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

2021 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 2021 (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. SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

	For the year ended 31 December		Rate of change
	2021	2020	(%)
<i>(Amounts in thousands of Renminbi, unless otherwise stated)</i>			
OPERATING RESULTS			
Interest income	30,371,879	30,553,932	(0.6)
Interest expense	(17,446,541)	(16,907,490)	3.2
NET INTEREST INCOME	12,925,338	13,646,442	(5.3)
Investment income	2,339,241	1,738,108	34.6
Fee and commission income	2,082,280	2,447,096	(14.9)
Fee and commission expense	(298,654)	(136,561)	118.7
NET FEE AND COMMISSION INCOME	1,783,626	2,310,535	(22.8)
Net trading gains/(losses)	649,678	(446,873)	(245.4)
Net gains arising from derecognition of financial assets measured at amortised cost	40,212	25,832	55.7
Other income, gains or losses	(44,106)	(77,340)	(43.0)
OPERATING INCOME	17,693,989	17,196,704	2.9
Operating expenses	(4,424,654)	(3,952,952)	11.9
Impairment losses under expected credit loss (ECL) model, net of reversals	(9,852,127)	(8,230,793)	19.7

	For the year ended 31 December		Rate of change
	2021	2020	(%)
	<i>(Amounts in thousands of Renminbi, unless otherwise stated)</i>		
Share of results of associates	<u>24,535</u>	<u>22,125</u>	<u>10.9</u>
PROFIT BEFORE TAX	3,441,743	5,035,084	(31.6)
Income tax expense	<u>(227,436)</u>	<u>(691,671)</u>	<u>(67.1)</u>
PROFIT FOR THE YEAR	3,214,307	4,343,413	(26.0)
Profit for the year attributable to: Equity holders of the Bank	<u>3,196,026</u>	<u>4,307,585</u>	<u>(25.8)</u>
Non-controlling interests	<u>18,281</u>	<u>35,828</u>	<u>(49.0)</u>
Earnings per share attributable to equity holders of the Bank (Expressed in RMB Yuan per share)			
– Basic and diluted	<u>0.53</u>	<u>0.71</u>	<u>(25.4)</u>
	As of 31 December 2021	As of 31 December 2020	Rate of change (%)
	<i>(Amounts in thousands of Renminbi, unless otherwise stated)</i>		
MAJOR INDICATORS OF ASSETS/LIABILITIES			
Total assets	719,903,932	687,760,199	4.7
Of which: loans and advances to customers	<u>324,607,358</u>	<u>295,752,349</u>	<u>9.8</u>
Total liabilities	662,363,094	633,812,209	4.5
Of which: due to customers	<u>382,478,890</u>	<u>355,981,854</u>	<u>7.4</u>
Share capital	6,070,552	6,070,552	–
Equity attributable to equity holders of the Bank	56,704,791	53,130,224	6.7
Total equity	<u>57,540,838</u>	<u>53,947,990</u>	<u>6.7</u>

	For the year ended 31 December		
	2021	2020	Change
PROFITABILITY INDICATORS (%)			
Return on average total assets ⁽¹⁾	0.46	0.64	(0.18)
Return on average equity ⁽²⁾	5.77	8.26	(2.49)
Net interest spread ⁽³⁾	1.85	1.98	(0.13)
Net interest margin ⁽⁴⁾	2.12	2.26	(0.14)
Net fee and commission income to operating income	10.08	13.44	(3.36)
Cost-to-income ratio ⁽⁵⁾	23.81	21.80	2.01
	As of	As of	
	31 December	31 December	
	2021	2020	Change
ASSET QUALITY INDICATORS (%)			
Non-performing loan ratio ⁽⁶⁾	2.41	2.16	0.25
Allowance coverage ratio ⁽⁷⁾	154.26	183.45	(29.19)
Allowance to gross loan ratio ⁽⁸⁾	3.72	3.96	(0.24)
CAPITAL ADEQUACY RATIO INDICATORS (%)			
<i>Calculated based on Capital Administrative Measures</i>			
Core tier-one capital adequacy ratio ⁽⁹⁾	10.73	11.12	(0.39)
Tier-one capital adequacy ratio ⁽¹⁰⁾	10.74	11.12	(0.38)
Capital adequacy ratio ⁽¹¹⁾	13.49	14.48	(0.99)
Total equity to total assets	7.99	7.84	0.15
OTHER INDICATORS (%)			
Loan-to-deposit ratio ⁽¹²⁾	88.70	87.06	1.64
Liquidity ratio ⁽¹³⁾	60.80	60.57	0.23
Percentage of loans to the single largest customer ⁽¹⁴⁾	5.49	4.35	1.14
Percentage of loans to the top ten customers ⁽¹⁵⁾	39.26	32.79	6.47

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 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.

2. ANNUAL FINANCIAL STATEMENTS

2.1 Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

	Year ended 31 December	
	2021	2020
Interest income	30,371,879	30,553,932
Interest expense	(17,446,541)	(16,907,490)
Net interest income	12,925,338	13,646,442
Investment income	2,339,241	1,738,108
Fee and commission income	2,082,280	2,447,096
Fee and commission expense	(298,654)	(136,561)
Net fee and commission income	1,783,626	2,310,535
Net trading gains/(losses)	649,678	(446,873)
Net gain arising from derecognition of financial assets measured at amortised cost	40,212	25,832
Other income, gains or losses	(44,106)	(77,340)
Operating income	17,693,989	17,196,704
Operating expenses	(4,424,654)	(3,952,952)
Impairment losses under expected credit loss model, net of reversals	(9,852,127)	(8,230,793)
Share of results of associates	24,535	22,125
Profit before tax	3,441,743	5,035,084
Income tax expense	(227,436)	(691,671)
Profit for the year	3,214,307	4,343,413

2.1 Consolidated Statement of Comprehensive Income (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

	Year ended 31 December 2021	2020
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Fair value gains/(losses) on:		
– financial assets measured at fair value through other comprehensive income	781,211	(578,233)
Amount reclassified to profit or loss upon disposal of:		
– financial assets measured at fair value through other comprehensive income	(304,076)	(439,305)
Impairment loss for financial assets measured at fair value through other comprehensive income included in profit or loss	27,587	378,195
Income tax relating to items that may be reclassified subsequently	(126,181)	159,836
Other comprehensive income/(expense) for the year, net of income tax	378,541	(479,507)
Total comprehensive income for the year	3,592,848	3,863,906
Profit for the year attributable to:		
Equity holders of the Bank	3,196,026	4,307,585
Non-controlling interests	18,281	35,828
	3,214,307	4,343,413
Total comprehensive income for the year attributable to:		
Equity holders of the Bank	3,574,567	3,828,078
Non-controlling interests	18,281	35,828
	3,592,848	3,863,906
Total comprehensive income for the year:		
– from continuing operations	3,592,848	3,863,906
Earnings per share attributable to equity holders of the Bank (Expressed in RMB Yuan per share)		
From continuing operations		
– Basic and diluted	0.53	0.71

The accompanying notes are an integral part of these consolidated financial statements.

