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BANK OF TIANJIN CO., LTD.*

天津銀行股份有限公司*

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

(Stock Code: 1578)

2019 ANNUAL RESULTS ANNOUNCEMENT

The board of directors (the “**Board**”) of Bank of Tianjin Co., Ltd. (the “**Bank**”) hereby announces the audited consolidated annual results of the Bank for the year ended 31 December 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 annual results and the International Financial Reporting Standards (the “**IFRSs**”) promulgated by the International Accounting Standards Board. Such annual results have also been reviewed and confirmed by the Board and the audit committee of the Board. Unless otherwise stated, financial data of the Bank and its subsidiaries are presented in Renminbi.

1. CORPORATE INFORMATION

1.1 Basic Information

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

1.2 Contact Persons and Contact Details

Board Secretary	ZHANG Furong
Joint Company Secretaries	ZHANG Furong, NGAI Wai Fung
Registered Address and Headquarters Address	No. 15 Youyi Road, Hexi District, Tianjin, China
Principal Place of Business in Hong Kong	40/F, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong
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2. SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

	For the year ended 31 December		Rate of change
	2019	2018	(%)
	<i>(Amounts in thousands of RMB unless otherwise stated)</i>		
OPERATING RESULTS			
Interest income	32,268,052	27,487,524	17.4
Interest expense	(19,045,250)	(20,781,987)	(8.4)
NET INTEREST INCOME	13,222,802	6,705,537	97.2
Investment income	1,429,901	3,793,253	(62.3)
Fee and commission income	2,308,570	1,881,805	22.7
Fee and commission expense	(42,284)	(344,211)	(87.7)
NET FEE AND COMMISSION INCOME	2,266,286	1,537,594	47.4
Net trading losses	(210,873)	(145,176)	45.3
Net gains arising from derecognition of financial assets measured at amortised cost	115,163	132,526	(13.1)
Other income, gains or losses	230,441	114,480	101.3
OPERATING INCOME	17,053,720	12,138,214	40.5
Operating expenses	(3,988,677)	(3,447,071)	15.7
Impairment losses under expected credit loss (ECL) model, net of reversals	(7,430,105)	(3,481,867)	113.4
Share of results of associates	(1,693)	8,233	(120.6)
PROFIT BEFORE TAX	5,633,245	5,217,509	8.0
Income tax expense	(1,024,584)	(987,422)	3.8
PROFIT FOR THE YEAR	4,608,661	4,230,087	8.9
Profit for the year attributable to: Equity holders of the Bank	4,547,971	4,181,248	8.8
Non-controlling interests	60,690	48,839	24.3
Earnings per share attributable to equity holders of the Bank (expressed in RMB Yuan per share)			
— Basic	0.75	0.69	8.7

	As of 31 December 2019	As of 31 December 2018	Rate of change (%)
<i>(Amounts in thousands of RMB unless otherwise stated)</i>			
MAJOR INDICATORS OF ASSETS/LIABILITIES			
Total assets	669,401,117	659,339,903	1.5
Of which: loans and advances to customers	281,229,242	276,943,278	1.5
Total liabilities	618,224,334	611,619,166	1.1
Of which: due to customers	350,996,365	342,877,165	2.4
Share capital	6,070,552	6,070,552	–
Equity attributable to equity holders of the Bank	50,394,845	46,999,489	7.2
Total equity	51,176,783	47,720,737	7.2
For the year ended 31 December			
	2019	2018	Change
PROFITABILITY INDICATORS (%)			
Return on average total assets ⁽¹⁾	0.69	0.62	0.07
Return on average equity ⁽²⁾	9.32	9.15	0.17
Net interest spread ⁽³⁾	1.88	1.23	0.65
Net interest margin ⁽⁴⁾	2.21	1.59	0.62
Net fee and commission income to operating income	13.29	12.67	0.62
Cost-to-income ratio ⁽⁵⁾	22.20	27.18	(4.98)

	As of 31 December 2019	As of 31 December 2018	Change
ASSET QUALITY INDICATORS (%)			
Non-performing loan ratio ⁽⁶⁾	1.98	1.65	0.33
Allowance coverage ratio ⁽⁷⁾	220.58	250.37	(29.79)
Allowance to gross loan ratio ⁽⁸⁾	4.36	4.13	0.23
CAPITAL ADEQUACY RATIO INDICATORS (%)			
<i>Calculated based on Capital Adequacy Measures</i>			
Core capital adequacy ratio ⁽⁹⁾	N/A	N/A	N/A
Capital adequacy ratio ⁽¹⁰⁾	N/A	N/A	N/A
<i>Calculated based on Capital Administrative Measures</i>			
Core tier-one capital adequacy ratio ⁽¹¹⁾	10.62	9.83	0.79
Tier-one capital adequacy ratio ⁽¹²⁾	10.63	9.84	0.79
Capital adequacy ratio ⁽¹³⁾	15.24	14.53	0.71
Total equity to total assets	7.65	7.24	0.41
OTHER INDICATORS (%)			
Loan-to-deposit ratio ⁽¹⁴⁾	85.05	85.59	(0.54)
Liquidity ratio ⁽¹⁵⁾	51.38	50.29	1.09
Percentage of loans to the single largest customer ⁽¹⁶⁾	4.38	5.02	(0.64)
Percentage of loans to the top ten customers ⁽¹⁷⁾	31.76	29.47	2.29

Notes:

- (1) Calculated by dividing net profit for the year by average balance of total assets at the beginning and the end of the year.
- (2) Calculated by dividing net profit for the year by average balance of total equity at the beginning and the end of the year.
- (3) Calculated as the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities.
- (4) Calculated by dividing net interest income by the daily average balance of total interest-earning assets.
- (5) Calculated by dividing total operating expenses (excluding sundry taxes) by total operating income.
- (6) Calculated by dividing total non-performing loans by gross loans (excluding interests).
- (7) Calculated by dividing total allowance for impairment losses on loans to customers by total non-performing loans.
- (8) Calculated by dividing total allowance for impairment losses on loans to customers by gross loans to customers (excluding interests).
- (9) Calculated by dividing (i) core capital, net of core capital deductions, by (ii) sum of risk-weighted assets and 12.5 times capital charge for market risk.
- (10) Calculated by dividing (i) total capital, net of capital deductions, by (ii) sum of risk-weighted assets and 12.5 times capital charge for market risk.
- (11) Calculated by dividing core tier-one capital, net of core tier-one capital deductions, by risk-weighted assets.
- (12) Calculated by dividing tier-one capital, net of tier-one capital deductions, by risk-weighted assets.
- (13) Calculated by dividing total capital, net of capital deductions, by risk-weighted assets.
- (14) Loan-deposit ratios as of 31 December 2018 and 31 December 2019 were calculated according to the Notice on Adjusting the Calculation of Loan-to-Deposit Ratio for Commercial Banks (《中國銀監會關於調整商業銀行存貸比計算口徑的通知》) issued by CBRC.
- (15) Liquidity ratio is calculated in accordance with the formula promulgated by the China Banking and Insurance Regulatory Commission.
- (16) Calculated by dividing total loans to the single largest customer by net capital.
- (17) Calculated by dividing total loans to the top ten customers by net capital.

