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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)**

## **2020 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 2020 (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	SUN Ligu
Authorised Representatives	SUN Ligu, 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	DONG Xiaodong
Joint Company Secretaries	DONG Xiaodong, NGAI Wai Fung
Registered Address and Headquarters Address	No.15 Youyi Road, Hexi District, Tianjin, China
Principal Place of Business in Hong Kong	40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong
Telephone	86-22-2840 5262
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## 2. SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

	For the year ended 31 December		
	2020	2019	Rate of change (%)
	<i>(Amounts in thousands of Renminbi, unless otherwise stated)</i>		
<b>OPERATING RESULTS</b>			
Interest income	30,553,932	32,268,052	(5.3)
Interest expense	(16,907,490)	(19,045,250)	(11.2)
<b>NET INTEREST INCOME</b>	<b>13,646,442</b>	<b>13,222,802</b>	<b>3.2</b>
Investment income	1,738,108	1,429,901	21.6
Fee and commission income	2,447,096	2,308,570	6.0
Fee and commission expense	(136,561)	(42,284)	223.0
<b>NET FEE AND COMMISSION INCOME</b>	<b>2,310,535</b>	<b>2,266,286</b>	<b>2.0</b>
Net trading losses	(1,204,497)	(210,873)	471.2
Net gains arising from derecognition of financial assets measured at amortised cost	25,832	115,163	(77.6)
Other income, gains or losses	680,284	230,441	195.2
<b>OPERATING INCOME</b>	<b>17,196,704</b>	<b>17,053,720</b>	<b>0.8</b>
Operating expenses	(3,952,952)	(3,988,677)	(0.9)
Impairment losses under expected credit loss (ECL) model, net of reversals	(8,230,793)	(7,430,105)	10.8
Share of results of associates	22,125	(1,693)	(1,406.9)
<b>PROFIT BEFORE TAX</b>	<b>5,035,084</b>	<b>5,633,245</b>	<b>(10.6)</b>
Income tax expense	(691,671)	(1,024,584)	(32.5)
<b>PROFIT FOR THE YEAR</b>	<b>4,343,413</b>	<b>4,608,661</b>	<b>(5.8)</b>
Profit for the year attributable to: <b>Equity holders of the Bank</b>	<b>4,307,585</b>	<b>4,547,971</b>	<b>(5.3)</b>
Non-controlling interests	35,828	60,690	(41.0)
<b>Earnings per share attributable to equity holders of the Bank (Expressed in RMB Yuan per share)</b>			
– Basic	0.71	0.75	(5.3)

	As of 31 December 2020	As of 31 December 2019	Rate of change (%)
<i>(Amounts in thousands of Renminbi, unless otherwise stated)</i>			
<b>MAJOR INDICATORS OF ASSETS/ LIABILITIES</b>			
Total assets	<b>687,760,199</b>	669,401,117	2.7
Of which: loans and advances to customers	<b>295,752,349</b>	281,229,242	5.2
<b>Total liabilities</b>	<b>633,812,209</b>	618,224,334	2.5
Of which: due to customers	<b>355,981,854</b>	350,996,365	1.4
Share capital	<b>6,070,552</b>	6,070,552	–
Equity attributable to equity holders of the Bank	<b>53,130,224</b>	50,394,845	5.4
<b>Total equity</b>	<b>53,947,990</b>	<b>51,176,783</b>	<b>5.4</b>
<b>For the year ended 31 December</b>			
	<b>2020</b>	<b>2019</b>	<b>Change</b>
<b>PROFITABILITY INDICATORS (%)</b>			
Return on average total assets <sup>(1)</sup>	<b>0.64</b>	0.69	(0.05)
Return on average equity <sup>(2)</sup>	<b>8.26</b>	9.32	(1.06)
Net interest spread <sup>(3)</sup>	<b>1.98</b>	1.88	0.10
Net interest margin <sup>(4)</sup>	<b>2.26</b>	2.21	0.05
Net fee and commission income to operating income	<b>13.44</b>	13.29	0.15
Cost-to-income ratio <sup>(5)</sup>	<b>21.80</b>	22.20	(0.40)
<b>ASSET QUALITY INDICATORS (%)</b>			
Non-performing loan ratio <sup>(6)</sup>	<b>2.16</b>	1.98	0.18
Allowance coverage ratio <sup>(7)</sup>	<b>183.45</b>	220.58	(37.13)
Allowance to gross loan ratio <sup>(8)</sup>	<b>3.96</b>	4.36	(0.40)

	As of 31 December 2020	As of 31 December 2019	Change
<b>CAPITAL ADEQUACY RATIO</b>			
<b>INDICATORS (%)</b>			
<i>Calculated based on Capital Administrative Measures</i>			
Core tier-one capital adequacy ratio <sup>(9)</sup>	<u>11.12</u>	<u>10.62</u>	<u>0.50</u>
Tier-one capital adequacy ratio <sup>(10)</sup>	<u>11.12</u>	<u>10.63</u>	<u>0.49</u>
Capital adequacy ratio <sup>(11)</sup>	<u>14.48</u>	<u>15.24</u>	<u>(0.76)</u>
Total equity to total assets	<u><b>7.84</b></u>	<u><b>7.65</b></u>	<u><b>0.19</b></u>
<b>OTHER INDICATORS (%)</b>			
Loan-to-deposit ratio <sup>(12)</sup>	<b>87.06</b>	85.05	2.01
Liquidity ratio <sup>(13)</sup>	<b>60.57</b>	51.38	9.19
Percentage of loans to the single largest customer <sup>(14)</sup>	<b>4.36</b>	4.38	(0.02)
Percentage of loans to the top ten customers <sup>(15)</sup>	<b>32.85</b>	31.76	1.09

*Notes:*

- (1) Calculated by dividing net profit for the year by average balance of total assets at the beginning and the end of the year.
- (2) Calculated by dividing net profit for the year by average balance of total equity at the beginning and the end of the year.
- (3) Calculated as the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities.
- (4) Calculated by dividing net interest income by the daily average balance of total interest-earning assets.
- (5) Calculated by dividing total operating expenses, excluding sundry taxes, by total operating income.
- (6) Calculated by dividing total non-performing loans by gross loans (excluding interests).
- (7) Calculated by dividing total allowance for impairment losses on loans to customers by total non-performing loans.
- (8) Calculated by dividing total allowance for impairment losses on loans to customers by gross loans to customers (excluding interests).
- (9) Calculated by dividing core tier-one capital, net of core tier-one capital deductions, by risk-weighted assets.

- (10) Calculated by dividing tier-one capital, net of tier-one capital deductions, by risk-weighted assets.
- (11) Calculated by dividing total capital, net of capital deductions, by risk-weighted assets.
- (12) Loan-deposit ratios as of 31 December 2019 and 31 December 2020 were calculated according to the Notice on Adjusting the Calculation of Loan-to-Deposit Ratio for Commercial Banks (《中國銀監會關於調整商業銀行存貸比計算口徑的通知》) issued by CBRC.
- (13) Liquidity ratio is calculated in accordance with the formula promulgated by the China Banking and Insurance Regulatory Commission.
- (14) Calculated by dividing total loans to the single largest customer by net capital.
- (15) Calculated by dividing total loans to the top ten customers by net capital.