2.2 Consolidated Statement of Financial Position

As at 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

	31 December 2021	31 December 2020
ASSETS		
Cash and balances with central bank	39,831,551	47,831,475
Deposits with banks and other financial institutions	5,286,491	7,831,165
Placements with banks and other financial institutions	19,063,025	10,693,212
Derivative financial assets	16,776	9,744
Financial assets held under resale agreements	600,197	600,197
Financial assets at fair value through profit or loss	73,740,567	65,486,367
Debt instruments at fair value through other comprehensive income	50,154,686	57,923,347
Loans and advances to customers	324,607,358	295,752,349
Debt instruments at amortised cost	190,702,029	187,348,850
Equity instruments at fair value through other comprehensive income	1,642,224	1,564,660
Deferred tax assets	4,514,145	4,808,896
Other assets	5,942,697	4,063,300
Property and equipment	2,555,066	2,569,826
Right-of-use assets	990,057	1,044,283
Interests in associates	257,063	232,528
Total assets	719,903,932	687,760,199

2.2 Consolidated Statement of Financial Position (Continued)

As at 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

	31 December 2021	31 December 2020
LIABILITIES		
Borrowings from central bank	53,070,305	25,318,850
Deposits from banks and other financial institutions	41,412,833	47,491,951
Placements from banks and other financial institutions	21,409,841	25,809,846
Financial liabilities held for trading	519,111	472,762
Financial assets sold under repurchase agreements	59,110,735	60,492,664
Derivative financial liabilities	156,724	675,034
Income tax payable	15,553	437,562
Other liabilities	4,662,187	7,367,280
Lease liabilities	1,015,819	1,052,790
Due to customers	382,478,890	355,981,854
Debt securities issued	98,511,096	108,711,616
Total liabilities	662,363,094	633,812,209
EQUITY		
Share capital	6,070,552	6,070,552
Capital reserve	10,731,130	10,731,130
Investment revaluation reserve	(12,335)	(390,876)
Surplus reserve	3,352,480	3,352,480
General reserve	9,216,746	9,213,596
Retained earnings	27,346,218	24,153,342
Equity attributable to equity holders of the Bank	56,704,791	53,130,224
Non-controlling interests	836,047	817,766
Total equity	57,540,838	53,947,990
Total equity and liabilities	719,903,932	687,760,199

The accompanying notes are an integral part of these consolidated financial statements.

2.3 Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

(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 2021	6,070,552	10,731,130	(390,876)	3,352,480	9,213,596	24,153,342	53,130,224	53,947,990
Profit for the year	-	-	-	-	-	3,196,026	3,196,026	3,214,307
Other comprehensive income for the year	-	-	378,541	-	-	-	378,541	378,541
Total comprehensive income for the year	-	-	378,541	-	-	3,196,026	3,574,567	3,592,848
Appropriation to general reserve	-	-	-	-	3,150	(3,150)	-	-
As at 31 December 2021	6,070,552	10,731,130	(12,335)	3,352,480	9,216,746	27,346,218	56,704,791	57,540,838
As at 1 January 2020	6,070,552	10,731,130	88,631	3,352,480	9,198,347	20,953,705	50,394,845	51,176,783
Profit for the year	-	-	-	-	-	4,307,585	4,307,585	4,343,413
Other comprehensive income for the year	-	-	(479,507)	-	-	-	(479,507)	(479,507)
Total comprehensive income for the year	-	-	(479,507)	-	-	4,307,585	3,828,078	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	6,070,552	10,731,130	(390,876)	3,352,480	9,213,596	24,153,342	53,130,224	53,947,990

The accompanying notes are an integral part of these consolidated financial statements.

2.4 Consolidated Statement of Cash Flows

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

	Year ended 31 December	
	2021	2020
OPERATING ACTIVITIES		
Profit before tax	3,441,743	5,035,084
Adjustments for:		
Depreciation and amortisation	794,039	676,088
Impairment losses under expected credit loss model, net of reversal	9,852,127	8,230,793
Share of results of associates	(24,535)	(22,125)
Interest income arising from debt instruments at FVOCI and at amortised costs	(9,115,228)	(10,030,445)
Interest expense arising from lease liabilities	41,941	49,357
Interest expense arising from debt securities issued	3,588,642	3,877,096
Investment income	(2,339,241)	(1,738,108)
Net trading (gains)/losses	(649,678)	446,873
Net gains arising from derecognition of financial assets measured at amortised cost	(40,212)	(25,832)
Dividend income from investment securities	(68,096)	(1,440)
Other income, gains or losses	(139,876)	657,149
Operating cash flows before movements in working capital	5,341,626	7,154,490
(Increase) /Decrease in balances with central bank and deposits with banks and other financial institutions	(344,278)	4,551,899
Increase in placements with banks and other financial institutions	(6,716,430)	(5,738,754)
(Increase)/Decrease in financial assets held for trading and derivative financial assets	(4,007,924)	21,725
Increase in loans and advances to customers	(39,456,427)	(22,727,786)
Increase/(Decrease) in borrowings from central bank	27,700,729	(11,197,813)
(Decrease)/Increase in deposits from banks and other financial institutions	(6,048,136)	2,192,711
(Decrease)/Increase in placements from banks and other financial institutions	(4,347,872)	4,718,018
(Decrease)/Increase in financial liabilities held for trading and derivative financial liabilities	(424,820)	102,957
(Decrease)/Increase in financial assets sold under repurchase agreements	(1,358,915)	27,457,507
Increase in due to customers	26,184,521	6,599,244
Increase in other operating assets	(625,050)	(1,488,119)
Decrease in other operating liabilities	(2,890,811)	(1,437,172)
Cash generated by operating activities	(6,993,787)	10,208,907
Income tax paid	(478,491)	(1,798,990)
Net cash generated by operating activities	(7,472,278)	8,409,917

2.4 Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

	Year ended 31 December	
	2021	2020
INVESTING ACTIVITIES		
Cash received from disposal and redemption of investment securities	493,360,837	380,424,989
Cash received from disposal of property and equipment and other assets	9,656	4,928
Cash paid for purchases of investment securities	(490,952,159)	(396,165,937)
Cash paid for purchase of property and equipment and other assets	(708,097)	(883,657)
Interest income received from investment securities	10,444,570	11,507,666
Dividend income received from investment securities	68,096	1,440
Net cash generated/(used in) by investing activities	12,222,903	(5,110,571)
FINANCING ACTIVITIES		
Cash received from debt securities issued	162,978,918	137,743,802
Repayment of debt securities issued	(174,820,000)	(149,790,000)
Repayment of lease liabilities	(321,603)	(300,281)
Interest paid on financing activities	(1,948,080)	(3,788,961)
Dividends paid	(29,623)	(1,082,139)
Net cash used in financing activities	(14,140,388)	(17,217,579)
Net decrease in cash and cash equivalents	(9,389,763)	(13,918,233)
Cash and cash equivalents at beginning of the year	24,604,025	38,610,708
Effect of foreign exchange rate changes	(57,249)	(88,450)
Cash and cash equivalents at end of the year	15,157,013	24,604,025
Net cash generated by operating activities include:		
Interest received	24,512,182	23,237,049
Interest paid	(13,859,919)	(15,230,538)
Net interest received from operating activities	10,652,263	8,006,511

The accompanying notes are an integral part of these consolidated financial statements.