3. MANAGEMENT DISCUSSION AND ANALYSIS

3.1 Environment and Prospects

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

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

3.2 Corporate Strategies

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

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

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

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

In 2020, the Bank will continue to deepen its "transformation + innovation" strategy with a focus on its main businesses, stick to its initial intention of serving the real economy, realise financial innovation, enhance its provision of financial products and financial service, and fully improve its ability to operate and prevent various types of risks. The Bank will also continue to promote "Ten Major Projects (2.0)" with enhanced quality and efficiency, further integrate the synergistic development strategy of Beijing-Tianjin-Hebei region, striving to enhance support for real economy, financial risk control capability and the ability to maintain stable and healthy growth.

3.3 Analysis of the Income Statement

	For the year ended 31 December		Rate of change (%)
	2019	2018	
	<i>(Amounts in thousands of RMB, unless otherwise stated)</i>		
Interest income	32,268,052	27,487,524	17.4
Interest expense	(19,045,250)	(20,781,987)	(8.4)
NET INTEREST INCOME	13,222,802	6,705,537	97.2
Investment income	1,429,901	3,793,253	(62.3)
Fee and commission income	2,308,570	1,881,805	22.7
Fee and commission expense	(42,284)	(344,211)	(87.7)
NET FEE AND COMMISSION INCOME	2,266,286	1,537,594	47.4
Net trading losses	(210,873)	(145,176)	45.3
Net gains arising from derecognition of financial assets measured at amortised cost	115,163	132,526	(13.1)
Other income, gains or losses	230,441	114,480	101.3
OPERATING INCOME	17,053,720	12,138,214	40.5
Operating expenses	(3,988,677)	(3,447,071)	15.7
Impairment losses under expected credit loss (ECL) model, net of reversals	(7,430,105)	(3,481,867)	113.4
Share of results of associates	(1,693)	8,233	(120.6)
PROFIT BEFORE TAX	5,633,245	5,217,509	8.0
Income tax expense	(1,024,584)	(987,422)	3.8
PROFIT FOR THE YEAR	4,608,661	4,230,087	8.9

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

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

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

Note:

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

The following tables set forth the average balance of the Bank's interest-earning assets and interest-bearing liabilities, interest income and expense from these assets and liabilities, and the average yield of these interest-earning assets and the average cost of these interest-bearing liabilities for the years ended 31 December 2018 and 2019.

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

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

Notes:

- (1) Consists of financial assets held under resale agreements and placements with banks and other financial institutions.
- (2) Consists of cash, interest receivables, property and equipment, intangible assets, other receivables, repossessed assets, deferred tax assets, derivative financial assets, right-of-use assets and interests in associates, etc.
- (3) Consists of financial assets sold under repurchase agreements, financial liabilities held for trading and placements from banks and other financial institutions.
- (4) Consists of interest payables, sundry taxes payable, other payables, provision related to litigation, salaries and benefits payables, dividends payable and derivative financial liabilities, etc.
- (5) Calculated as the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities.
- (6) Calculated by dividing net interest income by the daily average balance of total interest-earning assets.
- (7) Includes net interest income from financial instruments at FVTPL, i.e., the figure under the item “investment income”.

3.3.2 Interest Income

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

Interest income from loans and advances to customers

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

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

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

Interest income from debt securities investment

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

Interest income from amounts due from banks and other financial institutions

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

Interest income from deposits with banks and other financial institutions

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

Interest income from cash and balances with central bank

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

3.3.3 Interest Expense

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

Interest expense on due to customers

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

Interest expense on deposits from banks and other financial institutions

Our interest expense on deposits from banks and other financial institutions decreased by 47.2% from RMB2,138.0 million for the year ended 31 December 2018 to RMB1,129.0 million for the year ended 31 December 2019, primarily due to the decrease of 25.3% in the average balance of the deposits from banks and other financial institutions from RMB49,736.4 million for the year ended 31 December 2018 to RMB37,159.7 million for the year ended 31 December 2019, and the decrease of 126 basis points in the average cost of deposits from banks and other financial institutions from 4.30% for the year ended 31 December 2018 to 3.04% for the year ended 31 December 2019. The decrease in the average balance of the deposits from banks and other financial institutions primarily reflected our Bank's active adjustment in the liability structure and reduction in the average daily scale of corresponding liabilities, while the decrease in the average cost of the deposits from banks and other financial institutions primarily reflected the decrease in market interest rate.

Interest expense on amounts due to banks and other financial institutions

Our interest expense on amounts due to banks and other financial institutions increased by 11.5% from RMB1,639.9 million for the year ended 31 December 2018 to RMB1,827.7 million for the year ended 31 December 2019, primarily due to the increase of 26.6% in the average balance of amounts due to banks and other financial institutions from RMB48,671.7 million for the year ended 31 December 2018 to RMB61,594.6 million for the year ended 31 December 2019, and the effect of which was partially offset by the decrease of 40 basis points in the average cost of our amounts due to banks and other financial institutions from 3.37% for the year ended 31 December 2018 to 2.97% for the year ended 31 December 2019. The increase in the average balance of our amounts due to banks and other financial institutions was primarily due to our Bank's active adjustment in the liability structure and increase in the scale of such liabilities with lower cost, while the decrease in the average cost of our amounts due to banks and other financial institutions was primarily due to the decrease in market interest rate.

Interest expense on debt securities issued

Our interest expense on debt securities issued decreased by 20.8% from RMB6,536.2 million for the year ended 31 December 2018 to RMB5,176.6 million for the year ended 31 December 2019, primarily due to the decrease of 75 basis points in the average cost of our debt securities issued from 4.57% for the year ended 31 December 2018 to 3.82% for the year ended 31 December 2019. The decrease in the average cost of our debt securities issued was primarily due to the decrease in market interest rate.