### **3. MANAGEMENT DISCUSSION AND ANALYSIS**

#### **3.1 Environment and Prospects**

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

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

### 3.2 Corporate Strategies

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



While supporting epidemic prevention and control, the Bank continued to implement the dual-track strategy of “transformation + innovation”, complied with the financial policies implemented by the Communist Party of China Central Committee, the State Council and banking regulatory authority, closely in the course of its own business development, actively innovated its financial products and met the various customers’ financial needs with professional and precise services. Firstly, to serve the real economy, the Bank stepped up its efforts on loan business. Net loans and advances to customers increased by 5.2% from the end of 2019, of which our medium and long-term manufacturing loans increased by 25% as compared to the same period of last year. The Bank optimised its inclusive financial services channels by extending the user reach of “e-loans for taxpayers” (銀稅e貸) and “e-loans for supermarkets” (商超e貸) online and innovating and developing inclusive financial product “Tianhangyongbei” (天行用唄). Loans granted to over 20,000 small and micro customers through above channels had accumulated to approximately RMB7.73 billion with a minimum interest rate of 3.95%, realising the precise support of the Bank’s financial services. Secondly, the Bank upheld the operating principle of “taking deposits as the primary job of the Bank” (存款立行) by diversifying its product portfolio of corporate banking and personal banking. It continued to promote the “Four Tailor-made Approaches” for corporate businesses in a bid to realise better quality and efficiency for its deposit business. The balance of amount due to customers increased by 1.4% as compared to the end of 2019, while the average cost of our customer deposits decreased by 38 basis points as compared to the same period last year. Thirdly, the Bank continued to promote the personal business with omni-channel coverage online and offline, so as to use internet channels to attract customers. Personal Asset Under Management (AUM) amounted to RMB169.8 billion, representing an increase of 13.2% as compared to the beginning of the year. The number of credit cards newly issued increased by 486,800 with credit card overdrafts increasing by 28.3%. Three types of smart outlets including “comprehensive outlet”, “flagship outlet” and “light outlet” had been put into operation, and customers’ experience and satisfaction have been greatly improved. Fourthly, for the financial market and investment banking businesses, we insisted on the “return to our origins”, stepped up efforts in standardised asset investment and underwriting, and aimed at enhancing the abilities of investment research and sales transactions. The Bank strengthened its initiative debt marketing and optimised its debt structure; it also stressed qualifications attained by new businesses and product innovation, put great efforts in building centres for innovation products and initiative debt as well as a channel platform between other banks and clients. In 2020, the bond transactions conducted by the Bank amounted to RMB6.5 trillion, representing an increase of 18% as compared to the same period last year. As a Category A inter-bank lead underwriter, the Bank had underwritten a total of RMB29.5 billion in inter-bank market bonds, representing an increase of 638.2% as compared to the same period last year, which facilitated the transformation of the Bank towards capital-light and asset-light businesses. Fifthly, the Bank continued to optimise and enhance the system of asset management products, and the proportion of existing net-value products increased from 50% in the beginning of the year to 89%. The Bank launched the wealth management products of enhanced fixed income, cyclical net worth products as well as a variety of wealth management products for exclusive customers, successfully meeting customers’ needs for diversified asset allocation. Sixthly, the Bank focused simultaneously on its development and risk control, and promoted the

establishment of a pre-examination and approval work mechanism. It also established an external reference information tracking mechanism for credit review and extension as well as a quarterly tracking and analysis mechanism for regional economies and key industries. The Bank strengthened its post-loan inspections, and effectively safeguarded the Bank against any risks. Seventhly, the development of information technology was steadily promoted, with the investment in technology increased by 19.0% as compared to the same period last year to RMB690 million. Phase II construction of IT Framework Planning Implementation Project has satisfied its overall operational conditions. The main construction of the building of active-active data centre has made significant progress, and the active-active drills of Wuqing and Xiqing data centre were both completed. The Bank also obtained the certifications of CMMI and ISO 20000, which proved that its software research and development and systematic maintenance and management capabilities have met international standards.

In 2020, the Bank realised operating income of RMB17.2 billion, representing an increase of 0.8% as compared to the same period last year. Profit before allowance increased by 1.6% to RMB13.27 billion as compared to the same period last year. With prudent consideration made on the impact on our asset quality brought by the epidemic, impairment provisions amounted to RMB8.23 billion, representing an increase of 10.8% as compared to the same period last year, which resulted in a net profit of RMB4.34 billion, representing a decrease of 5.8% as compared to the same period last year. The Bank's net interest margin increased by 5 basis points as compared to the same period last year to 2.26%. Net interest spread increased by 10 basis points as compared to the same period last year to 1.98%. Interest margin and interest spread demonstrated a "double increment". The main operating businesses performed well and net interest income reached RMB13.65 billion, representing an increase of 3.2% as compared to the same period last year. The Bank's investment income amounted to RMB1.74 billion, representing an increase of 21.6% as compared to the same period last year. Net fee and commission income amounted to RMB2.31 billion, representing an increase of 2.0% as compared to the same period last year. In terms of assets, the Bank's support for the real economy was further strengthened. As of the end of the Reporting Period, net loans and advances to customers amounted to RMB295.75 billion, representing an increase of 5.2% as compared to the same period last year. The Bank's investment portfolio was further optimised, with the scale of bond investment increased by 33.4% as compared to the same period last year to RMB190.67 billion. Two kinds of non-bidding investments including asset management plans and trust beneficiary rights were reduced by 27.3% to RMB86.76 billion. In terms of liabilities, the Bank utilised multiple channels to reduce its finance costs. The average cost of our interest-bearing liabilities dropped by 43 basis points, which directly increased the Bank's profit margin. The Bank also stepped up its marketing efforts for customers' deposit-taking business, with the balance of amount due to customers increased by 1.4% as compared to the same period last year to RMB355.98 billion. The average cost of due to customers dropped by 38 basis



points as compared to the same period last year. Capital adequacy ratio was 14.48%, which slightly dropped by 0.76 percentage point in comparison to the end of 2019. The decrease was mainly attributable to the Bank's voluntary redemption of tier-two capital bonds with a face value of RMB5 billion in 2020. Tier-one capital adequacy ratio and core tier-one capital adequacy ratio were both 11.12%, 0.49 and 0.50 percentage point higher than those as at the end of 2019, respectively. Under the impact of the epidemic and weakened repayment ability of certain customers, the non-performing loan ratio of the Bank was 2.16% as at the end of 2020. The Bank actively responded to authority directives and increased the disposal amount of its non-performing loans. The scale of write-off and transfers for non-performing loans using provisions increased by 94.8% year-on-year compared to 2019, resulting in a decrease in the provision coverage ratio to 183.45%. All other major regulatory indicators were in compliance with relevant requirements.

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

### 3.3 Analysis of the Income Statement

	For the year ended 31 December		
	2020	2019	Rate of change (%)
	<i>(Amounts in thousands of Renminbi, unless otherwise stated)</i>		
Interest income	30,553,932	32,268,052	(5.3)
Interest expense	(16,907,490)	(19,045,250)	(11.2)
<b>NET INTEREST INCOME</b>	<b>13,646,442</b>	<b>13,222,802</b>	<b>3.2</b>
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Net gains arising from derecognition of financial assets measured at amortised cost	25,832	115,163	(77.6)
Other income, gains or losses	680,284	230,441	195.2
<b>OPERATING INCOME</b>	<b>17,196,704</b>	<b>17,053,720</b>	<b>0.8</b>
Operating expenses	(3,952,952)	(3,988,677)	(0.9)
Impairment losses under expected credit loss (ECL) model, net of reversals	(8,230,793)	(7,430,105)	10.8
Share of results of associates	22,125	(1,693)	(1,406.9)
<b>PROFIT BEFORE TAX</b>	<b>5,035,084</b>	<b>5,633,245</b>	<b>(10.6)</b>
Income tax expense	(691,671)	(1,024,584)	(32.5)
<b>PROFIT FOR THE YEAR</b>	<b>4,343,413</b>	<b>4,608,661</b>	<b>(5.8)</b>

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

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

For the year ended 31 December 2020, the Bank's net interest income amounted to RMB13,646.4 million and net interest income of financial instruments measured at fair value through profit or loss ("FVTPL"), the figure under the item "investment income", amounted to RMB1,738.1 million. The sum of two was RMB15,384.5 million, a growth of 5.0% as compared to the figure as at 31 December 2019 measured in the same standard. The Bank's net interest spread increased from 1.88% for the year ended 31 December 2019 to 1.98% for the year ended 31 December 2020, primarily due to the fact that the average cost of our interest-bearing liabilities decreased by 0.43 percentage point to 2.77%. The Bank's net interest margin increased from 2.21% for the year ended 31 December 2019 to 2.26% for the year ended 31 December 2020, because the Bank's net interest income<sup>(1)</sup> increased by 5.0% for the year ended 31 December 2020.

Note:

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

The following tables set forth the average balance of the Bank's interest-earning assets and interest-bearing liabilities, interest income and expense from these assets and liabilities, and the average yield of these interest-earning assets and the average cost of these interest-bearing liabilities for the years ended 31 December 2019 and 2020.