2.5 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

2.5.1 Principal Accounting Policies

2.5.1.1 New standards, amendments and Interpretations

Application of amendments to international financial reporting standards (“IFRSs”) Effective date on 1 January 2021

IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Amendments – Interest Rate Benchmark Reform – Phase 2

The IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Phase 2 amendments provide a practical expedient to account for these changes in the basis for determining contractual cash flows because of interest rate benchmark reform. Under the practical expedient, entities will account for these changes by updating the effective interest rate using the guidance in paragraph B5.4.5 of IFRS 9 without the recognition of an immediate gain or loss. This practical expedient applies only to such a change and only to the extent that it is necessary as a direct consequence of interest rate benchmark reform, and the new basis is economically equivalent to the previous basis.

Amendment to IFRS 16 ‘Leases’ - COVID-19 related rent concessions Extension of the practical expedient.

As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. The amendment is effective for annual reporting periods beginning on or after 1 April 2021, with earlier application permitted. The Group has early adopted this amendment for the current period.

The adoption of the above standards and amendments does not have any significant impact on the operating results, financial position and comprehensive income of the Group for the year ended 31 December 2021.

2.5 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

2.5.1 Principal Accounting Policies (Continued)

2.5.1.1 New standards, amendments and Interpretations (Continued)

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

		Effective for annual periods beginning on or after
IFRS 3 Amendments	Reference to the Conceptual Framework	1 January 2022
IAS 16 Amendments	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
IAS 37 Amendments	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to IFRSs 2018-2020 Cycle (issued in May 2020)		1 January 2022
IAS 1 Amendments	Classification of Liabilities as Current or Non-current	1 January 2023
IFRS 17 and Amendments	Insurance Contracts	1 January 2023
IAS 1 and IFRS Practice Statement 2 Amendments	Disclosure of Accounting Policies	1 January 2023
IAS 8 Amendments	Definition of Accounting Estimates	1 January 2023
IAS 12 Amendments	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
IFRS 10 and IAS 28 Amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective date has been deferred indefinitely

The Group is assessing the impact of adopting the above standards and amendments. The adoption of the above standards and amendments is not expected to have material impact on the Group's consolidated financial statements.

2.5 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

2.5.2 Segment Analysis

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

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

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

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

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

Operating Segments

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

Corporate banking

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

Personal banking

The personal banking segment provides financial products and services to individual customers. The products and services include personal loans, personal deposit, 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.

2.5 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

2.5.2 Segment Analysis (Continued)

Operating Segments (Continued)

Others

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

	Corporate banking	Personal banking	Treasury operations	Others	Total
Year ended 31 December 2021					
External interest income	9,382,779	9,726,056	11,263,044	–	30,371,879
External interest expense	(7,530,934)	(2,369,717)	(7,545,890)	–	(17,446,541)
Inter-segment interest income/(expense)	3,853,791	(1,374,342)	(2,479,449)	–	–
Net interest income	5,705,636	5,981,997	1,237,705	–	12,925,338
Investment income	–	–	2,339,241	–	2,339,241
Fee and commission income	576,733	808,834	696,713	–	2,082,280
Fee and commission expense	(124,875)	(143,394)	(30,385)	–	(298,654)
Net fee and commission income	451,858	665,440	666,328	–	1,783,626
Net trading gains	–	–	649,678	–	649,678
Net gains arising from the derecognition of financial assets measured at amortised cost	–	–	40,212	–	40,212
Other income, gains or losses	–	–	(31,393)	(12,713)	(44,106)
Operating income	6,157,494	6,647,437	4,901,771	(12,713)	17,693,989
Operating expenses	(1,504,322)	(1,921,620)	(998,712)	–	(4,424,654)
Impairment losses under expected credit loss model, net of reversals	(5,056,530)	(3,941,829)	(853,768)	–	(9,852,127)
Share of results of associates	–	–	–	24,535	24,535
Profit before tax	(403,358)	783,988	3,049,291	11,822	3,441,743
Income tax expense					(227,436)
Profit for the year					<u>3,214,307</u>
Depreciation and amortisation	(274,720)	(300,625)	(218,694)	–	(794,039)
Capital expenditure	(226,063)	(320,789)	(44,999)	(116,246)	(708,097)
As at 31 December 2021					
Segment assets	199,217,761	132,707,499	386,319,655	1,659,017	719,903,932
Segment liabilities	(277,493,905)	(110,031,811)	(274,759,981)	(77,397)	(662,363,094)
Supplementary information Credit commitments	65,608,219	14,811,994	–	–	80,420,213

2.5 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

2.5.2 Segment Analysis (Continued)

Operating Segments (Continued)

Others (Continued)

	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	–	–	(446,873)	–	(446,873)
Net gains arising from the derecognition of financial assets measured at amortised cost	–	–	25,832	–	25,832
Other income, gains or losses	–	–	(130,682)	53,342	(77,340)
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	53,769,302	13,950,734	–	–	67,720,036

2.5 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

2.5.3 Net Interest Income

	Year ended 31 December	
	2021	2020
Interest income:		
Loans and advances to customers, including:		
Corporate loans and advances	9,145,050	8,669,788
Personal loans and advances	9,726,056	9,989,597
Discounted bills	795,681	481,188
Finance lease	128,569	232,772
Balances with central bank	562,384	557,465
Deposits with banks and other financial institutions	35,788	41,696
Placements with banks and other financial institutions	679,004	348,692
Financial assets held under resale agreements	184,119	202,289
Investments, including:		
Debt instruments at FVOCI	1,741,969	1,679,820
Debt instruments at amortised cost	7,373,259	8,350,625
Subtotal	30,371,879	30,553,932
Interest expense:		
Borrowings from central bank	(672,965)	(1,176,408)
Deposits from banks and other financial institutions	(1,210,797)	(1,157,864)
Placements from banks and other financial institutions	(439,922)	(520,240)
Financial assets sold under repurchase agreements	(1,620,480)	(903,109)
Due to customers	(9,871,794)	(9,223,416)
Debt securities issued	(3,588,642)	(3,877,096)
Lease liabilities	(41,941)	(49,357)
Subtotal	(17,446,541)	(16,907,490)
Net interest income	12,925,338	13,646,442

2.5.4 Investment Income

	Year ended 31 December	
	2021	2020
Investment income from financial instruments at fair value through profit or loss	2,339,241	1,738,108

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

2.5 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

2.5.5 Net Fee and Commission Income

	Year ended 31 December	
	2021	2020
Fee and commission income (1)		
Wealth management service fees	887,220	1,516,890
Agency commissions and underwriting service fees	759,186	552,353
Settlement and clearing fees	203,783	169,704
Consultancy fees	118,572	91,771
Acceptance and guarantee commitment fees	61,454	75,811
Bank card fees	49,548	37,993
Others	2,517	2,574
Subtotal	2,082,280	2,447,096
Fee and commission expense	(298,654)	(136,561)
Total	1,783,626	2,310,535

- (1) The Group provides asset management services in respect of wealth management products. The Group is entitled to 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.

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

2.5 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

2.5.6 Net Trading Gains/(Losses)

	Year ended 31 December	
	2021	2020
Net gains/(losses) arising from trading of financial assets at fair value through profit or loss	334,708	(643,613)
Net gains on disposal of debt instruments at fair value through other comprehensive income	304,076	239,305
Net gains/(losses) arising from fair value changes	10,894	(42,565)
Total	649,678	(446,873)

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

	Year ended 31 December	
	2021	2020
Net gain on disposal of financial assets measured at amortised cost	40,212	25,832

During the year ended 31 December 2021, the Group sold some financial assets measured at amortised cost to meet the demand of liquidity.