Interest expense on lease liabilities

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

Interest expense on borrowings from central bank

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

3.3.4 Investment Income

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

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

3.3.5 Net Fee and Commission Income

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

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

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

3.3.6 Net Trading Losses

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

3.3.7 Operating Expenses

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

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

Note:

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

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

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

Staff costs

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

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

Sundry taxes

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

Office expenses and rental and property management expenses

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

Other general and administrative expenses

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

Depreciation and amortisation

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

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, net of reversals for the periods indicated.

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

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

3.3.9 Income Tax Expenses

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

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

Note:

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

Our income tax for the year ended 31 December 2019 was RMB1,024.6 million, representing an increase of 3.8% from RMB987.4 million for the year ended 31 December 2018. The increase was mainly due to an increase in our profit before tax.

3.4 Analysis of the Statement of Financial Position

3.4.1 Assets

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

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

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

Loans and advances to customers

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

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

Corporate loans

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

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

	As of 31 December 2019		As of 31 December 2018	
	Amount	% of the total (%)	Amount	% of the total (%)
<i>(Amounts in millions of RMB, except percentages)</i>				
Short-term loans (one year or less)	59,898.0	39.7	57,224.7	33.3
Medium and long-term loans (over one year)	89,565.7	60.3	114,514.5	66.7
Total corporate loans	148,463.7	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 39.7% as of 31 December 2019 and our medium- and long-term loans as a percentage of our corporate loan portfolio decreased from 66.7% as of 31 December 2018 to 60.3% as of 31 December 2019. The changes in the above percentages of our corporate loan portfolio were primarily due to the fact that the Bank further adjusted and perfected the credit structure.

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

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

Note:

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

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

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

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

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

Personal loans

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

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

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

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

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

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

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

Finance lease receivables

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

Discounted bills

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

Investment securities and other financial assets

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

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

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

Debt securities

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

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

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

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

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

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

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

Distribution of investment securities and other financial assets by investment intention

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

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

Financial assets held under resale agreements

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

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

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

Other components of our assets

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

Our cash and balances with central bank amounted to RMB59,303.1 million as of 31 December 2019, representing a decrease of 4.8% compared to RMB62,313.4 million as of 31 December 2018.

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

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

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

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

Pledge of assets

As of 31 December 2019, the details of pledge of our assets are set out in note 7.20 to the condensed consolidated financial statements in this results announcement.

3.4.2 Liabilities

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

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

Note:

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

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

Due to customers

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

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

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

Notes:

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

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

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

Debt securities issued

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

Deposits from banks and other financial institutions

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

Financial assets sold under repurchase agreements

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

Placements from banks and other financial institutions

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

Financial liabilities held for trading

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

Borrowings from central bank

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

Income tax payable

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

Derivative financial liabilities

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

Other liabilities

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

Contingent liabilities

As of 31 December 2019, details of the Bank's contingent liabilities are set out in note 7.19 to the condensed consolidated financial statements in this results announcement.

3.4.3 Equity

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

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

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

3.5 Analysis of Off-balance Sheet Items

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

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

3.6 Analysis

Distribution of loans by five-category loan classification

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

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

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

Note:

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

Distribution of corporate loans by industry

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

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

Note:

(1) Consist of finance lease receivables.

In 2019, the Bank actively supported the development of the real economy with its loans structure further optimised. As of 31 December 2019, loans provided to customers in the industries of (i) real estate, (ii) manufacturing, (iii) wholesale and retail, (iv) leasing and business services, and (v) construction represented the top five largest components of the Bank's corporate loans. As of 31 December 2019 and 31 December 2018, the balance of loans provided to the corporate customers in these five industries were RMB125,122.6 million and RMB146,213.3 million, respectively, accounting for 81.6% and 81.3% of the total corporate loans and advances issued by the Bank, respectively.

Distribution of Non-Performing Corporate Loans by Industry

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

	As of 31 December 2019			As of 31 December 2018		
	Amount	% of the total (%)	NPL ratio ⁽¹⁾ (%)	Amount	% of the total (%)	NPL ratio ⁽¹⁾ (%)
<i>(Amounts in millions of RMB, except percentages)</i>						
Manufacturing	1,834.3	42.5	6.96	1,929.6	47.6	5.41
Wholesale and retail	1,768.1	41.0	7.42	1,435.3	35.5	4.74
Construction	251.6	5.8	1.46	130.8	3.2	0.65
Mining	209.9	4.9	31.91	305.4	7.5	49.92
Accommodation and catering	74.5	1.7	10.03	62.5	1.5	6.41
Real estate	61.2	1.4	0.17	61.2	1.5	0.17
Transportation, storage and postal services	47.8	1.1	1.32	58.1	1.4	1.27
Information transmission, software and information technology services	46.9	1.1	7.70	34.0	0.8	4.46
Agriculture, forestry, animal husbandry and fishery	10.7	0.2	1.75	25.7	0.6	3.53
Scientific research and technical services	12.0	0.3	4.40	14.7	0.4	3.36
Total non-performing corporate loans⁽²⁾	4,317.0	100.0	2.82	4,057.3	100.0	2.25

Notes:

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

(2) Consist of finance lease receivables.

Our non-performing corporate loans consist primarily of non-performing loans to corporate borrowers in the manufacturing industry and wholesale and retail industry. The non-performing loan ratio for our corporate loans in the manufacturing industry were 5.41% and 6.96% as of 31 December 2018 and 31 December 2019, respectively. As of 31 December 2018 and 31 December 2019, non-performing corporate loans to borrowers in this industry accounted for 47.6% and 42.5% of our total non-performing corporate loans, respectively. The increase in the non-performing loan ratio for our corporate loans to borrowers in the manufacturing industry was primarily due to the decrease in our corporate loans to borrowers in the manufacturing industry.