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

	For the year ended 31 December					
	Average balance	2020 Interest income <sup>(8)</sup>	Average yield (%)	Average balance	2019 Interest income <sup>(8)</sup>	Average yield (%)
<i>(Amounts in millions of RMB, except for percentages)</i>						
Allowance for impairment losses	<u>(17,094.7)</u>			<u>(15,369.6)</u>		
Non-interest-earning assets <sup>(3)</sup>	<u>21,433.9</u>			<u>18,931.2</u>		
<b>Total assets</b>	<u><b>684,942.5</b></u>	<u><b>32,296.0</b></u>	<u><b>4.72</b></u>	<u><b>667,084.8</b></u>	<u><b>33,700.9</b></u>	<u><b>5.05</b></u>

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

*Notes:*

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

### **3.3.2 Interest Income**

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

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

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

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

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

*Interest income from debt securities investment*

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

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

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



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

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

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

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

### **3.3.3 Interest Expense**

Our interest expense (including the interest expense at FVTPL) decreased by 11.2% from RMB19,048.2 million for the year ended 31 December 2019 to RMB16,911.5 million for the year ended 31 December 2020, primarily due to the decrease of 43 basis points in the average cost of our interest-bearing liabilities from 3.20% for the year ended 31 December 2019 to 2.77% for the year ended 31 December 2020. The decrease in the average cost of our interest-bearing liabilities was primarily due to a decrease in the average cost of due to customers, amounts due to banks and other financial institutions and debt securities issued.

### *Interest expense on due to customers*

Our interest expense on due to customers decreased by 9.2% from RMB10,162.6 million for the year ended 31 December 2019 to RMB9,223.4 million for the year ended 31 December 2020, primarily due to the decrease of 38 basis points in the average cost of due to customers from 3.00% for the year ended 31 December 2019 to 2.62% for the year ended 31 December 2020. The decrease in our average cost of due to customers was primarily due to enhancement of client acquisition capability and client loyalty of our Bank. By adhering to our “Four Tailor-made Approaches” and precision marketing tactics, we were more focused on acquiring corporate clients with an emphasis on account planning as well as enhanced quality and efficiency.

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

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

#### *Interest expense on amounts due to banks and other financial institutions*

Our interest expense on amounts due to banks and other financial institutions decreased by 21.9% from RMB1,827.7 million for the year ended 31 December 2019 to RMB1,427.3 million for the year ended 31 December 2020, primarily due to the decrease of 101 basis points in the average cost of the amounts due to banks and other financial institutions from 2.97% for the year ended 31 December 2019 to 1.96% for the year ended 31 December 2020. The decrease in the average cost of amounts due to banks and other financial institutions was primarily due to the decrease in market interest rate.

#### *Interest expense on debt securities issued*

Our interest expense on debt securities issued decreased by 25.1% from RMB5,176.6 million for the year ended 31 December 2019 to RMB3,877.1 million for the year ended 31 December 2020, primarily due to the decrease of 19.5% in the average balance of debt securities issued from RMB135,498.4 million for the year ended 31 December 2019 to RMB109,069.0 million for the year ended 31 December 2020, and the decrease of 27 basis points in the average cost of debt securities issued from 3.82% for the year ended 31 December 2019 to 3.55% for the year ended 31 December 2020. The decrease in the average balance of our debt securities issued was primarily due to our Bank's reduction in the scale of corresponding liabilities. The decrease in the average cost of our debt securities issued was primarily due to the decrease in market interest rate.

### *Interest expense on lease liabilities*

For the year ended 31 December 2020, our interest expense on lease liabilities amounted to RMB49.4 million, representing a decrease of 5.0% as compared to RMB52.0 million for the year ended 31 December 2019, primarily due to the decrease of 47 basis points in our average cost of lease liabilities from 4.89% for the year ended 31 December 2019 to 4.42% for the year ended 31 December 2020.

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

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

### **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, and interests arising from the corresponding assets were also reclassified from interest income to investment income for accounting purpose.

Investment income represents gains from investment in financial instruments measured at fair value through profit or loss, including debt securities investment, funds, trust beneficiary rights, wealth management products and asset management plans and expense on financial liabilities held for trading measured at fair value through profit or loss. Investment income for the year ended 31 December 2020 was RMB1,738.1 million, representing an increase of 21.6% as compared to the investment income of RMB1,429.9 million for the year ended 31 December 2019, which was primarily due to an increase in the average daily investment measured at fair value through profit or loss as a result of the Bank's proactive asset structure adjustment.

### 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 years ended 31 December 2019 and 2020.

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

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

### 3.3.6 Net Trading Losses

Net trading losses arise from the net realised and unrealised profit and loss of financial assets measured at fair value through profit or loss and the net disposal losses of debt instruments measured at fair value through other comprehensive income. Our net trading losses amounted to RMB1,204.5 million for the year ended 31 December 2020, while the Bank's net trading losses amounted to RMB210.9 million for the year ended 31 December 2019. The main reason was because of the increased fluctuation in the changes in fair value of financial assets which was mainly due to market fluctuation.

### 3.3.7 Operating Expenses

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

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

*Note:*

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

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

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

### *Staff costs*

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

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

### *Sundry taxes*

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

### *Office expenses and rental and property management expenses*

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

### *Other general and administrative expenses*

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



### *Depreciation and amortisation*

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

### ***3.3.8 Impairment Losses under Expected Credit Loss (ECL) Model, Net of Reversals***

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

	For the year ended 31 December			
	2020	2019	Change in amount	Rate of change(%)
<i>(Amounts in millions of RMB, except percentages)</i>				
Loans and advances to customers at amortised costs	<b>7,297.4</b>	5,083.1	2,214.3	43.6
Loans and advances to customers at fair value through other comprehensive income (“FVTOCI”)	<b>21.9</b>	12.1	9.8	81.0
Credit commitments	<b>(41.5)</b>	109.5	(151.0)	(137.9)
Financial assets held under resale agreements	<b>–</b>	78.7	(78.7)	(100.0)
Debt instruments measured at amortised costs	<b>597.6</b>	1,925.5	(1,327.9)	(69.0)
Debt instruments measured at FVTOCI	<b>356.3</b>	75.9	280.4	369.4
Deposits with banks and other financial institutions	<b>6.0</b>	2.6	3.4	130.8
Placements with banks and other financial institutions	<b>4.8</b>	61.4	(56.6)	(92.2)
Other assets	<b>(11.7)</b>	81.3	(93.0)	(114.4)
<b>Total</b>	<b><u>8,230.8</u></b>	<b><u>7,430.1</u></b>	<b><u>800.7</u></b>	<b><u>10.8</u></b>

Our impairment losses under ECL model, net of reversals for the year ended 31 December 2020 were RMB8,230.8 million, representing an increase of 10.8% as compared to RMB7,430.1 million for the year ended 31 December 2019, which was primarily due to the fact that the Bank strengthened the overall provision of its assets, and the more sufficient impairment provision reflected the prudence of our impairment provision.

### 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			
	2020	2019	Change in amount	Rate of change (%)
	<i>(Amounts in millions of RMB, except percentages)</i>			
Profit before tax	<b>5,035.1</b>	5,633.2	(598.1)	(10.6)
Tax calculated at applicable statutory tax rate of 25%	<b>1,258.8</b>	1,408.3	(149.5)	(10.6)
Income tax at concessionary rate	<b>(1.4)</b>	(12.6)	11.2	(88.9)
Underprovision/(Overprovision) of tax in prior years	<b>2.5</b>	(12.6)	15.1	(119.8)
Tax effect of expenses not deductible for tax purpose	<b>36.5</b>	54.7	(18.2)	(33.3)
Tax effect of income not taxable for tax purposes <sup>(1)</sup>	<b>(604.7)</b>	(413.2)	(191.5)	46.3
Income tax expenses	<b><u>691.7</u></b>	<b><u>1,024.6</u></b>	<b><u>(332.9)</u></b>	<b><u>(32.5)</u></b>

*Note:*

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

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

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

*Note:*

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

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

## Loans and advances to customers

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

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

### Corporate loans

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

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

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

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

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

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

*Note:*

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

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

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

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

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

## Personal loans

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

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

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

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



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

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

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

#### *Finance lease receivables*

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

### *Discounted bills*

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

### *Investment securities and other financial assets*

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

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

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

	As of 31 December 2020		As of 31 December 2019	
	Amount	% of the total (%)	Amount	% of the total (%)
<i>(Amounts in millions of RMB, except percentages)</i>				
<b>Equity investments</b>				
Equity investments measured at fair value through profit or loss	468.6	0.2	58.6	0.0
Equity investments measured at fair value through other comprehensive income	1,564.7	0.5	1,393.6	0.5
<b>Subtotal</b>	<b>2,033.3</b>	<b>0.7</b>	<b>1,452.2</b>	<b>0.5</b>
<b>Total investment securities and other financial assets, net</b>	<b>312,323.2</b>	<b>100.0</b>	<b>296,512.8</b>	<b>100.0</b>

#### Debt securities

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

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

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

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

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

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

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

Distribution of investment securities and other financial assets by investment intention

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

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

### *Financial assets held under resale agreements*

The table below sets forth the distribution of our financial assets held under resale agreements by collateral type as of 31 December 2019 and 31 December 2020.

