	(319,838)
Financial assets sold under repurchase agreements	**(409,751)**	(506,403)
Due to customers	**(5,076,021)**	(4,935,203)
Debt securities issued	**(2,890,700)**	(3,317,498)
Lease liabilities	**(23,286)**	–
Subtotal	**(9,487,780)**	(10,737,324)
Net interest income	**6,466,099**	1,965,937

7.5 INVESTMENT INCOME

	Six months ended 30 June	
	2019	2018
Investment income from financial assets and financial liabilities at fair value through profit or loss	**824,219**	2,776,471

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

7.6 FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2019	2018
Fee and commission income		
Wealth management service fees	**621,648**	526,346
Consultancy fees	**89,040**	118,008
Acceptance and guarantee commitment fees	**41,894**	36,487
Agency commissions and fiduciary service fees	**184,315**	158,743
Settlement and clearing fees	**96,752**	91,081
Bank card fees	**30,016**	18,275
Others	**1,285**	2,583
Total	**1,064,950**	951,523

7.7 OTHER INCOME, GAINS OR LOSSES

	Six months ended 30 June	
	2019	2018
Government subsidies	**10,538**	1,927
Exchange differences	**(88,958)**	(8,579)
Reversal of provision in respect of litigation	**145,600**	–
Rental income	**16,508**	2,760
Others	**(11,458)**	(11,982)
Total	**72,230**	(15,874)

7.8 OPERATING EXPENSES

	Note	Six months ended 30 June 2019	2018
Staff costs	*(1)*	**1,212,623**	935,063
Office expenses		**111,986**	101,133
Rental and property management expenses		**86,070**	212,642
Other general and administrative expenses		**152,267**	140,637
Sundry taxes		**102,528**	60,250
Depreciation of fixed assets		**85,071**	72,916
Depreciation of right-of-use assets		**116,287**	–
Amortisation		**54,938**	50,109
Total		**1,921,770**	1,572,750

Note:

(1) Staff costs

	Six months ended 30 June 2019	2018
Salaries, bonuses and allowances	**928,248**	661,621
Social insurance	**132,774**	129,491
Housing funds	**59,431**	56,871
Staff welfare	**23,120**	24,767
Labor union fees and staff education expenses	**17,859**	17,002
Contribution to annuity schemes	**51,191**	45,311
Total	**1,212,623**	935,063

7.9 IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSALS

	Six months ended 30 June 2019	2018
Loans and advances to customers	**3,031,875**	1,448,978
Deposits with banks and other financial institutions	**2,386**	(773)
Placements with banks and other financial institutions	**(22)**	(2,152)
Financial assets held under resale agreements	**109**	(592)
Debt instruments at amortised cost	**(79,517)**	(578,390)
Financial assets at fair value through other comprehensive income	**74,556**	7,000
Credit commitments	**8,881**	(125,121)
Other receivables	**261**	–
Total	**3,038,529**	748,950

7.10 INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
Income tax expense comprises:		
Current income tax	**1,165,667**	851,551
Deferred tax	**(405,825)**	(79,979)
Total	**759,842**	771,572

Current PRC Enterprise Income Tax is calculated at 25% of the estimated assessable profit during the period.

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

	Six months ended 30 June	
	2019	2018
Profit before tax	**3,903,080**	3,636,565
Tax calculated at applicable statutory tax rate of 25%	**975,770**	909,141
Underprovision of tax in prior years	**9,078**	11,963
Tax effect of expenses not deductible for tax purpose	**(12,292)**	437
Tax effect of income not taxable for tax purpose	**(212,714)**	(149,969)
Income tax expense	**759,842**	771,572

The income not taxable for tax purpose mainly represents interest income arising from government bonds and dividends from funds, which is income tax free in accordance with the PRC tax regulations.

7.11 EARNINGS PER SHARE

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

	Six months ended 30 June	
	2019	2018
Earnings:		
Profit for the period attributable to equity holders of the Bank for the purpose of basic and diluted earnings per share	**3,113,189**	2,840,472
Numbers of shares:		
Weighted average number of shares in issue for the purpose of basic and diluted earnings per share (in thousand)	**6,070,552**	6,070,552
Basic earnings per share (RMB Yuan)	**0.51**	0.47

No diluted earnings per share has been presented for the first half of 2019 and first half of 2018 as the Group had no potential ordinary shares in issue during the periods.

7.12 DIVIDENDS

		Six months ended 30 June	
	Notes	**2019**	2018
2017 Final Dividend	*(1)*	**–**	1,092,699
2018 Final Dividend	*(2)*	**1,092,699**	–

Notes:

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

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

7.13 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 30 June 2019, the Group has assessed and measured the impact of those significant pending lawsuits and recognized reasonable amount of provisions.

Capital commitments

	As at 30 June 2019	As at 31 December 2018
Contracted but not provided for – commitments for the acquisition of property and equipment	**400,323**	287,638

Credit commitments

	As at 30 June 2019	As at 31 December 2018
Acceptances	**28,228,540**	27,623,495
Letters of credit issued	**11,656,519**	11,415,674
Letters of guarantee	**1,545,786**	2,607,714
Undrawn corporate loans limit	**34,459,356**	36,682,891
Undrawn credit card limit	**2,307,159**	2,172,192
Total	**78,197,360**	80,501,966

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.

Redemption commitments of government bond

The Bank 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 Bank has the obligation to pay the principal and related interests to investors.

As at 30 June 2019, the principal balance of certificate government bonds which the Bank had an obligation to pay in advance amounted to RMB2,471 million (31 December 2018: RMB2,296 million), and the principal balance of e-saving bonds amounted to RMB2,805 million (31 December 2018: RMB2,345 million). The original term of these bonds is from 1 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.

7.14 TRANSFER OF FINANCIAL ASSETS

Repurchase agreement

The Group entered into repurchase agreements with certain counterparties to sell bonds or bills of carrying amount of RMB33,204 million as at 30 June 2019 (31 December 2018, RMB29,046 million) which are subject to the simultaneous agreements with commitments to repurchase at specified future dates and prices. The proceeds from selling such bonds or bills totaling RMB33,181 million (31 December 2018: RMB28,362 million) is presented as 'financial assets sold under repurchase agreements' as at 30 June 2019.

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.

8. PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim 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 2019 interim report prepared in accordance with the IAS 34 and the Hong Kong Listing Rules 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 interim 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
29 August 2019

As at the date of this announcement, the board of directors of the Bank comprises Mr. LI Zongtang, Mr. SUN Liguo, 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.*