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

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

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

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

Distribution of Non-Performing Loans by Product Type

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

	As of 31 December 2019			As of 31 December 2018		
	Amount	% of the total (%)	NPL ratio ⁽¹⁾ (%)	Amount	% of the total (%)	NPL ratio ⁽¹⁾ (%)
<i>(Amounts in millions of RMB, except percentages)</i>						
Corporate loans⁽²⁾						
Working capital loans	3,903.7	67.7	4.92	3,545.5	74.9	3.45
Fixed asset loans	62.5	1.1	0.11	62.5	1.3	0.11
Trade finance	22.9	0.4	0.27	23.6	0.5	0.48
Others ⁽³⁾	327.9	5.7	6.41	425.7	9.0	6.42
Subtotal	4,317.0	74.9	2.82	4,057.3	85.7	2.25
Discounted bills	28.6	0.5	0.21	59.9	1.3	2.64
Subtotal	28.6	0.5	0.21	59.9	1.3	2.64
Personal loans						
Personal consumption loans	885.3	15.3	0.97	134.2	2.8	0.17
Personal business loans	448.7	7.8	3.94	393.2	8.3	8.74
Residential mortgage loans	55.7	1.0	0.25	46.1	1.0	0.20
Credit card overdrafts	29.8	0.5	1.72	40.3	0.9	5.86
Subtotal	1,419.5	24.6	1.12	613.8	13.0	0.58
Total non-performing loans	5,765.1	100.0	1.96	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 2.82% as of 31 December 2019, with a 6.4% increase in our non-performing corporate loans from RMB4,057.3 million to RMB4,317.0 million. The increase in our non-performing corporate loans was primarily due to the weakened repayment ability of individual corporate customers.

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

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

Distribution of non-performing loans by geographical region

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

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

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

Note:

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

Borrowers concentration

For the year ended 31 December 2019, the Bank's total loans to its largest single borrower accounted for 4.38% of its regulatory capital while total loans to its top ten customers accounted for 31.76% of its regulatory capital, which were in compliance with regulatory requirements.

a. Indicators of concentration

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

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

b. Loans to top ten single borrowers

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

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

Note:

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

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

Aging schedule of loans past due

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

	As of 31 December 2019		As of 31 December 2018	
	Amount	% of the total loans and advances to customers (%)	Amount	% of the total loans and advances to customers (%)
Past due	<i>(Amounts in thousands of RMB, except percentages)</i>			
Past due 1 to 90 days	3,689,078	1.25	3,467,476	1.21
Past due 90 days to 1 year	1,902,002	0.65	819,992	0.28
Past due 1 to 3 years	2,018,500	0.69	2,742,350	0.95
Past due more than 3 years	1,767,617	0.60	869,986	0.30
Total	9,377,197	3.19	7,899,804	2.74

Changes to allowance for impairment losses of loans

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

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

Notes:

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

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 categorise such information by geographical regions. The following table sets forth the total operating income of each of the geographical regions for the periods indicated.

	For the year ended 31 December			
	2019		2018	
	Amount	% of the total (%)	Amount	% of the total (%)
<i>(Amounts in millions of RMB, except percentages)</i>				
Tianjin	8,933.2	52.4	6,637.4	54.7
Shanghai	2,915.1	17.1	1,125.6	9.3
Beijing	1,887.4	11.1	1,494.9	12.3
Shandong Province	1,245.1	7.3	1,164.4	9.6
Sichuan Province	1,233.0	7.2	925.5	7.6
Hebei Province	724.5	4.2	695.4	5.7
Ningxia	115.4	0.7	95.0	0.8
Total	17,053.7	100.0	12,138.2	100.0

Business segment report

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

	For the year ended 31 December			
	2019		2018	
	Amount	% of the total (%)	Amount	% of the total (%)
<i>(Amounts in millions of RMB, except percentages)</i>				
Corporate banking	6,455.7	37.9	7,118.1	58.6
Personal banking	6,335.8	37.2	2,274.7	18.7
Treasury operations	4,228.9	24.7	2,629.6	21.7
Other ⁽¹⁾	33.3	0.2	115.8	1.0
Total	17,053.7	100.0	12,138.2	100.0

Note:

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

3.8 Analysis on Capital Adequacy Ratio

Our Bank calculated and disclosed the capital adequacy ratios according to the Administrative Measures for the Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) (effective since 1 January 2013) promulgated by the China Banking and Insurance Regulatory Commission. As of 31 December 2018, our Bank's capital adequacy ratio met the regulatory requirements under such regulations. As of 31 December 2019, the capital adequacy ratio was 15.24%, 0.71 percentage point higher than that as of 31 December 2018 and tier-one capital adequacy ratio and core tier-one capital adequacy ratio was 10.63% and 10.62%, respectively as of 31 December 2019, both were 0.79 percentage point higher than those as of 31 December 2018. The increase in our capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio is primarily due to the increase in endogenous capital driven by the increment in profit.

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

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

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

	As of 31 December 2019	As of 31 December 2018
Leverage ratio	7.12%	6.79%

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

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

Credit risk

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

Our Bank has established a relatively sound authorisation and credit review and extension management system. The Bank has established a credit risk management system based on the principle of vertical management for credit risk, ensured the independence of credit review and extension based on the principle of separation for loan approval and extension and approval at various levels, and established a scientific and rigorous authorisation and credit review and extension management system.

The Bank implements a centralised credit extension system, under which exposures to credit risk of all our banking books and that of our trading books, including credit business and non-credit business, all ways and types of credit extension are under centralised credit extension management and reviewed by review authorities or reviewers with corresponding authorisation for credit review and extension.

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

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

Operational risk

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

Our Bank continues to perfect our operational risk management system. We have formulated implementation rules for three main operational risk management tools, namely self-assessment on operational risk and control, key risk index and operational risk incidents collection. The Bank regularly carries out self-assessment on risk identification and control, key risk index monitoring and collects information on operational risk loss. The Bank has formulated the Administrative Measures for Operational Risk Report of the Bank of Tianjin (《天津銀行操作風險報告管理辦法》) to regulate the reporting system of operational risk. The Bank also issued the Negative List for Business Risk Prevention and Control to clarify on the dos and don'ts. Our Bank has made the effort to carry out various inspection procedures which are carrying forward, stereoscopic and multi-dimensional. We have placed emphasis on our accountability and reporting system. In addition, we have established a risk warning system and organised special training on operational risk management. Our Bank has organised and carried out case-based educative activities to increase risk prevention and control efforts.

Market risk

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

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

Liquidity risk management

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

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

Information technology risk management

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

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

3.10 Business Review

Corporate Banking Business

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

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

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

In line with the development trend and in response to national policy requirement of green development, the Bank integrated the philosophy of low carbon and environmental protection into the Company's operation and daily management, actively built green financial system for internal management. By providing excellent green financial products and services, we underpinned the sustainable development of the society, economy and environment. As of the end of the Reporting Period, our balance on energy saving and green projects and service loans reached RMB8.14 billion.