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

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

### *Other components of our assets*

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

Our cash and balances with central bank amounted to RMB47,831.5 million as of 31 December 2020, representing a decrease of 19.3% as compared to RMB59,303.1 million as of 31 December 2019.

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

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

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

Our other assets consist primarily of property and equipment, right-of-use assets, deferred tax assets, repossessed assets, interests in associates, prepaid expenses, intangible assets and other receivables, etc. Our other assets increased by 8.6% from RMB11,712.0 million as of 31 December 2019 to RMB12,718.9 million as of 31 December 2020, primarily due to the increase in other receivables.

#### *Pledge of assets*

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

*Note:*

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

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

#### *Due to customers*

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

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

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

Notes:

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

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

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

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

#### *Debt securities issued*

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

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

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

#### *Financial assets sold under repurchase agreements*

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

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

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

### *Financial liabilities held for trading*

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

### *Borrowings from central bank*

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

### *Income tax payable*

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

### *Derivative financial liabilities*

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

### *Other liabilities*

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

### Contingent liabilities

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

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

### 3.5 Analysis of Off-balance Sheet Items

The following table sets forth the contractual amounts of our credit commitments as of 31 December 2019 and 31 December 2020.

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

### 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 2019 and 31 December 2020.

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

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

*Note:*

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

### ***Distribution of corporate loans by industry***

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

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

*Note:*

(1) Consist of finance lease receivables.



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

### ***Distribution of Non-Performing Corporate Loans by Industry***

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The following table sets forth the distribution of our non-performing loans by geographical region as of 31 December 2019 and 31 December 2020.

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

*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 2019 and 31 December 2020.

	As of 31 December 2020		As of 31 December 2019	
	Amount	% of the total (%)	Amount	% of the total (%)
<i>(Amounts in millions of RMB, except percentages)</i>				
Unsecured loan	118,069.5	38.4	109,527.3	37.3
Guaranteed loan	96,701.7	31.4	97,674.7	33.2
Collateralised loans <sup>(1)</sup>	70,600.8	22.9	68,449.1	23.3
Pledged loans <sup>(1)</sup>	22,450.4	7.3	18,294.6	6.2
<b>Total loans and advances to customers</b>	<b>307,822.4</b>	<b>100.0</b>	<b>293,945.7</b>	<b>100.0</b>

*Note:*

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

## ***Borrowers concentration***

For the year ended 31 December 2020, the Bank's total loans to its largest single borrower accounted for 4.36% of its regulatory capital while total loans to its top ten customers accounted for 32.85% of its regulatory capital, which were in compliance with regulatory requirements.

### *a. Indicators of concentration*

<b>Major regulatory indicators</b>	<b>Regulatory standard</b>	<b>As of 31 December 2020</b>	<b>As of 31 December 2019</b>
Loan concentration ratio for the largest single customer (%)	<=10	4.36	4.38
Loan concentration ratio for the top ten customers (%)	<=50	32.85	31.76

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

		As of 31 December 2020			Classification
		Amount	% of the total loans (%)	% of regulatory capital <sup>(1)</sup> (%)	
Industry					
(Amounts in millions of RMB, except percentages)					
Borrower A	Construction	2,998.5	0.97	4.36	Normal
Borrower B	Leasing and business services	2,938.0	0.96	4.27	Normal
Borrower C	Real estate	2,416.0	0.79	3.52	Normal
Borrower D	Manufacturing	2,349.0	0.76	3.42	Normal
Borrower E	Manufacturing	2,279.4	0.74	3.32	Normal
Borrower F	Real estate	2,255.0	0.73	3.28	Normal
Borrower G	Leasing and business services	1,895.0	0.62	2.76	Normal
Borrower H	Manufacturing	1,858.8	0.60	2.70	Normal
Borrower I	Wholesale and retail	1,797.0	0.59	2.61	Special mention
Borrower J	Wholesale and retail	1,794.0	0.58	2.61	Normal
Total		22,580.7	7.34	32.85	

*Note:*

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

As of 31 December 2020, the loan balance of the largest single borrower of the Bank was RMB2,998.5 million, accounting for 0.97% of the total amount of loans of the Bank, and the total amount of loans of the top ten single borrowers was RMB22,580.7 million, representing 7.34% of the total amount of loans of the Bank.

### ***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 2020		As of 31 December 2019	
	% of the total loans and advances to customers		% of the total loans and advances to customers	
Past due	Amount	(%)	Amount	(%)
<i>(Amounts in thousands of RMB, except percentages)</i>				
Past due 1 to 90 days	4,577,681	1.49	3,689,078	1.25
Past due 90 days to 1 year	5,496,738	1.78	1,902,002	0.65
Past due 1 to 3 years	1,531,285	0.50	2,018,500	0.69
Past due more than 3 years	679,052	0.22	1,767,617	0.60
<b>Total</b>	<b>12,284,756</b>	<b>3.99</b>	<b>9,377,197</b>	<b>3.19</b>

### ***Changes to allowance for impairment losses of loans***

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

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

*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			
	2020		2019	
	Amount	% of the total (%)	Amount	% of the total (%)
	<i>(Amounts in millions of RMB, except percentages)</i>			
Tianjin	8,974.7	52.2	8,933.2	52.4
Shanghai	3,297.3	19.2	2,915.1	17.1
Sichuan Province	1,408.1	8.2	1,233.0	7.2
Beijing	1,361.6	7.9	1,887.4	11.1
Shandong Province	1,276.3	7.4	1,245.1	7.3
Hebei Province	797.1	4.6	724.5	4.2
Ningxia	81.6	0.5	115.4	0.7
<b>Total</b>	<b>17,196.7</b>	<b>100.0</b>	<b>17,053.7</b>	<b>100.0</b>



### ***Business segment report***

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

	<b>For the year ended 31 December</b>			
	<b>2020</b>		<b>2019</b>	
	<b>Amount</b>	<b>% of the total (%)</b>	<b>Amount</b>	<b>% of the total (%)</b>
	<i>(Amounts in millions of RMB, except percentages)</i>			
Corporate Banking Business	<b>6,267.9</b>	<b>36.4</b>	6,455.7	37.9
Personal Banking Business	<b>6,534.3</b>	<b>38.1</b>	6,335.8	37.2
Treasury Operations Business	<b>4,341.2</b>	<b>25.2</b>	4,228.9	24.7
Others <sup>(1)</sup>	<b>53.3</b>	<b>0.3</b>	33.3	0.2
<b>Total</b>	<b>17,196.7</b>	<b>100.0</b>	<b>17,053.7</b>	<b>100.0</b>

*Note:*

(1) Consist 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 2019, our Bank's capital adequacy ratio met the regulatory requirements under such regulations. As of 31 December 2020, the capital adequacy ratio was 14.48%, which slightly dropped by 0.76 percentage point in comparison to the ratio as of 31 December 2019 and tier-one capital adequacy ratio and core tier-one capital adequacy ratio were 11.12% and 11.12%, respectively, which were 0.49 and 0.50 percentage point higher than those as of 31 December 2019, respectively. The slight decrease in our capital adequacy ratio was mainly due to the redemption of the tier-two capital bonds with the face value of RMB5 billion in 2020, while the increase in tier-one capital adequacy ratio and core tier-one capital adequacy ratio was primarily due to increased capital from internal sources as a result of increased earnings.