2.5.8 Other Income, Gains or Losses

		Year ended 31 December	
	Notes	2021	2020
Dividend income		68,096	1,440
Rental income		50,455	30,758
Government subsidies	(1)	23,222	26,463
Exchange differences		(111,254)	(164,749)
Others		(74,625)	28,748
Total		(44,106)	(77,340)

(1) Government subsidies primarily represented tax rebates of RMB19.6 million (2020: RMB17.7 million).

2.5 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

2.5.9 Operating Expenses

	Notes	Year ended 31 December	
		2021	2020
Staff costs	(1)	2,375,049	2,068,550
Office expenses		423,383	421,901
Depreciation of property and equipment		365,900	262,350
Depreciation of right-of-use assets		296,662	309,014
Sundry taxes		210,911	203,950
Amortisation		131,477	104,724
Rental and property management expenses		80,864	74,053
Other general and administrative expenses	(2)	540,408	508,410
Total		<u>4,424,654</u>	<u>3,952,952</u>

(1) Staff costs

	Year ended 31 December	
	2021	2020
Salaries, bonuses and allowances	1,678,665	1,579,536
Social insurance	300,640	115,887
Housing funds	134,042	124,117
Staff welfare	96,424	81,088
Labor union fees and staff education expenses	41,720	36,390
Contribution to annuity funds	123,558	131,532
Total	<u>2,375,049</u>	<u>2,068,550</u>

(2) The Group's statutory audit fee for the year ended 31 December 2021 was RMB2.89 million (2020: RMB2.65 million).

2.5 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

2.5.10 Impairment Losses under Expected Credit Loss Model, Net of Reversal

	Year ended 31 December 2021	2020
Deposits with banks and other financial institutions	(2,214)	6,000
Placements with banks and other financial institutions	(63,252)	4,786
Financial assets held under resale agreements	–	(9)
Debt instruments at FVOCI	19,872	356,316
Loans and advances to customers at amortised cost	10,023,107	7,297,429
Loans and advances to customers at FVOCI	7,715	21,879
Debt instruments at amortised cost	(484,017)	597,634
Credit commitments	62,890	(41,455)
Others	288,026	(11,787)
Total	<u>9,852,127</u>	<u>8,230,793</u>

2.5.11 Income Tax Expense

	Year ended 31 December 2021	2020
Income tax expense comprises:		
Current income tax		
– PRC Enterprise Income Tax	58,866	543,085
Deferred tax	168,570	148,586
Total	<u>227,436</u>	<u>691,671</u>

Except for Ningxia Yuanzhou Jinhui County Bank Co., Ltd. and Ningxia Tongxin Jinhui County Bank Co., Ltd. entitle to a preferential tax rate of 15%, the PRC enterprise income tax is calculated at 25% of the estimated taxable profits during the relevant period.

The reconciliation of income tax expense in the current period and profit before tax presented in the consolidated income statement is as follows:

	Year ended 31 December 2021	2020
Profit before tax	<u>3,441,743</u>	<u>5,035,084</u>
Tax calculated at applicable statutory tax rate of 25%	860,436	1,258,771
Income tax at concessionary rate	(4,144)	(1,392)
Income tax adjustment for prior years	7,096	2,462
Tax effect of expense not deductible for tax purpose	59,453	36,511
Tax effect of income not subject to tax (1)	(695,405)	(604,681)
Income tax expense	<u>227,436</u>	<u>691,671</u>

2.5 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

2.5.11 Income Tax Expense (Continued)

- (1) Tax effect of income not subject to tax mainly represents interest income arising from all government bonds and funds, which are income tax free in accordance with the PRC tax regulations.

2.5.12 Earnings Per Share

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

	Year ended 31 December 2021	2020
Earnings:		
Profit for the year attributable to equity holders of the Bank for the purpose of basic earnings per share	3,196,026	4,307,585
Numbers of shares:		
Weighted average number of shares in issue for the purpose of basic earnings per share (in thousand)	6,070,552	6,070,552
Basic earnings per share (RMB Yuan)	0.53	0.71

For the year ended 31 December 2021, there are no potential dilutive ordinary shares in issue, so the diluted earnings per share is same as the basic earnings per share (2020: same).

2.5.13 Dividends

No dividend was proposed for the 2021 and 2020.

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.

2.5.14 Interests in Associates

The balance of interests in associates is as follows:

	As at 31 December 2021	As at 31 December 2020
Unlisted shares, at cost	223,000	223,000
Share of post-acquisition losses and other comprehensive income	34,063	9,528
Total	257,063	232,528

2.5 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

2.5.14 Interests in Associates (Continued)

Details of the Bank's associates as at 31 December 2021 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 2021 (In RMB '000)	Proportion of ownership and voting rights held by the Group		Principal activities
					As at 31 December 2021 %	As at 31 December 2020 %	
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公司)	Limited liability company	Xinjiang, PRC	August 2016	50,000	40	40	Banking
Tienenguan Jinhui County Bank Company Limited (鐵門關津匯村鎮銀行有限公司)	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公司)	Limited liability company	Xinjiang, PRC	August 2017	50,000	49	49	Banking

For the year ended 31 December 2021, the total amount of associated companies' operating income was RMB144 million (2020: RMB150 million). Total assets and total equity of these associates as at 31 December 2021 were RMB4,846 million (31 December 2020: RMB4,347 million) and RMB649 million (31 December 2020: RMB574 million) respectively. The Group's share of these amounts represents 0.28%, 0.29% and 0.46% (31 December 2020: 0.28%, 0.27% and 0.39%) 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.

2.5 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)*For the year ended 31 December 2021**(Amounts in thousands of Renminbi, unless otherwise stated)***2.5.15 Debt Securities Issued**

	<i>Notes</i>	As at 31 December 2021	As at 31 December 2020
12 Tianjin Bank bonds 01	(1)	1,500,000	1,500,000
12 Tianjin Bank bonds 02	(2)	1,200,365	1,200,150
18 Tianjin Bank bonds	(3)	10,447,998	10,445,236
18 Tianjin Bank bonds 01	(4)	–	10,319,495
18 Tianjin Bank bonds 02	(5)	–	6,155,277
18 Tianjin Bank bonds 03	(6)	–	4,022,260
19 Tianjin Bank bonds	(7)	5,001,883	5,001,127
20 Tianjin Bank bonds 01	(8)	5,174,912	5,174,131
Tianjin Bank 1 – month negotiable certificates of deposit	(9)	209,804	2,875,240
Tianjin Bank 3 – month negotiable certificates of deposit	(10)	11,636,275	12,930,795
Tianjin Bank 6 – month negotiable certificates of deposit	(11)	6,612,235	14,385,295
Tianjin Bank 9 – month negotiable certificates of deposit	(12)	13,664,745	1,341,254
Tianjin Bank 1 – year negotiable certificates of deposit	(13)	43,062,879	33,361,356
Total		<u>98,511,096</u>	<u>108,711,616</u>