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

Personal Banking Business

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

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

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

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

Small and Micro Inclusive Financial Services

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

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

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

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

Treasury Operations Business

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

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

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

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

Money Market Transactions

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

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

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

Fixed Income Business

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

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

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

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

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

Forex and Precious Metal Transactions

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

Treasury Business Conducted on Behalf of Customers

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

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

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

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

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

Investment Banking Business

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

International Business

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

4. MATERIAL INVESTMENT, ACQUISITION AND DISPOSAL OF ASSETS AND BUSINESS MERGER

There was no material investment of the Bank during the reporting year. During the Reporting Period, the Bank was not engaged in any material acquisition or disposal of assets or business merger.

5. OTHER INFORMATION

5.1 Corporate Governance Code

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

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

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

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

5.2 Directors, Supervisors and Senior Management of the Bank

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

The Board of the Bank comprised a total of thirteen directors, including three executive directors, namely Mr. LI Zongtang (Chairman), Mr. SUN Liguu (President) and Ms. ZHANG Furong (Vice President, Board Secretary); five non-executive directors, namely Ms. SUN Jingyu, Mr. Alistair Marshall Bulloch, Mr. ZHAO Wei, Mr. XIAO Jingxi and Ms. LI Jun; and five independent non-executive directors, namely Mr. FENG Heping, Mr. LAW Yee Kwan, Quinn, Mr. JIN Qingjun, Mr. HUA Yaogang and Mr. HE Jia.

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

The senior management of the Bank comprised a total of five members, namely Mr. SUN Liguu, Ms. ZHANG Furong, Ms. ZHANG Ying, Mr. XIA Zhenwu and Mr. WANG Feng.

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.

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

Mr. WANG Feng, assistant to president of our Bank, was engaged as chief information officer of our Bank during the eighth meeting of the sixth session of the Board held on 22 July 2019, and his relevant qualification was approved by the CBIRC Tianjin Office on 7 November 2019.

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

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

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

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

On 9 January 2020, Mr. LIANG Jianfa tendered his resignation from the position of the executive director of the Bank, a member of the related party transactions control committee, the risk management committee and the consumer rights protection committee under the Board, the vice president of the Bank and the chief financial officer of the Bank. According to the Company Law of the People's Republic of China and other relevant laws and regulations as well as the Articles of Association of the Bank, the resignation of Mr. LIANG took effect on 9 January 2020. For details, please refer to the announcement of the Bank headed "RESIGNATION OF EXECUTIVE DIRECTOR AND VICE PRESIDENT" dated 9 January 2020.

5.4 Securities Transactions by Directors, Supervisors and Relevant Employees

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

Having made specific enquiries to all directors and supervisors, each of the directors and supervisors has confirmed that they complied with the Model Code during the Reporting Period.

5.5 Profits and Dividends

The Bank's revenue for the year ended 31 December 2019 and the Bank's financial position as of the same date are set out in the section headed "Annual Financial Statements" of this annual results announcement.

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

The Board has recommended the payment of the final dividend of RMB1.8 per ten shares (tax inclusive) in cash for the year ended 31 December 2019, representing a total payment of approximately RMB1,092.7 million. The final dividend is subject to approval of the shareholders at the 2019 annual general meeting of the Bank. If approved, the final dividend of the Bank for the year ended 31 December 2019 will be denominated and declared in Renminbi. Distribution of the dividends to holders of domestic shares of the Bank will be paid in Renminbi, while dividends to holders of H shares of the Bank will be paid in Hong Kong dollars. For such conversion, Renminbi will be converted into Hong Kong dollars based on the average middle exchange rate of the five business days preceding 12 May 2020 (inclusive), being the date of the Bank's 2019 annual general meeting, as announced by the People's Bank of China. If approved by the Bank's 2019 annual general meeting, it is expected the final dividend will be payable on 30 June 2020. The H shares register of members of the Bank will be closed from Saturday, 16 May 2020 to Thursday, 21 May 2020 (both days inclusive). Shareholders whose names appear on the register of H share register of members and domestic share register of members of the Bank on Thursday, 21 May 2020 will be entitled to receive the final dividend. The holders of H Shares who qualify for receiving the final dividend must lodge all the transfer documents accompanied by the relevant H share certificates with the H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong to process the registration not later than 4:30 p.m. on Friday, 15 May 2020.

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

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

5.7 Review of the Final Results

The final financial statements for the year ended 31 December 2019 prepared by the Bank in accordance with the IFRSs promulgated by the International Accounting Standards Board have been audited by Deloitte Touche Tohmatsu in accordance with the International Standard on Auditing.

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

5.8 Use of Proceeds

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

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

5.9 Subsequent Events

Matters in relation to the Issuance of Financial Bonds

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

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

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

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

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

6. ANNUAL FINANCIAL STATEMENTS

6.1 Consolidated Statement Of Profit Or Loss And Other Comprehensive Income

For The Year Ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

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

	Year ended 31 December	
	2019	2018

Other comprehensive (expense)/income:

Items that may be reclassified subsequently
to profit or loss:

Fair value (loss)/gain on:

– financial assets measured at fair value through other comprehensive income	(62,657)	1,028,193
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Amount reclassified to profit or loss upon disposal of:

– financial assets measured at fair value through other comprehensive income	(105,207)	(53,770)
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Impairment loss for financial assets measured at fair value through other comprehensive income	87,976	(11,385)
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Income tax relating to items that may be reclassified subsequently	19,972	(245,955)
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Other comprehensive (expense)/income for the year, net of income tax	(59,916)	717,083
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Total comprehensive income for the year	4,548,745	4,947,170
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Profit for the year attributable to:

Equity holders of the Bank	4,547,971	4,181,248
Non-controlling interests	60,690	48,839

	4,608,661	4,230,087
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Total comprehensive income for the year attributable to:

Equity holders of the Bank	4,488,055	4,898,331
Non-controlling interests	60,690	48,839

	4,548,745	4,947,170
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Earnings per share attributable to equity holders
of the Bank

(Expressed in RMB Yuan per share)

– Basic	0.75	0.69
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6.2 Consolidated Statement of Financial Position