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

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

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

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

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

### 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 2020, we continuously enhanced our comprehensive risk management system and improved our risk control, continued to facilitate the establishment of an integrated and comprehensive risk management system through which we have managed to successfully meet relevant regulatory requirements, mitigate risks associated with general unstable economic conditions, and secure the sustainable development of our business. In particular, the Bank strives to maintain a risk management system to strike the balance between risk and return, so as to strictly control our risk exposure while maintaining the flexibility to allow business innovations and maintain asset quality.

#### ***Credit risk***

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

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

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

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

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

### ***Operational risk***

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

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

### ***Market risk***

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

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

### ***Liquidity risk management***

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

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

### ***Information technology risk management***

We are subject to information technology risk which may cause operational, legal and reputational risks.

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

Our Bank has formulated IT Risk Management Policies of Bank of Tianjin Co., Ltd. (《天津銀行股份有限公司信息科技風險管理政策》), Administrative Measures for IT Risk Management of Bank of Tianjin (《天津銀行信息科技風險管理辦法》), IT Risk Management Strategies of Bank of Tianjin (《天津銀行信息科技風險管理策略》), Administrative Measures for Risk Management of Sub-contracting IT Work of Bank of Tianjin (《天津銀行信息科技外包風險管理辦法》) and Administrative Measures for IT Risk Monitoring Evaluation and Disposal of Bank of Tianjin (《天津銀行信息科技風險監測評估與處置管理辦法》). Meanwhile, since the outbreak of the COVID-19 epidemic, the Bank timely formulated a bankwide business continuity management work plan in response to the epidemic, carried out the information technology outsourcing risk screening, and strictly prevented the epidemic and information technology risks.

### 3.10 Business Review

#### *Corporate Banking Business*

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

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

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

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

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

## ***Personal Banking Business***

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

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

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



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

### ***Small and Micro Inclusive Financial Services***

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

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

Our Bank earnestly implemented the state’s policies and requirements for supporting “agriculture, rural areas and farmers”, actively performed our responsibilities for inclusive finance and continuously improved rural financial services and layout of branches in rural areas. As of 31 December 2020, our Bank established a total of 8 county banks in poor counties with small economic size and inadequate financial services in Xinjiang and Ningxia, and Jizhou District, Tianjin as well. Among them, Ningxia Yuanzhou Village Bank (寧夏原州村鎮銀行), our consolidated subsidiary, recorded operating income of RMB37 million and net profit of RMB7.7 million in 2020, respectively. Ningxia Tongxin Village Bank (寧夏同心村鎮銀行), our another consolidated subsidiary, recorded operating income of RMB44.6 million and net profit of RMB23.2 million in 2020, respectively. As of 31 December 2020, our inclusive agriculture-related loan balance amounted to RMB2,231.1 million, among which, the inclusive agriculture-related loan balance in Tianjin reached RMB1,026.0 million, representing an increase of 41.9% as compared to that of 31 December 2019.

In addition, the Bank developed the financial leasing business through establishing Bank of Tianjin Financial Leasing Co., Ltd., which commenced its business operation in October 2016. For the year ended 31 December 2020, total assets and net profit of Bank of Tianjin Financial Leasing Co., Ltd. amounted to RMB8,253.6 million and RMB60.5 million, respectively.

### ***Treasury Operations Business***

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

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

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

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

### ***Money Market Transactions***

For the year ended 31 December 2020, by expanding our aggregate transaction scale in the money market, our Bank responded to the changing money market while maintaining our liquidity and enhancing our influence in the money market.

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

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

## ***Fixed Income Business***

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

Firstly, we actively developed bond underwriting and distribution business through the model of joint action of primary and secondary markets as well as cross action of innovative business such as bond lending. The Bank continuously leveraged on the strength and customer resources of members of treasury bond underwriting syndicates, the three major policy banks' financial debt underwriting syndicates and local bond underwriting syndicates in Tianjin, Shanghai, Hebei, Shandong and other regions. In 2020, the accumulated underwriting amount of treasury bonds, local government bonds and policy bank bonds amounted to RMB155.8 billion, representing a year-on-year increase of 79%. The Bank also actively participated in the underwriting of financial bonds in the theme against the epidemic by three major policy banks, and the underwriting of trillions of special national bonds against the epidemic by the Ministry of Finance, which were recognised through a letter of appreciation from the Department of Treasury under the Ministry of Finance. We have actively fulfilled our social responsibilities while further expanded our source of non-interests income.

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

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



### ***Forex and Precious Metal Transactions***

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

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

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

For the year ended 31 December 2020, the wealth management business of our Bank accelerated the product transformation towards the net worth type, innovated new products, optimised asset allocation, adjusted its customer base, and consequently maintained its leading position in terms of profitability in the industry.

Firstly, we accelerated the product transformation towards the net worth type. In 2020, our Bank strictly followed the new regulatory requirements on asset management business and contributed to the net worth type transformation of wealth management business in the industry. On the basis of continuous improvement in the net worth product system, our Bank has launched various types of net worth products such as the customer cycle type and the enhanced fixed income type. By the end of 2020, the size of net worth wealth management products reached RMB88,736.4 million, representing an increase in its proportion to the overall figure to 89% from 50% at the beginning of the year.

Secondly, we optimised asset allocation and strengthened portfolio management. According to the overall policy of our Bank, i.e., "Four Tailor-made Approaches" and "Improvement in both Quality and Efficiency", our Bank's wealth management business has continuously strengthened the management of existing assets, reduced a batch of poor-quality and low-yield assets, and enhanced quality and efficiency through ways including adjustment of asset structure, optimisation of major asset allocation and proactive management of equity assets. With the overall downward trend in market interest rates, through strengthening portfolio management, the Bank ensured that profitability of its wealth management business maintained a good level.



Thirdly, we sought for optimisation of customer profile. Based on the regulatory guideline for asset management business, i.e. “restoring to real economy”, and our Bank’s strategic positioning of ultra-unconventional development approach for retail business, we strive to be a leading city commercial bank by seeking for optimisation of customer profile in wealth management business. Through concerted efforts, our Bank’s customer profile in wealth management products was significantly optimised. As of 31 December 2020, the proportion of our basic core wealth management customers increased to 95% from 81% at the beginning of the year. In particular, the size of our existing wealth management business for individuals reached RMB91,812.5 million and its proportion to the overall figure also increased to 92% from 78% at the beginning of the year.

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

### ***Investment Banking Business***

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

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

### ***International Business***

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

#### **4. SIGNIFICANT INVESTMENT, ACQUISITION AND DISPOSAL OF ASSETS AND BUSINESS MERGER**

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

#### **5. OTHER INFORMATION**

##### **5.1 Corporate Governance Code**

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

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

Our Bank has adopted the Corporate Governance Code (the “**Code**”) in Appendix 14 to the Hong Kong Listing Rules, and has met the requirements of the PRC commercial bank administrative measures and corporate governance and has established a sound corporate governance system. Save for the temporary deviation from Code provision A.2.1 mentioned below, the Board believes that our Bank has always complied with the requirements of the code provisions set out in the Code in Appendix 14 to the Hong Kong Listing Rules during the Reporting Period.

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

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

## **5.2 Directors, Supervisors and Senior Management of the Bank**

As of the date of this announcement, the composition of the Board of Directors, 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 two executive directors, namely Mr. SUN Liguu (Chairman) and Mr. WU Hongtao (President); six non-executive directors, namely Ms. SUN Jingyu, Ms. DONG Guangpei, Mr. Alistair Marshall BULLOCH, Mr. ZHAO Wei, Mr. WANG Shunlong and Ms. LI Jun; and five independent non-executive directors, namely Mr. FENG Heping, Mr. LAW Yee Kwan, Quinn, Mr. JIN Qingjun, Mr. HUA Yaogang and Mr. HE Jia.

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

The senior management of the Bank comprised a total of six members, namely Mr. WU Hongtao, Mr. TANG Yiping, Mr. JIANG Hua, Mr. LIU Gangling, Mr. XIA Zhenwu and Ms. DONG Xiaodong.

## **5.3 Changes of Directors, Supervisors and Senior Management during the Reporting Period**

On 9 January 2020, due to work adjustment, Mr. LIANG Jianfa tendered his resignation from the position of the executive director of the Bank, a member of the related party transactions control committee, the risk management committee and the inclusive finance development and consumer rights protection committee (former the consumer rights protection committee) under the Board, the vice president of the Bank and the chief financial officer of the Bank. According to the Company Law of the People's Republic of China and other relevant laws and regulations as well as the Articles of Association of the Bank, the resignation of Mr. LIANG took effect on 9 January 2020. For details, please refer to the announcement of the Bank headed "Resignation of Executive Director and Vice President" dated 9 January 2020.