2.5 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

2.5.15 Debt Securities Issued (Continued)

- (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 18 January 2018 by the Bank at a face value of RMB10.0 billion with a fixed coupon rate of 4.80% per annum, payable annually. The Bank has an option to redeem part or all of the bonds at face value on the last day of the fifth year if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. If no early redemption is exercised, the interest rate will remain at 4.80% per annum. These tier-two capital bonds have write-down feature of a tier-two capital instrument, which allows the Bank to write down the entire principal of the bonds and any accumulated unpaid interests when regulatory trigger events as stipulated in the offering documents occur. These tier-two capital bonds are qualified as tier-two capital instruments in accordance with the CBIRC requirements.
- (4) The 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, which were due on 23 April 2021 and fully repaid.
- (5) 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, which were due on 14 June 2021 and fully repaid.
- (6) 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, which were due on 8 November 2021 and fully repaid.
- (7) 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.
- (8) 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.
- (9) The Bank issued a series of 1-month negotiable certificates of deposit ("CD") at a discount. As at 31 December 2021, the face value of outstanding CD amounted to RMB0.21 billion, with a reference interest rate range of 2.5%-2.85% (31 December 2020: 2.70%-3.00%) per annum, payable at maturity.
- (10) The Bank issued a series of 3-month CD at a discount. As at 31 December 2021, the face value of outstanding CD amounted to RMB11.69 billion, with a reference interest rate range of 2.50%-2.75% (31 December 2020: 2.75%-3.40%) per annum, payable at maturity.
- (11) The Bank issued a series of 6-month CD at a discount. As at 31 December 2021, the face value of outstanding CD amounted to RMB6.67 billion, with a reference interest rate range of 2.58%-2.82% (31 December 2020: 2.40%-3.45%) per annum, payable at maturity.

2.5 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

2.5.15 Debt Securities Issued (Continued)

- (12) The Bank issued a series of 9-month CD at a discount. As at 31 December 2021, the face value of outstanding CD amounted to RMB13.81 billion, with a reference interest rate range of 2.72%-3.05% (31 December 2020: 1.80%-3.43%) per annum, payable at maturity.
- (13) The Bank issued a series of 1-year CD at a discount. As at 31 December 2021, the face value of outstanding CD amounted to RMB43.72 billion, with a reference interest rate range of 2.80%-3.30% (31 December 2020: 1.80%-3.50%) per annum, payable at maturity.

2.5.16 Share Capital

	Year ended 31 December 2021	2020
Issued and fully paid at RMB1 per share	6,070,552	6,070,552

2.5.17 Structured Entities

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

In July 2020, the regulatory authorities declared the extension of the transition period of the Guiding Opinions on Regulating the Asset Management Business of Financial Institutions to the end of 2021, encouraging the orderly disposal of stock assets in a variety of ways such as new product acquisition, market-based transfer, and return to financial statements. For the year ended 31 December 2021 and 2020, the Bank included part of the stock assets of unsecured wealth management products issued in investment securities. According to regulatory requirements, the Bank pragmatically, efficiently, actively and orderly promotes net worth product, asset standardization, disposal of existing portfolio, etc., and strives to achieve the smooth transition and steady development of wealth management business.

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 are as follow as at 31 December 2021 in the structured entities sponsored by third party institutions.

	As at 31 December 2021	As at 31 December 2020
Asset-backed securities	25,619,668	21,581,982
Wealth management products	–	305,430
Asset management plans	48,247,323	55,440,564
Trust beneficiary rights	21,899,053	31,322,415
Funds	18,973,950	22,051,825
Total	114,739,994	130,702,216

2.5 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

2.5.17 Structured Entities (Continued)

(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 net value-based wealth management products. The purpose of sponsoring these structured entities is to generate fees from managing assets on behalf of investors. The variable return that the Group has in relation to the net value-based wealth management products is not significant, therefore these wealth management products are not consolidated by the Group.

As at 31 December 2021, the amount of assets held by the unconsolidated structured entities sponsored by the Group amounted to RMB101,762 million (31 December 2020: RMB98,068 million). During the year ended 31 December 2021, the Group's interest in these wealth management products included net fee and commission income of RMB877 million (2020: RMB1,517 million).

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

2.5.18 Related Party Transactions

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

	Shareholding ratio		Main business	Legal representative	Place of registration	Registered capital	
	31 December 2021	31 December 2020				31 December 2021	31 December 2020
Tianjin Bonded Zone Investment Co., Ltd.	15.93%	15.92%	Investment and management	Dong Guangpei	Tianjin	8,832,650	8,800,000
Australia and New Zealand Banking Group Limited	11.95%	11.95%	Financial business	Not applicable	Melbourne Australia	Not applicable	Not applicable
Tianjin Bohai Chemical Industry Group Co., Ltd. (a)	8.07%	8.07%	Investment and management	Wang Junming	Tianjin	7,845,977	7,224,387
Tianjin Pharmaceutical Holdings Ltd. (b)	8.06%	8.06%	Wholesale and retail of various commodities and logistics	Guo Min	Tianjin	5,492,950	5,492,950

(a) Tianjin Bohai Chemical Industry Group Co., Ltd. directly holds 487,078,366 shares, owning 8.024% equity; and through a number of controlled corporations, holds another aggregate of 2,778,686 shares, totalling 0.046% equity. As such, Tianjin Bohai Chemical Industry Group Co., Ltd. is controlling a total of 489,857,052 shares of the Bank, representing 8.07% equity.

(b) Tianjin Pharmaceutical Holdings Ltd. directly holds 487,078,366 shares, owning 8.024% equity; and through a number of controlled corporations, holds another aggregate of 2,028,817 shares, totalling 0.033% equity. As such, Tianjin Pharmaceutical Holdings Ltd. is controlling a total of 489,107,183 shares of the Bank, representing 8.06% equity.

2.5 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

2.5.18 Related Party Transactions (Continued)

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

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

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

	As at 31 December 2021	As at 31 December 2020
Balances at the end of the year:		
Assets		
Loans and advances to customers	3,999,583	4,278,518
Financial assets at fair value through profit or loss	1,659,398	—
Debt instruments at amortised cost	—	430,923
Deposits with banks and other financial institutions	20,208	15,632
Debt instruments at fair value through other comprehensive income	408,456	146,050
Total	6,087,645	4,871,123
Liabilities		
Due to customers	3,398,396	1,803,881
Total	3,398,396	1,803,881
	Year ended 31 December 2021	2020
Transactions during the year:		
Interest income	314,312	281,317
Interest expense	70,665	7,614
Trading net profit and loss	488	—
Interest rate ranges during the year:	%	%
Debt instruments at amortised cost	—	6.00~6.25
Debt instruments at fair value through other comprehensive income	4.89~6.50	5.60
Loans and advances to customers	4.45~9.50	4.55~9.50
Due to customers	0.005~4.18	0.01~4.18

2.5 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

2.5.18 Related Party Transactions (Continued)

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

Material related party transactions with major shareholders and their related party entities

Material related party transaction refers to the transaction in which the amount of a single transaction between the Bank and the same related party accounts for more than 1% of the Bank's net capital, or the transaction balance accounts for more than 5% of the Bank's net capital. As of 31 December 2021, the Bank transferred part of its financial assets to Tianjin State-owned Capital Investment and Operation Co., LTD., in accordance with general commercial terms, with an amount of RMB8.011 billion.