As at 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

	31 December 2019	31 December 2018
ASSETS		
Cash and balances with central bank	59,303,119	62,313,393
Deposits with banks and other financial institutions	6,888,466	4,063,486
Placements with banks and other financial institutions	5,413,990	11,186,976
Derivative financial assets	167,291	70,255
Financial assets held under resale agreements	8,174,228	2,555,983
Financial assets at fair value through profit or loss	59,544,603	60,744,554
Debt instruments at fair value through other comprehensive income	46,994,040	49,457,614
Loans and advances to customers	281,229,242	276,943,278
Debt instruments at amortised cost	188,580,627	184,769,026
Equity instruments at fair value through other comprehensive income	1,393,601	—
Deferred tax assets	4,797,646	3,165,838
Other assets	3,298,900	1,949,842
Property and equipment	2,288,830	1,907,562
Right-of-use assets	1,116,131	—
Interests in associates	210,403	212,096
Total assets	<u>669,401,117</u>	<u>659,339,903</u>

	31 December 2019	31 December 2018
LIABILITIES		
Borrowings from central bank	36,629,447	17,001,392
Deposits from banks and other financial institutions	45,385,064	33,728,238
Placements from banks and other financial institutions	21,198,612	21,555,660
Financial liabilities held for trading	412,186	–
Derivative financial liabilities	39,787	27,836
Financial assets sold under repurchase agreements	32,993,996	28,362,473
Income tax payable	1,693,467	970,269
Other liabilities	7,138,432	7,272,472
Lease liabilities	1,067,299	–
Due to customers	350,996,365	342,877,165
Debt securities issued	120,669,679	159,823,661
Total liabilities	618,224,334	611,619,166
EQUITY		
Share capital	6,070,552	6,070,552
Capital reserve	10,731,130	10,731,130
Investment revaluation reserve	88,631	148,547
Surplus reserve	3,352,480	3,352,480
General reserve	9,198,347	9,133,134
Retained earnings	20,953,705	17,563,646
Equity attributable to equity holders of the Bank	50,394,845	46,999,489
Non-controlling interests	781,938	721,248
Total equity	51,176,783	47,720,737
Total equity and liabilities	669,401,117	659,339,903

6.3 Consolidated Statement Of Changes In Equity

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

	Attributable to equity holders of the Bank							Non-controlling interests	Total
	Share capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Subtotal		
As at 1 January 2019	6,070,552	10,731,130	148,547	3,352,480	9,133,134	17,563,646	46,999,489	721,248	47,720,737
Profit for the year	-	-	-	-	-	4,547,971	4,547,971	60,690	4,608,661
Other comprehensive expense for the year	-	-	(59,916)	-	-	-	(59,916)	-	(59,916)
Total comprehensive income for the year	-	-	(59,916)	-	-	4,547,971	4,488,055	60,690	4,548,745
Dividend distribution	-	-	-	-	-	(1,092,699)	(1,092,699)	-	(1,092,699)
Appropriation to general reserve	-	-	-	-	65,213	(65,213)	-	-	-
As at 31 December 2019	<u>6,070,552</u>	<u>10,731,130</u>	<u>88,631</u>	<u>3,352,480</u>	<u>9,198,347</u>	<u>20,953,705</u>	<u>50,394,845</u>	<u>781,938</u>	<u>51,176,783</u>
As at 1 January 2018	6,070,552	10,731,130	(568,536)	3,352,331	8,363,493	15,244,738	43,193,708	672,409	43,866,117
Profit for the year	-	-	-	-	-	4,181,248	4,181,248	48,839	4,230,087
Other comprehensive income for the year	-	-	717,083	-	-	-	717,083	-	717,083
Total comprehensive income for the year	-	-	717,083	-	-	4,181,248	4,898,331	48,839	4,947,170
Dividend distribution	-	-	-	-	-	(1,092,699)	(1,092,699)	-	(1,092,699)
Appropriation to surplus reserve	-	-	-	149	-	-	149	-	149
Appropriation to general reserve	-	-	-	-	769,641	(769,641)	-	-	-
As at 31 December 2018	<u>6,070,552</u>	<u>10,731,130</u>	<u>148,547</u>	<u>3,352,480</u>	<u>9,133,134</u>	<u>17,563,646</u>	<u>46,999,489</u>	<u>721,248</u>	<u>47,720,737</u>

6.4 Consolidated Statement of Cash Flows

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

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

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

7. NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

IFRS 16 Leases

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

Definition of a lease

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

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

As a lessee

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

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

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

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

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

	As at 1 January 2019
Operating lease commitments disclosed as at 31 December 2018	<u>1,249,030</u>
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	<u>1,060,820</u>
Lease liabilities as at 1 January 2019	<u><u>1,060,820</u></u>

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

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

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

As a lessor

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

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

As a lessor, the application of IFRS16 had no material impact on the consolidated financial statements.

Sales and leaseback transactions

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

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

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

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

New and amendments to IFRSs in issue but not yet effective

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

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

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

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

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

⁴ Effective for annual periods beginning on or after 1 January 2022.

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

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

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

7.2 Segment Analysis

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

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

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

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

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

Operating Segments

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

Corporate banking

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

Personal banking

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

Treasury operations

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

Others

Others include head office operations as well as items that are not attributed to the above segments.

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

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

7.3 Net Interest Income

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

7.4 Investment Income

	Year ended 31 December	
	2019	2018
Investment income from financial instruments at fair value through profit or loss	<u>1,429,901</u>	<u>3,793,253</u>

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

7.5 Net Fee and Commission Income

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

Note:

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

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

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

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

The Group provides services to both corporate and personal customers and its disaggregation of revenue from these services by types of customers in reportable segments are disclosed in Note 5. For commission income, this disaggregation was performed according to type of customers that purchase the relevant financial products sponsored by other financial institutions.

7.6 Net Trading Losses

	Year ended 31 December	
	2019	2018
Realised and unrealised losses from financial assets at fair value through profit or loss	(316,080)	(198,946)
Net gains on disposal of debt instruments at fair value through other comprehensive income	<u>105,207</u>	<u>53,770</u>
Total	<u>(210,873)</u>	<u>(145,176)</u>

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

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

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

7.8 Other Income, Gains or Losses

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

Notes:

- (i) Provision was made in relation to the Group's legal proceedings.
- (ii) Government subsidies primarily represented tax rebates of RMB14.1 million (2018: RMB15.4 million) and subsidies of RMB10.0 million (2018: RMB5.0 million) on rental expenses. For the year ended 31 December 2018, the amount also included subsidies of RMB9.2 million to a banking subsidiary of the Group for its loans and advances to customers.