On 20 March 2020, due to work adjustment, Mr. XIAO Jingxi tendered his resignation to the Board to resign from the position of non-executive director of the Bank and member of the audit committee under the Board. According to the Company Law of the People's Republic of China and other relevant laws and regulations as well as the Articles of Association of the Bank, the resignation of Mr. XIAO took effect on 30 June 2020. For details please refer to the announcement of the Bank headed "Change of Non-executive Director" dated 20 March 2020, the announcement headed "(I) Poll Results of the 2019 Annual General Meeting held on Tuesday, May 12, 2020 and (II) Payment of the Final Dividend" dated 12 May 2020 and the announcement headed "Announcement on Approval of the Qualification of Directorship by the Regulatory Body" dated 30 June 2020.

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

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

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

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

On 12 October 2020, Ms. ZHANG Furong ceased to serve as vice president of our Bank due to work adjustment. Ms. ZHANG Furong's resignation took effect on 12 October 2020. For details, please refer to the announcement of the Bank headed "Resignation of Vice Presidents" dated 12 October 2020. On 29 December 2020, due to the reason of age, Ms. ZHANG tendered her resignation from the position of the executive director of the Bank, members of the related party transactions control committee, the nomination and remuneration committee and the inclusive finance development and consumer rights protection committee under the Board, the secretary of the Board, a joint company secretary of the Bank and an authorised representative (appointed pursuant to Rule 3.05 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited). According to the Company Law of the People's Republic of China and other relevant laws and regulations as well as the Articles of Association of the Bank, the resignation of Ms. ZHANG in relation to the director and members of each committee of the Board took effect on 15 January 2021. For details, please refer to the announcement of the Bank headed "(I) Resignation of executive director, secretary of the board and joint company secretary; (ii) Appointment of secretary of the board and joint company secretary; (iii) Change of authorised representative; and (iv) Proposed changes of members of committees of the board" dated 29 December 2020 and the announcement headed "Announcement on approval of the qualification of directorship by the regulatory body" dated 15 January 2021.

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

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



On 1 December 2020, due to work adjustment, Mr. WANG Feng tendered his resignation from the positions of the assistant to President and Chief Information Officer of the Bank and left the Bank. The resignation of Mr. WANG Feng took effect on 1 December 2020.

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

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

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.

#### **5.4 Securities Transactions by Directors, Supervisors and Relevant Employees**

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

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

#### **5.5 Profits and Dividends**

The Bank’s revenue for the year ended 31 December 2020 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 2019 of the Bank was considered and approved by the shareholders of the Bank at the 2019 annual general meeting of the Bank held on 12 May 2020. A final dividend of RMB1.8 (tax inclusive) per ten Shares for the year of 2019, amounting to a total dividend of RMB1,092.7 million (tax inclusive) was distributed to holders of H Shares and Domestic Shares on 30 June 2020.

As approved by the Board in the meeting on 26 March 2021, it is recommended for the Bank not to distribute final dividend for 2020 to all the Shareholders. The profit distribution plan including such recommendations on no distribution of dividend will be reviewed and considered on the 2020 annual general meeting. The independent non-executive directors of the Bank have issued independent opinions on the profit distribution plan.

## **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 2020 prepared by the Bank in accordance with the International Financial Reporting Standards 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 the issuance of H shares of the Bank had been used in accordance with the intended usage as disclosed in the prospectus of the Bank. The net proceeds raised from the global offering of the Bank (after deduction of the underwriting fees and commissions and estimated expenses payable by the Bank in connection with the global offering) had been completely applied to strengthen the capital of the Bank to support the ongoing growth of its business.

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

## **5.9 Subsequent Events**

No other significant events occurred to the Bank and its subsidiaries 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 2020*

*(Amounts in thousands of Renminbi, unless otherwise stated)*

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

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

## 6.2 Consolidated Statement of Financial Position

*As at 31 December 2020*

*(Amounts in thousands of Renminbi, unless otherwise stated)*

	31 December 2020	31 December 2019
ASSETS		
Cash and balances with central bank	47,831,475	59,303,119
Deposits with banks and other financial institutions	7,831,165	6,888,466
Placements with banks and other financial institutions	10,693,212	5,413,990
Derivative financial assets	9,744	167,291
Financial assets held under resale agreements	600,197	8,174,228
Financial assets at fair value through profit or loss	65,486,367	59,544,603
Debt instruments at fair value through other comprehensive income	57,923,347	46,994,040
Loans and advances to customers	295,752,349	281,229,242
Debt instruments at amortised cost	187,348,850	188,580,627
Equity instruments at fair value through other comprehensive income	1,564,660	1,393,601
Deferred tax assets	4,808,896	4,797,646
Other assets	4,063,300	3,298,900
Property and equipment	2,569,826	2,288,830
Right-of-use assets	1,044,283	1,116,131
Interests in associates	232,528	210,403
Total assets	<u>687,760,199</u>	<u>669,401,117</u>

	<b>31 December 2020</b>	31 December 2019
<b>LIABILITIES</b>		
Borrowings from central bank	<b>25,318,850</b>	36,629,447
Deposits from banks and other financial institutions	<b>47,491,951</b>	45,385,064
Placements from banks and other financial institutions	<b>25,809,846</b>	21,198,612
Financial liabilities held for trading	<b>472,762</b>	412,186
Financial assets sold under repurchase agreements	<b>60,492,664</b>	32,993,996
Derivative financial liabilities	<b>675,034</b>	39,787
Income tax payable	<b>437,562</b>	1,693,467
Other liabilities	<b>7,367,280</b>	7,138,432
Lease liabilities	<b>1,052,790</b>	1,067,299
Due to customers	<b>355,981,854</b>	350,996,365
Debt securities issued	<b>108,711,616</b>	120,669,679
	<hr/>	<hr/>
Total liabilities	<b>633,812,209</b>	618,224,334
	<hr/>	<hr/>
<b>EQUITY</b>		
Share capital	<b>6,070,552</b>	6,070,552
Capital reserve	<b>10,731,130</b>	10,731,130
Investment revaluation reserve	<b>(390,876)</b>	88,631
Surplus reserve	<b>3,352,480</b>	3,352,480
General reserve	<b>9,213,596</b>	9,198,347
Retained earnings	<b>24,153,342</b>	20,953,705
	<hr/>	<hr/>
Equity attributable to equity holders of the Bank	<b>53,130,224</b>	50,394,845
Non-controlling interests	<b>817,766</b>	781,938
	<hr/>	<hr/>
Total equity	<b>53,947,990</b>	51,176,783
	<hr/>	<hr/>
Total equity and liabilities	<b>687,760,199</b>	669,401,117
	<hr/>	<hr/>

### 6.3 Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

(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 2020	<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>
Profit for the year	-	-	-	-	-	4,307,585	4,307,585	35,828	4,343,413
Other comprehensive expense for the year	-	-	(479,507)	-	-	-	(479,507)	-	(479,507)
Total comprehensive income for the year	-	-	(479,507)	-	-	4,307,585	3,828,078	35,828	3,863,906
Dividend distribution	-	-	-	-	-	(1,092,699)	(1,092,699)	-	(1,092,699)
Appropriation to general reserve	-	-	-	-	15,249	(15,249)	-	-	-
As at 31 December 2020	<u><u>6,070,552</u></u>	<u><u>10,731,130</u></u>	<u><u>(390,876)</u></u>	<u><u>3,352,480</u></u>	<u><u>9,213,596</u></u>	<u><u>24,153,342</u></u>	<u><u>53,130,224</u></u>	<u><u>817,766</u></u>	<u><u>53,947,990</u></u>
As at 1 January 2019	<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>
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><u>6,070,552</u></u>	<u><u>10,731,130</u></u>	<u><u>88,631</u></u>	<u><u>3,352,480</u></u>	<u><u>9,198,347</u></u>	<u><u>20,953,705</u></u>	<u><u>50,394,845</u></u>	<u><u>781,938</u></u>	<u><u>51,176,783</u></u>