Related Party name	Main business	Legal representative	Registered place	Registered capital on 31 December 2021 (RMB)	Registered capital on 31 December 2020 (RMB)	Relationship with the Bank
Tianjin State-owned Capital Investment and Operation Co., Ltd.	Investment and Management	ZHOU Hongbin	Tianjin	19,140,755	10,131,370	A related party to a major shareholder of the Bank

(2) An associate

	As at 31 December 2021	As at 31 December 2020
Guarantee given to PBOC for an associate	—	40,000

(3) Other related parties

Other related parties can be individuals or enterprises, which include: members of the Board of Directors, senior management and close family members of such individuals; entities (and their subsidiaries) controlled or jointly controlled by members of the Board of Directors, senior management, and close family members of such individuals.

Balances and transactions with other related parties

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

2.5 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

2.5.18 Related Party Transactions (Continued)

(3) Other related parties (Continued)

	As at 31 December 2021	As at 31 December 2020
Balances at the end of the year:		
Deposits from banks and other financial institutions	<u>837,117</u>	<u>909,827</u>
	Year ended 31 December 2021	2020
Transactions during the year:		
Interest expense	32,894	38,186
Interest rate ranges during the year:		
Deposit from banks and other financial institutions	<u>1.61%~3.35%</u>	<u>1.80%~3.60%</u>

In 2021 and 2020, there was no material transactions and balances between the Group and other related parties.

(4) Subsidiaries controlled by the Bank

There are certain related party transactions between the Bank and its subsidiaries. All transactions shall be based on market prices and shall be handled in accordance with normal business procedures or in accordance with the provisions of the Bank's contracts, and shall be approved by the relevant decision-making bodies according to the type and content of transactions.

In 2021 and 2020, transactions between the Bank and its subsidiaries include lending out funds, interbank deposits and other businesses.

On 31 December 2021 and 31 December 2020, the Bank's principal balance of loans to subsidiaries is RMB2.70 billion and RMB2.67 billion respectively; The principal balance of funds deposited by the subsidiaries with the Bank was RMB1.334 billion and RMB3.257 billion respectively.

In 2021 and 2020, the interest income corresponding to transactions between the Bank and its subsidiaries was RMB135 million and RMB17 million respectively, and the interest expense was RMB24 million and RMB22 million respectively.

In 2021 and 2020, the amount of other transactions between the Bank and its subsidiaries is not material.

2.5 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

2.5.18 Related Party Transactions (Continued)

(5) 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 2021 other than the emoluments paid to them (being the key management personnel compensation).

		Year ended 31 December	
		2021	2020
Fees		1,437	1,437
Basic salaries, bonuses and allowances	(a)	6,397	9,862
Contribution to pension schemes		1,484	1,064
Total		<u>9,318</u>	<u>12,363</u>

- (a) Bonus for 2021 can only be determined after the shareholders' general meeting and regulatory approval. Bonus for 2020 has been restated as approved.

(6) Annuity schemes

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

	Year ended 31 December	
	2021	2020
Contribution to annuity funds (Note 2.5.9)	<u>123,558</u>	<u>131,532</u>

2.5.19 Contingent Liabilities and Commitments

Legal proceedings

The Bank and its subsidiaries, as defendants, are involved in certain lawsuits arising from the normal business operations. As at 31 December 2021, the Group has assessed and measured the impact of those pending lawsuits, and no provision related to these lawsuits has been recognised (31 December 2020: the Group has assessed and measured the impact of those pending lawsuits, and no provision related to these lawsuits has been recognised).

2.5 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

2.5.19 Contingent Liabilities and Commitments (Continued)

Credit commitments

The Group's credit commitments take the form of loan commitments, credit card commitments, financial guarantees, letters of credit and bank acceptances.

Loan commitments and credit card commitments represent the undrawn amount of approved loans with signed contracts and credit card limits. Financial guarantees and letters of credit represent guarantees provided by the Group to guarantee the performance of customers to third parties. Bank acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects the majority of acceptances to be settled simultaneously with the reimbursement from customers.

The contractual amounts of credit commitments by categories are set out below. The amounts disclosed irrespective of loan commitments and credit card commitments that are drawn down. The amounts of guarantees, letters of credit and acceptances represent the maximum potential loss that would be recognised at the reporting date if counterparties failed to perform as contracted.

	As at 31 December 2021	As at 31 December 2020
Loan commitments		
– with an original maturity within one year	5,159,469	6,241,876
– with an original maturity of one year or above	14,184,192	14,349,294
Bank acceptances	30,580,955	24,312,183
Credit card commitments	14,811,994	13,950,734
Letters of guarantee issued	1,924,517	944,585
Letters of credit issued	13,759,086	7,921,364
Total	<u>80,420,213</u>	<u>67,720,036</u>

Collateral

Assets pledged

The carrying amount of financial assets pledged as collateral in the Group's ordinary course of businesses, including repurchase agreements, etc., are disclosed as below:

	As at 31 December 2021	As at 31 December 2020
Debt securities	33,269,000	43,411,000
Discounted bills	27,610,570	19,735,499
Total	<u>60,879,570</u>	<u>63,146,499</u>

As at 31 December 2021 and 31 December 2020, the Group's liabilities related to the above collateral were due within 12 months from the effective dates of these agreements and title of these collateral was not transferred to counterparties.

2.5 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

2.5.19 Contingent Liabilities and Commitments (Continued)

Capital commitments

	As at 31 December 2021	As at 31 December 2020
Contracted but not provided for – commitments for the acquisition of property and equipment	<u>1,027,548</u>	<u>567,852</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 2021, the principal balance of certificate government bonds which the Group had an obligation to pay in advance amounted to RMB2,231 million (31 December 2020: RMB2,371 million) and the principal balance of e-saving bonds amounted to RMB2,147 million (31 December 2020: RMB2,439 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.

2.5 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

2.5.20 Transfer of Financial Assets

Repurchase agreement

The Group entered into repurchase agreements with certain counterparties to sell bonds or bills of carrying amount of RMB60,880 million as at 31 December 2021 (31 December 2020: RMB63,146 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 RMB59,111 million (31 December 2020: RMB60,493 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.

Transfer of financial assets

The Group enters into securitisation transactions in the normal course of business by which it transfers credit assets to third parties or to special purpose vehicles. The Group assessed, among other factors, whether or not to derecognise the transferred assets by evaluating the extent to which it retains the risks and rewards of the assets and whether it has relinquished its control over these assets.

In 2019, the Group transferred loans to special purpose vehicles and retained an interest in the subordinated tranches of these special purpose vehicles. A transaction balance of RMB640 million did not meet the derecognition criteria on the date of transfer. As at 31 December 2021, these special vehicles have expired. The underlying assets have been returned and the income has been distributed. For the year ended 31 December 2021, the Group did not transfer any loans to any special purpose vehicles. The Group acted as service agent and charged service fee amounting to RMB1 million for the year ended 31 December 2021 (For the year ended 31 December 2020: RMB6 million).