7.9 Operating Expenses

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

Notes:

- (1) Staff costs

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

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

7.10 Impairment Losses under Expected Credit Loss Model, Net of Reversals

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

7.11 Income Tax Expense

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

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

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

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

Note:

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

7.12 Earnings Per Share

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

	Year ended 31 December	
	2019	2018
Earnings:		
Profit for the year attributable to equity holders of the Bank for the purpose of basic earnings per share	<u>4,547,971</u>	<u>4,181,248</u>
Numbers of shares:		
Weighted average number of shares in issue for the purpose of basic earnings per share (in thousand)	<u>6,070,552</u>	<u>6,070,552</u>
Basic earnings per share (RMB Yuan)	<u>0.75</u>	<u>0.69</u>

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

7.13 Dividends

		Year ended 31 December	
	<i>Notes</i>	2019	2018
2018 Final Dividend	(1)	1,092,699	–
2017 Final Dividend	(2)	<u>–</u>	<u>1,092,699</u>

Notes:

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

7.14 Interests in Associates

The balance of interests in associates is as follows:

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

Notes:

Details of the Bank's associates as at 31 December 2019 are set out below:

Name of entity	Type of legal entity	Place of incorporation/ establishment	Date of incorporation/ establishment	Share capital/ registered capital as at 31 December 2019 (In RMB'000)	Proportion of ownership and voting rights held by the Group		Principal activities
					As at 31 December 2019 %	As at 31 December 2018 %	
Tianjin Jizhou County Bank Company Limited (天津市薊州村鎮銀行股份有限公司)	Limited company	Tianjin, PRC	August 2008	300,000	35	35	Banking
AlaEr JinHui County Bank Company Limited (阿拉爾津匯村鎮銀行有限責任公司)	Limited liability company	Xinjiang, PRC	August 2016	50,000	40	40	Banking
Tiemenguan Jinhui County Bank Company Limited (鐵門關津匯村鎮銀行有限責任公司)	Limited liability company	Xinjiang, PRC	September 2016	50,000	49	49	Banking
HuTuBi JinHui County Bank Company Limited (呼圖壁津匯村鎮銀行有限責任公司)	Limited liability company	Xinjiang, PRC	September 2016	50,000	49	49	Banking
TaCheng JinHui County Bank Company Limited (塔城津匯村鎮銀行有限責任公司)	Limited liability company	Xinjiang, PRC	June 2017	50,000	49	49	Banking
FuKang JinHui County Bank Company Limited (阜康津匯村鎮銀行有限責任公司)	Limited liability company	Xinjiang, PRC	August 2017	50,000	49	49	Banking

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

7.15 Debt Securities Issued

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

Notes:

- (1) The 10 year fixed-rate subordinated bonds were issued on 27 December 2012 by the Bank at a face value of RMB1.5 billion with a fixed coupon rate of 5.90% per annum, payable annually. The Bank has an option to redeem all of the bonds at face value on the last day of the fifth year. The Bank did not exercise early redemption on 27 December 2017, and the interest rate remains unchanged at 5.90% per annum.
- (2) The 15 year fixed-rate subordinated bonds were issued on 27 December 2012 by the Bank at a face value of RMB1.2 billion with a fixed coupon rate of 5.99% per annum, payable annually. The Bank has an option to redeem all of the bonds at face value on the last day of the tenth year. If no early redemption is exercised, the interest rate will remain at 5.99% per annum.
- (3) The 10 year fixed-rate tier-two capital bonds were issued on 21 August 2015 by the Bank at a face value of RMB5.0 billion with a fixed coupon rate of 5.00% per annum, payable annually. The Bank has an option to redeem part or all of the bonds at face value on the last day of the fifth year if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. If no early redemption is exercised, the interest rate will remain at 5.00% per annum. This tier-two capital bonds have write-down feature of a tier-two capital instrument, which allows the Bank to write down the entire principal of the bonds and any accumulated unpaid interests when regulatory trigger events as stipulated in the offering documents occur. These tier-two capital bonds are qualified as tier-two capital instruments in accordance with the CBIRC requirements.

- (4) The 10 year fixed-rate tier-two capital bonds were issued on 18 January 2018 by the Bank at a face value of RMB10.0 billion with a fixed coupon rate of 4.80% per annum, payable annually. The Bank has an option to redeem part or all of the bonds at face value on the last day of the fifth year if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. If no early redemption is exercised, the interest rate will remain at 4.80% per annum. These bonds have the same capital features as 15 Tianjin Bank tier-two bonds as set out in Note (3).
- (5) The 3 year fixed-rate financial bonds were issued on 24 April 2018 by the Bank at a face value of RMB10.0 billion with a fixed coupon rate of 4.70% per annum, payable annually.
- (6) The 3 year fixed-rate financial bonds were issued on 15 June 2018 by the Bank at a face value of RMB6.0 billion with a fixed coupon rate of 4.90% per annum, payable annually.
- (7) The 3 year fixed-rate financial bonds were issued on 6 November 2018 by the Bank at a face value of RMB4.0 billion with a fixed coupon rate of 4.08% per annum, payable annually.
- (8) The 3 year fixed-rate financial bonds were issued on 25 December 2019 by the Bank at a face value of RMB5.0 billion with a fixed coupon rate of 3.88% per annum, payable annually.
- (9) The Bank issued a series of 1-month negotiable certificates of deposit (“CD”) at a discount. As at 31 December 2019, the face value of outstanding CD amounted to RMB2.3 billion, with a reference interest rate of 3.05%-3.30% (31 December 2018: 3.73%) per annum, payable at maturity.
- (10) The Bank issued a series of 3-month CD at a discount. As at 31 December 2019, the face value of outstanding CD amounted to RMB29.9 billion, with a reference interest rate of 2.90%-3.35% (31 December 2018: 2.85%-3.55%) per annum, payable at maturity.
- (11) The Bank issued a series of 6-month CD at a discount. As at 31 December 2019, the face value of outstanding CD amounted to RMB18.5 billion, with a reference interest rate of 2.98%-3.38% (31 December 2018: 3.25%-4.10%) per annum, payable at maturity.
- (12) The Bank issued a series of 9-month CD at a discount. As at 31 December 2019, the face value of outstanding CD amounted to RMB4.4 billion, with a reference interest rate of 3.00%-3.39% (31 December 2018: 3.50%-4.70%) per annum, payable at maturity.
- (13) The Bank issued a series of 1-year CD at a discount. As at 31 December 2019, the face value of outstanding CD amounted to RMB22.6 billion, with a reference interest rate of 3.10%-3.60% (31 December 2018: 3.30%-5.17%) per annum, payable at maturity.