#### 6.4 Consolidated Statement of Cash Flows

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

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

	<b>Year ended 31 December</b>	
	<b>2020</b>	<b>2019</b>
Cash generated by operating activities	<b>9,107,631</b>	41,350,339
Income tax paid	<b>(1,798,990)</b>	(1,913,222)
Net cash generated by operating activities	<b>7,308,641</b>	39,437,117
<b>INVESTING ACTIVITIES</b>		
Cash received from disposal and redemption of investment securities	<b>380,424,989</b>	366,937,465
Cash received from disposal of property and equipment and other assets	<b>4,928</b>	8,720
Cash paid for purchases of investment securities	<b>(396,165,937)</b>	(360,119,572)
Cash paid for purchase of property and equipment and other assets	<b>(883,657)</b>	(796,575)
Interest income received from investment securities	<b>11,507,666</b>	13,562,029
Dividend income received from investment securities	<b>1,440</b>	1,200
Net cash (used in)/generated by investing activities	<b>(5,110,571)</b>	19,593,267
<b>FINANCING ACTIVITIES</b>		
Cash received from debt securities issued	<b>137,743,802</b>	189,253,368
Repayment of debt securities issued	<b>(149,790,000)</b>	(228,410,000)
Repayment of lease liabilities	<b>(300,281)</b>	(279,791)
Interest paid on financing activities	<b>(3,788,961)</b>	(5,173,919)
Dividends paid	<b>(1,082,139)</b>	(1,073,710)
Net cash used in financing activities	<b>(17,217,579)</b>	(45,684,052)
Net (decrease)/increase in cash and cash equivalents	<b>(15,019,509)</b>	13,346,332
Cash and cash equivalents at beginning of the year	<b>40,210,874</b>	26,851,195
Effect of foreign exchange rate changes	<b>(88,450)</b>	13,347
Cash and cash equivalents at end of the year	<b>25,102,915</b>	40,210,874
Net cash generated by operating activities include:		
Interest received	<b>23,237,049</b>	25,506,480
Interest paid	<b>(15,230,538)</b>	(13,404,702)
Net interest received from operating activities	<b>8,006,511</b>	12,101,778



## 7. NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

#### *Amendments to IFRSs that are mandatorily effective for the current year*

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

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

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

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

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

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

IFRS 17	Insurance Contracts and the related Amendments <sup>1</sup>
Amendments to IFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2 <sup>4</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current <sup>1</sup>
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to IAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use <sup>2</sup>
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>2</sup>
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018-2020 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022.

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

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2021.

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

## **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.

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

	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>

### 7.3 Net Interest Income

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

## 7.4 Investment Income

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

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

## 7.5 Net Fee and Commission Income

	Year ended 31 December	
	2020	2019
Fee and commission income (i)		
Wealth management service fees	<b>1,516,890</b>	1,428,041
Consultancy fees	<b>91,771</b>	145,318
Acceptance and guarantee commitment fees	<b>75,811</b>	73,538
Agency commissions and underwriting service fees	<b>552,353</b>	387,439
Settlement and clearing fees	<b>169,704</b>	195,908
Bank card fees	<b>37,993</b>	74,748
Others	<b><u>2,574</u></b>	<u>3,578</u>
Subtotal	<b><u>2,447,096</u></b>	<u>2,308,570</u>
Fee and commission expense	<b><u>(136,561)</u></b>	<u>(42,284)</u>
Total	<b><u>2,310,535</u></b>	<u>2,266,286</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. Underwriting fees are usually collected within 3 months after the relevant securities have been issued.

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

The Group provides services to both corporate and personal customers and its disaggregation of revenue from these services by types of customers in reportable segments are disclosed in Note 7.2. 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

	<b>Year ended 31 December</b>	
	<b>2020</b>	<b>2019</b>
Net realised and unrealised loss from financial assets at fair value through profit or loss	<b>(1,443,802)</b>	(316,080)
Net gains on disposal of debt instruments at fair value through other comprehensive income	<b>239,305</b>	105,207
Total	<b><u>(1,204,497)</u></b>	<b><u>(210,873)</u></b>

Included in net realised and unrealised loss from financial assets at fair value through profit or loss was net realised and unrealised loss arising from foreign currency exchange swaps. These swaps were purchased to manage foreign currency exposures of the Group. The foreign exchange differences recorded in profit or loss were disclosed in Note 7.8, while the details of derivatives used by the Group were disclosed in annual report.

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

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

During the year ended 31 December 2020, the Group sold some financial assets measured at amortised cost to meet the demand of liquidity.



## 7.8 Other Income, Gains or Losses

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

Notes:

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

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

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

## 7.9 Operating Expenses

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

Notes:

- (1) Staff costs

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

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

## 7.10 Impairment Losses under Expected Credit Loss Model, Net of Reversal

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

## 7.11 Income Tax Expense

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

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

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

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

*Note:*

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

## 7.12 Earnings Per Share

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

	<b>Year ended 31 December</b>	
	<b>2020</b>	<b>2019</b>
Earnings:		
Profit for the year attributable to equity holders of the Bank for the purpose of basic earnings per share	<u><b>4,307,585</b></u>	<u>4,547,971</u>
Numbers of shares:		
Weighted average number of shares in issue for the purpose of basic earnings per share (in thousand)	<u><b>6,070,552</b></u>	<u>6,070,552</u>
Basic earnings per share (RMB Yuan)	<u><b>0.71</b></u>	<u>0.75</u>

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

## 7.13 Dividends

		<b>Year ended 31 December</b>	
	<i>Notes</i>	<b>2020</b>	<b>2019</b>
2019 Final Dividend	(1)	<b>1,092,699</b>	—
2018 Final Dividend	(2)	<u><b>—</b></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 2019 amounting in a total of RMB1,093 million was proposed by the Board of Directors and approved by the 2019 annual general meeting on 12 May 2020.
- (2) A final dividend of RMB18 cents per share (tax inclusive) in respect of the year ended 31 December 2018 amounting in a total of RMB1,093 million was proposed by the Board of Directors and approved by the 2018 annual general meeting on 16 May 2019.

## 7.14 Interests in Associates

The balance of interests in associates is as follows:

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

*Notes:*

Details of the Bank's associates as at 31 December 2020 are set out below:

Name of entity	Type of legal entity	Place of incorporation/ establishment	Date of incorporation/ establishment	Share capital/ registered capital as at 31 December 2020 (In RMB '000)	Proportion of ownership and voting rights held by the Group		Principal activities
					As at 31 December 2020 %	As at 31 December 2019 %	
Tianjin Jizhou County Bank Company Limited (天津市薊州村鎮銀行股份有限公司)	Limited company	Tianjin, PRC	August 2008	300,000	35	35	Banking
AlaEr JinHui County Bank Company Limited (阿拉爾津匯村鎮銀行有限責任公司)	Limited liability company	Xinjiang, PRC	August 2016	50,000	40	40	Banking
Tiemenguan Jinhui County Bank Company Limited (鐵門關津匯村鎮銀行有限責任公司)	Limited liability company	Xinjiang, PRC	September 2016	50,000	49	49	Banking
HuTuBi JinHui County Bank Company Limited (呼圖壁津匯村鎮銀行有限責任公司)	Limited liability company	Xinjiang, PRC	September 2016	50,000	49	49	Banking
TaCheng JinHui County Bank Company Limited (塔城津匯村鎮銀行有限責任公司)	Limited liability company	Xinjiang, PRC	June 2017	50,000	49	49	Banking
FuKang JinHui County Bank Company Limited (阜康津匯村鎮銀行有限責任公司)	Limited liability company	Xinjiang, PRC	August 2017	50,000	49	49	Banking

For the year ended 31 December 2020, the total amount of associated companies' operating income was RMB150 million (2019: RMB145 million). Total assets and total equity of these associates as at 31 December 2020 were RMB4,347 million (31 December 2019: RMB4,294 million) and RMB574 million (31 December 2019: RMB538 million) respectively. The Group's share of these amounts represent 0.28%, 0.27% and 0.39% (31 December 2019: 0.36%, 0.28% and 0.41%) to the Group's operating income, total assets, and total equity respectively. Directors of the Bank consider that these associates are immaterial to the Group.