2.5 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

2.5.21 Particulars of Principal Subsidiaries

Details of the Bank's subsidiaries as at 31 December 2021 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 2021 (In RMB '000)	Proportion of ownership held by the Group		Proportion of voting rights held by the Group		Principal activities
					As at 31 December 2021	As at 31 December 2020	As at 31 December 2021	As at 31 December 2020	
					%	%	%	%	
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

3. MANAGEMENT DISCUSSION AND ANALYSIS

3.1 Financial Review

3.1.1 Environment and Prospects

Looking back to 2021, a milestone year in the history of the Party and China, we grandly celebrated the centenary of the Communist Party of China, for achieving the goal of the first centenary and embarking on a new journey towards the goal of the second centenary. During the year, in the face of complicated situations together with various risks and challenges at home and abroad, China's social and economic development as well as epidemic prevention and control were coordinated through the joint efforts of the whole country, and China conscientiously implemented the policies of "six stabilities" and "six guarantees" to maintain the recovering economic development. The national economy was developing within a reasonable range, with accelerated evolution of national strategic technologies, enhanced innovation, optimised economic structure and region layout, and the accelerated development of information technology service and other productive services. Resilience of industrial chains was improved, reform and opening-up continued to deepen, and the structure of the supply was progressively reformed. As China continued to advance the construction of ecological civilization, people's livelihood was steadily elevated, and the construction of a new development pattern took new steps to gain high-quality development, achieving a good start for the "14th Five-Year Plan".

Looking forward to 2022, the international environment will become more complex and severe, with the slow recovery of the world economy, rising inflationary pressures and the spread of epidemics intertwined. China's economy will experience significantly more risks and challenges in addition to the triple pressures of demand contraction, supply shock and weakening expectation. However, China's economy is resilient with long-term positive fundamentals sustain. The continuous development is benefited by various favourable conditions, and the economy will gradually return to normal. Domestic macroeconomic policies will embody the trend of stability as the foremost consideration, seeking progress while maintaining stability, and making policy efforts suitably at the forefront. China will continue to implement proactive fiscal policies and prudent monetary policies. Proactive fiscal policies will focus on improving efficiency, precision and sustainability, while prudent monetary policies will remain flexible and appropriate to keep liquidity sufficient, guiding financial institutions to increase supports for the real economy, especially for small and micro enterprises, technological innovation and green development.

In the face of challenges and opportunities, the Bank will seriously comply with the central government's financial policies, the directives from the Tianjin Municipal Committee of the Communist Party of China and Tianjin Government, integrate its development into serving state strategies, and base itself in Tianjin while serving key regions such as Beijing-Tianjin-Hebei, Binhai New Area, Xiong'an New Area, Yangtze River Economic Zone and Chengdu-Chongqing Twin City Economic Circle, actively building its core competitiveness under the guidance of the "14th Five-Year Plan" strategic planning, so as to fully enhance its economic efficiency and overall strength to usher in the successful convention of the 20th National Congress of the Party.

3.1.2 Corporate Strategies

Year 2021 was the intersection of “The Two Centenaries”. The Bank upheld the philosophy of “keeping the original intention, restoring to the original purpose, returning to the source, moving forward to a new stage, and achieving a good start” and sought guidance from the “Strategic Planning of 14th Five-Year Plan”. The Bank continuously promoted the dual-track developmental strategy of “reform +innovation”, earnestly constructed a bank with “Six Dimensions (六個銀行)”, and effectively implemented the key work tasks of the “Ten Projects (3.0)”. We actively responded to China’s macroeconomic policy guidance, aggressively reduced fees and costs, intensified our support for real economy, and strengthened our risk control and risk alleviation, thereby achieving a good start for the “14th Five-Year Plan” and embarking on a new journey in the comprehensive development into a socialist modernised urban commercial bank.

The Bank continued to optimise our structure of assets and liabilities and achieved substantial development in various businesses. As of the end of 2021, the size of assets amounted to RMB719.90 billion, a year-on-year increase of 4.7%. We insisted on returning to our origins (回歸本源), focused on our main responsibilities and businesses, allocated more credit resources to strategic emerging industries and innovative technologies, precisely supported all walks of life to resume operation and the demand for steady supply of finance following the epidemic. Our loans amounted to RMB324.61 billion, a year-on-year increase of 9.8%. Both the volume and quality of our transaction banking business increased, of which business volume amounting to RMB100.524 billion was completed, a year-on-year increase of 43.9%. Innovative businesses such as supply chain finance, free trade business, and cash management were booming. The liability structure was further optimised, and the size of liabilities amounted to RMB662.36 billion, representing a year-on-year increase of 4.5%. Deposits of customers increased 7.4% and amounted to RMB382.48 billion, representing a 1.5% increase in proportion and fully utilising the role of wealth management products as a reservoir for personal deposits. The personal deposits of the Bank reached a new level by breaking through the RMB100 billion bottleneck, representing a year-on-year increase of 22.0%.

The Bank actively conceded benefits to the real economy and achieved a record high in operating income. We coordinated the work of epidemic prevention and control and served the real economy. We reduced fees and costs and lowered loan interest rates, we supported national and local economic construction and development as well as financing demands from entities. The net interest spread was 1.85%, and its net interest margin was 2.12%, representing a year-on-year decrease of 0.13% and 0.14%, respectively. In 2021, the Bank achieved operating income of RMB17.69 billion, representing a year-on-year increase of 2.9%; a profit before provision of RMB13.29 billion, representing a year-on-year increase of 0.2%, both of which hit record highs again. Affected by the reduced fees and costs and the substantial increase in provisions, the net profit amounted to RMB3.21 billion, representing a year-on-year decrease of 26.0%.

Small and micro financial services continued to be deepened, and the building of the “Citizens’ Bank” (市民銀行) brand achieved remarkable results. Financial policies such as credit loan support plans, refinancing, and rediscounting were robustly promoted. The Bank extended its reach by leveraging core product group of “e-Loan for taxpayers”(銀稅 e 貸), “e-Loan for supermarkets”(商超 e 貸), “Tianhangyongbei-Microfinance” (天行用唄－小微商戶經營貸) and “e-Loan for home mortgage”(宅抵 e 貸). As of the end of 2021, the size of inclusive loans to small and micro enterprises amounted to RMB36.36 billion, representing a year-on-year increase of 42.5%. Our agriculture-related business gave full play to the Group’s advantages and continued to develop featured products such as “Hui Nong Loan” and “Farmer Loan Program”. The size of our inclusive agriculture-related loans amounted to RMB4.202 billion, representing a year-on-year increase of 88.3%. Leveraging the government-enterprise linkage function, we optimised the way of issuing social security cards, strengthened the marketing of social security cards, and enriched and optimised the application scenarios of social security cards. In 2021, the Bank issued 438,100 social security cards. The credit card phased consumption scenarios continued to be enriched. The operating income from our credit card business amounted to RMB109 million, a year-on-year increase of 118.8%. The “Smart Xiao Er (智慧小二)” ecosystem continued to expand, and achieved cooperation with all administrative regions in Tianjin, as well as other cities such as Hebei, Beijing, Shanghai, Chengdu and Jinan, covering the whole life scene of “clothing, food, housing, transportation and entertainment”. As of the end of 2021, the cumulative number of online merchants exceeded 200,000, a year-on-year increase of 182%. The average number of citizens daily served reached around 1,200,000, and the average daily transaction volume amounted to near RMB90 million, driving the integrated development of asset and liability products in the scene.