7.16 Share Capital

	Year ended 31 December	
	2019	2018
At beginning and end of the year	<u>6,070,552</u>	<u>6,070,552</u>

7.17 Structure Entities

Consolidated structured entities

Certain structured entities, which were used for the purpose of securitisation of the financial assets held by Group, were consolidated. Details of consolidated structured entities are disclosed in note 7.20.

Unconsolidated structured entities

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

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

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

	As at 31 December 2019	As at 31 December 2018
Asset-backed securities	21,562,599	25,604,087
Wealth management products	–	1,039,259
Asset management plans	69,919,072	85,869,823
Trust beneficiary rights	49,437,374	59,309,436
Funds	23,306,245	5,900,913
Total	<u>164,225,650</u>	<u>177,723,518</u>

All of these unconsolidated structured entities are recorded in financial assets at fair value through profit or loss and debt investments at amortised costs as at 31 December 2019 and 2018.

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

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

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

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

7.18 Related Party Transactions

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

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

Balances and transactions between the Group and these major shareholders and entities under their control

During the year, the Group had the following material balances and entered into the following material transactions with major shareholders and entities under their control. These transactions were entered into in the normal course of business, with pricing policies consistent with those transactions conducted with independent third parties.

	As at 31 December 2019	As at 31 December 2018
Balances at the end of the year:		
Assets		
Deposits with banks and other financial institutions	7,443	4,581
Debt instruments at fair value through other comprehensive income	<u>100,000</u>	<u>—</u>
Total	<u>107,443</u>	<u>4,581</u>
Liabilities		
Due to customers	<u>1,014</u>	<u>86,278</u>
Total	<u>1,014</u>	<u>86,278</u>
	Year ended 31 December	
	2019	2018
Transactions during the year:		
Interest income	5,600	14,609
Interest expense	<u>194</u>	<u>880</u>
Interest rate ranges during the year:	%	%
Deposits with banks and other financial institutions	—	—
Debt instruments at fair value through other comprehensive income	5.60	—
Loans and advances to customers	—	4.35
Due to customers	<u>0.35~1.38</u>	<u>0.35~1.38</u>

(2) Other related parties

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

Balances and transactions with other related parties

	As at 31 December 2019	As at 31 December 2018
Balances at the end of the year:		
Liabilities		
Deposits from banks and other financial institutions	<u>1,390,058</u>	<u>1,066,490</u>
	Year ended 31 December	2019
		2018
Transactions during the year:		
Interest expense	<u>29,503</u>	<u>22,327</u>
Interest rate range during the period:	%	%
Deposit from banks and other financial institutions	<u>2.30-4.00</u>	<u>2.55~5.30</u>

(3) Key management personnel

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

No major transactions have been entered into with the key management personnel for the year ended 31 December 2019 other than the emoluments paid to them (being the key management personnel compensation).

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

Note:

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

(4) Annuity schemes

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

	Year ended 31 December	
	2019	2018
Contribution to annuity funds	102,248	90,301

7.19 Contingent Liabilities and Commitments

Legal proceedings

The Bank and its subsidiaries, as defendants, are involved in certain lawsuits arising from its normal business operations. As at 31 December 2019, the Group has assessed and measured the impact of those significant pending lawsuits and the amount of provision related to these lawsuits were reversed during the year.

Capital commitments

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

Redemption commitments of government bond

The Group is authorised by the Ministry of Finance to underwrite certificate government bonds and e-saving bonds. The investors of these bonds can redeem before maturity date and the Group has the obligation to pay the principal and related interests to investors.

As at 31 December 2019, the principal balance of certificate government bonds which the Group had an obligation to pay in advance amounted to RMB2,657 million (31 December 2018: RMB2,296 million), and the principal balance of e-saving bonds amounted to RMB2,800 million (31 December 2018: RMB2,345 million). The original term of these bonds is from 3 to 5 years.

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

7.20 Transfer of Financial Assets

Repurchase agreement

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

As stipulated in the repurchase agreements, there is no transfer of the legal ownership of these bonds or bills to the counterparties during the covered period. However, the Group is not allowed to sell or pledge these securities during the covered period unless both parties mutually agree with such arrangement. Accordingly, the Group has determined that it retains substantially all the risks and rewards of these bonds or bills and therefore have not derecognised them from the financial statements but regarded as “collateral” for the secured lending from the counterparties. The counterparty’s recourse is not limited to the transferred assets.

Asset securitisation

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

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

7.21 Particulars of Principal Subsidiaries

Details of the Bank's subsidiaries as at 31 December 2019 are set out below:

Name of entity	Type of legal entity	Place of incorporation/ Establishment/ operations	Date of incorporation/ establishment	Registered capital as at 31 December 2019	Proportion of ownership held by the Group		Proportion of voting rights held by the Group		Principal activities
					As at	As at	As at	As at	
					31 December 2019	31 December 2018	31 December 2019	31 December 2018	
				(In RMB'000)	%	%	%	%	
Ningxia Yuanzhou Jinhui County Bank Co., Ltd (寧夏原州津匯村鎮銀行有限責任公司)	Limited liability company	Ningxia, PRC	July 2016	50,000	51.00	51.00	51.00	51.00	Banking
Ningxia Tongxin Jinhui County Bank Co., Ltd (寧夏同心津匯村鎮銀行有限責任公司)	Limited liability company	Ningxia, PRC	August 2016	50,000	51.00	51.00	51.00	51.00	Banking
Bank of Tianjin Financial Leasing Co., Ltd (天銀金融租賃股份有限公司)	Limited company	Tianjin, PRC	October 2016	1,700,000	65.88	65.88	65.88	65.88	Financial Leasing

8. PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement was published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Bank (www.bankoftianjin.com). The 2019 annual report prepared in accordance with the IFRSs and 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 annual results announcement is prepared in both English and Chinese versions, in the event of any discrepancies in interpretation between the English version and Chinese version, the Chinese version shall prevail.

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

Tianjin, China
20 March 2020

As at the date of this announcement, the board of directors of the Bank comprises Mr. LI Zongtang, Mr. SUN Liguang and Ms. ZHANG Furong, as executive directors; Ms. SUN Jingyu, 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.*