## 7.15 Debt Securities Issued

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

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



- (4) The 10 year fixed-rate tier-two capital bonds were issued on 18 January 2018 by the Bank at a face value of RMB10.0 billion with a fixed coupon rate of 4.80% per annum, payable annually. The Bank has an option to redeem part or all of the bonds at face value on the last day of the fifth year if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. If no early redemption is exercised, the interest rate will remain at 4.80% per annum. This tier-two capital bonds have write-down feature of a tier-two capital instrument, which allows the Bank to write down the entire principal of the bonds and any accumulated unpaid interests when regulatory trigger events as stipulated in the offering documents occur. These tier-two capital bonds are qualified as tier-two capital instruments in accordance with the CBIRC requirements.
- (5) The 3 year fixed-rate financial bonds were issued on 24 April 2018 by the Bank at a face value of RMB10.0 billion with a fixed coupon rate of 4.70% per annum, payable annually.
- (6) The 3 year fixed-rate financial bonds were issued on 15 June 2018 by the Bank at a face value of RMB6.0 billion with a fixed coupon rate of 4.90% per annum, payable annually.
- (7) The 3 year fixed-rate financial bonds were issued on 6 November 2018 by the Bank at a face value of RMB4.0 billion with a fixed coupon rate of 4.08% per annum, payable annually.
- (8) The 3 year fixed-rate financial bonds were issued on 25 December 2019 by the Bank at a face value of RMB5.0 billion with a fixed coupon rate of 3.88% per annum, payable annually.
- (9) The 3 year fixed-rate financial bonds were issued on 20 January 2020 by the Bank at a face value of RMB5.0 billion with a fixed coupon rate of 3.73% per annum, payable annually.
- (10) The Bank issued a series of 1-month negotiable certificates of deposit (“CD”) at a discount. As at 31 December 2020, the face value of outstanding CD amounted to RMB2.9 billion, with a reference interest rate of 2.70%-3.00% (31 December 2019: 3.05%-3.30%) per annum, payable at maturity.
- (11) The Bank issued a series of 3-month CD at a discount. As at 31 December 2020, the face value of outstanding CD amounted to RMB13.0 billion, with a reference interest rate of 2.75%-3.40% (31 December 2019: 2.90%-3.35%) per annum, payable at maturity.
- (12) The Bank issued a series of 6-month CD at a discount. As at 31 December 2020, the face value of outstanding CD amounted to RMB14.5 billion, with a reference interest rate of 2.40%-3.45% (31 December 2019: 2.98%-3.38%) per annum, payable at maturity.
- (13) The Bank issued a series of 9-month CD at a discount. As at 31 December 2020, the face value of outstanding CD amounted to RMB1.4 billion, with a reference interest rate of 1.80%-3.43% (31 December 2019: 3.00%-3.39%) per annum, payable at maturity.
- (14) The Bank issued a series of 1-year CD at a discount. As at 31 December 2020, the face value of outstanding CD amounted to RMB33.8 billion, with a reference interest rate of 1.80%-3.50% (31 December 2019: 3.10%-3.60%) per annum, payable at maturity.

## 7.16 Share Capital

	Year ended 31 December	
	2020	2019
At beginning and end of the year	<b><u>6,070,552</u></b>	<u>6,070,552</u>

## 7.17 Structured Entities

### *Unconsolidated structured entities*

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

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

The following table set out an analysis of the gross carrying amounts of interests held by the Group as at 31 December 2020 in the structured entities sponsored by third party institutions.

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

All of these unconsolidated structured entities are recorded in financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and debt investments at amortised costs as at 31 December 2020 and 2019.

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

The types of unconsolidated structured entities sponsored by the Group mainly include non-principal-guaranteed wealth management products with expected returns and net value-based products. The purpose of sponsoring these structured entities is to generate fees from managing assets on behalf of investors. Interests held by the Group includes fees charged by providing management services to these structured entities as disclosed in Note 7.5.

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

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

## 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 2020	As at 31 December 2019
Tianjin Bonded Zone Investment Co., Ltd.	15.92%	15.92%
Australia and New Zealand Banking Group Limited	11.95%	11.95%
Tianjin Bohai Chemical Industry Group Co., Ltd. and its subsidiaries	8.07%	8.07%
Tianjin Pharmaceutical Holdings Ltd. and its subsidiaries	8.06%	8.06%

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

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

	As at 31 December 2020	As at 31 December 2019
Balances at the end of the year:		
Assets		
Deposits with banks and other financial institutions	15,632	7,443
Debt instruments at fair value through other comprehensive income	—	100,000
Total	<u>15,632</u>	<u>107,443</u>
Liabilities		
Due to customers	<u>2,907</u>	<u>1,014</u>
Total	<u>2,907</u>	<u>1,014</u>
	<b>Year ended 31 December</b>	<b>2020</b>
		<b>2019</b>
Transactions during the year:		
Interest income	1,167	5,600
Interest expense	<u>41</u>	<u>194</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	5.60
Due to customers	<u>0.35~1.38</u>	<u>0.35~1.38</u>

**(2) An associate**

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

**(3) Other related parties**

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

*Balances and transactions with other related parties*

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

**(4) Key management personnel**

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

No major transactions have been entered into with the key management personnel for the year ended 31 December 2020 other than the emoluments paid to them (being the key management personnel compensation).

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

*Note:*

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

**(5) Annuity schemes**

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

	<b>Year ended 31 December</b>	
	<b>2020</b>	<b>2019</b>
Contribution to annuity funds (Note 7.9)	<b>131,532</b>	102,248
	<hr/> <hr/>	<hr/> <hr/>

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

### *Capital commitments*

	As at 31 December 2020	As at 31 December 2019
Contracted but not provided for – commitments for the acquisition of property and equipment	<u>567,852</u>	<u>498,018</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 2020, the principal balance of certificate government bonds which the Group had an obligation to pay in advance amounted to RMB2,371 million (31 December 2019: RMB2,657 million) and the principal balance of e-saving bonds amounted to RMB2,439 million (31 December 2019: RMB2,800 million). The original terms of these bonds are from 3 to 5 years.

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



## **7.20 Transfer of Financial Assets**

### ***Repurchase agreement***

The Group entered into repurchase agreements with certain counterparties to sell bonds or bills of carrying amount of RMB63,146 million as at 31 December 2020 (31 December 2019: RMB34,275 million) which are subject to the simultaneous agreements with commitments to repurchase at specified future dates and prices. The proceeds from selling such bonds or bills totaling RMB60,493 million (31 December 2019: RMB32,994 million) is presented as “financial assets sold under repurchase agreements” as at the end of the year.

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

### ***Asset securitisation***

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

During the year, the Group did not transfer any loans to any special purpose vehicles. During the year ended 31 December 2019, the Group transferred loans amounting to RMB3,000 million to these special purpose vehicles. A balance of RMB2,360 million was derecognised accordingly. However, a balance of RMB640 million did not meet the derecognition criteria on the dates of transfer as the Group retained an interests in subordinate tranches of these special purposes vehicles. The carrying amount of these retained interests was RMB306 million as at 31 December 2020 (31 December 2019: RMB488 million) and it represented the Group’s maximum exposure. No gain or loss was recognised by these transfers of financial assets, the Group acted as service agent and charged service fee amounting to RMB6 million for the year ended 31 December 2020 (For the year ended 31 December 2019: RMB1 million).

## 7.21 Particulars of Principal Subsidiaries

Details of the Bank's subsidiaries as at 31 December 2020 are set out below:

Name of entity	Type of legal entity	Place of incorporation/ Establishment/ operations	Date of incorporation/ establishment	Registered capital as at 31 December 2020	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 2020	31 December 2019	31 December 2020	31 December 2019	
				(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](http://www.hkexnews.hk)) and the website of the Bank ([www.bankoftianjin.com](http://www.bankoftianjin.com)). The 2020 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](http://www.hkexnews.hk)) and the website of the Bank ([www.bankoftianjin.com](http://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.**  
**SUN Ligu**  
Chairman

Tianjin, China  
26 March, 2021

*As at the date of this announcement, the board of directors of the Bank comprises Mr. SUN Ligu and Mr. WU Hongtao, as executive directors; Ms. SUN Jingyu, Ms. DONG Guangpei, Mr. Alistair Marshall BULLOCH, Mr. ZHAO Wei, Mr. WANG Shunlong 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.*