In terms of our capital operation business, we continued to practise the concept of returning to our origins and restoring to our original purpose (回本源、歸本位). During 2021, the operating income amounted to RMB4.90 billion, representing a year-on-year increase of 12.9%. We engaged further in bond transactions in the financial market. During the year, the size of spot trading amounted to RMB3.1 trillion with a spread income of RMB320 million, representing a year-on-year increase of 18%. We continued to optimise our investment portfolio, with standardised bond investment increasing by 10.1% year-on-year. The size of non-standardised investments such as asset management, trust plans and wealth management products decreased by 19.4% year-on-year. Playing the role of debt stabiliser, we obtained a total of RMB76.619 billion in financial support through MLF (中期借貸便利), rediscounting and bidding for treasury cash deposit business. Our investment banking business achieved breakthrough development with the lead underwriting of corporate credit bonds as the core. During the year, the size of bonds underwritten by us as a lead underwriter amounted to RMB133.0 billion in total, representing a year-on-year increase of 351%, ranking 22nd in the banking industry, up by 7 places year-on-year. We ranked second among city commercial banks both in terms of the lead underwriting volume of asset securitization products and non-policy financial bonds. In respect of the asset management business, the net worth product system was continuously improved. As of the end of 2021, the size of wealth management products amounted to RMB101.8 billion, all of which were net-worth products that met the requirements of the new asset management regulations.

The Bank actively leveraged its financial strength to support major national strategies. As of the end of 2021, the balance of loans in the Beijing-Tianjin-Hebei region was RMB194.9 billion, a year-on-year increase of 16.0%. Local government bonds of RMB18.3 billion were underwritten in Beijing, Tianjin and Hebei. Bonds of more than RMB90.0 billion were underwritten for enterprises in the Beijing-Tianjin-Hebei region. In response to General Secretary Xi Jinping's major strategic deployment of "carbon peaking and carbon neutrality", we promoted sustainable economic transformation with green financial instruments. We cooperated with the Tianjin Carbon Emissions Exchange and related industrial customers to launch the first carbon quota pledge loan issued by the corporate bank in Tianjin and the first carbon performance-linked loan in Tianjin. The Bank's green credit balance was RMB12.07 billion, a year-on-year increase of 29.4%. We actively leveraged our advantages in bond underwriting and investment. During the year, green bonds invested and underwritten amounted to RMB10.6 billion, ranking the top three in the 2021 National City and Rural Commercial Bank Green Debt Financing Instrument Investor Ranking List.

We strengthened the foundation of asset quality and intensified the disposal of assets at risks, thus fully improving our operational risk management capability. In this regard, we focused on key areas and tightened the control on granting of large amount of credits. Upholding the principle of prudence, after full consideration of the Covid-19 epidemic, we increased provisions and the disposal of assets at risks to improve risk compensation capabilities based on the risk profiles of clients. We took the initiative in assets' quality classification and management. In 2021, the provision for impairment losses amounted to RMB9.85 billion, representing a year-on-year increase of 19.7%. The non-performing loan ratio was 2.41%, the allowance coverage ratio was 154.26%, with capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio of 13.49%, 10.74% and 10.73%, respectively, which continued to satisfy regulatory requirements.

With the increasingly solidified fintech foundation, the data center realized local dual-active operation, which has provided the safety and security for the continuity of our business. We continue to strengthen the investment in technology resources. In 2021, our IT investment amounted to RMB462 million, accounting for 2.61% of the operating income. The primary targets of our IT investment include system development, procurement of electronic equipment and software, IT human resources allocation, IT consultancy and infrastructure establishment. In 2021, the established innovative fintech projects reached 365 in total, 158 of which have been put into operation. The construction of main data centre in Wuqing, Tianjin and the local disaster recovery data centre in Xiqing have been completed, with the goal of local dual-active operation achieved for 188 production systems across the Bank, indicating that we have fully enhanced the capability for our business continuity to an industry-leading level. The construction work of our three-phase IT planning, which focused on cloud native technical framework and top-level planning for management framework, has been formally initialised. We have completed the phased missions of developing a distributed core system and conducting technical tests as planned, and progressed towards the trial phase for system integration, laying a solid foundation for the subsequent construction. We have drawn up the roadmap for data governance and data middle-office in line with the strategies of the Bank. Leveraging on the data empowerment supported by big data and artificial intelligence, we will continue to improve our digital operation capability, so as to support the development of our core business in full swing.

3.1.3 Analysis of the Income Statement

	For the year ended 31 December		Rate of
	2021	2020	change
	<i>(Amounts in thousands of Renminbi, unless otherwise stated)</i>		
Interest income	30,371,879	30,553,932	(0.6)
Interest expenses	(17,446,541)	(16,907,490)	3.2
NET INTEREST INCOME	12,925,338	13,646,442	(5.3)
Investment income	2,339,241	1,738,108	34.6
Fee and commission income	2,082,280	2,447,096	(14.9)
Fee and commission expenses	(298,654)	(136,561)	118.7
NET FEE AND COMMISSION INCOME	1,783,626	2,310,535	(22.8)
Net trading gains/(losses)	649,678	(446,873)	(245.4)
Net gains arising from derecognition of financial assets measured at amortised cost	40,212	25,832	55.7
Other income, gains or losses	(44,106)	(77,340)	(43.0)
OPERATING INCOME	17,693,989	17,196,704	2.9
Operating expenses	(4,424,654)	(3,952,952)	11.9
Impairment losses under expected credit loss (ECL) model, net of reversals	(9,852,127)	(8,230,793)	19.7
Share of results of associates	24,535	22,125	10.9
PROFIT BEFORE TAX	3,441,743	5,035,084	(31.6)
Income Tax Expenses	(227,436)	(691,671)	(67.1)
PROFIT FOR THE YEAR	3,214,307	4,343,413	(26.0)

For the year ended 31 December 2021, the Bank's profit before tax decreased by 31.6% from RMB5,035.1 million for the year ended 31 December 2020 to RMB3,441.7 million and the profit for the year decreased by 26.0% from RMB4,343.4 million for the year ended 31 December 2020 to RMB3,214.3 million.

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

For the year ended 31 December 2021, the Bank's net interest income amounted to RMB12,925.34 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 RMB2,339.24 million. The sum of two was RMB15,264.6 million, representing a reduction of 0.8% as compared to the figure as at 31 December 2020 measured in the same standard. The Bank's net interest spread decreased from 1.98% for the year ended 31 December 2020 to 1.85% for the year ended 31 December 2021. The Bank's net interest margin decreased from 2.26% for the year ended 31 December 2020 to 2.12% for the year ended 31 December 2021. The decrease in net interest income, net interest spread and net interest margin was primarily due to Bank's compliance with regulatory requirements based on its philosophy of returning to its origins regarding its financial market businesses. The Bank proactively decreased its investments in non-standardised assets such as asset management plans, trust plans and wealth management products, hence recording a year-on-year decrease in the corresponding investment income and interest income. Meanwhile, the Bank stepped up its efforts on loan businesses with key projects and quality customers, and scaled up its support to medium and small, small and micro and inclusive financial services. The average yield of loans and advances to customers recorded a decrease by 0.25 percentage points year-on-year accordingly.

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 2020 and 2021.

	For the year ended 31 December					
	Average balance	2021 Interest income ⁽⁸⁾	Average yield (%)	Average balance	2020 Interest income ⁽⁸⁾	Average yield (%)
	<i>(Amounts in millions of RMB, except for percentages)</i>					
Interest-earning assets						
Loans and advances to customers	311,044.6	19,795.3	6.36	293,039.0	19,373.4	6.61
Investment securities and other financial assets, including	324,306.5	11,457.5	3.53	316,147.8	11,772.4	3.72
— Asset management plans and trust plans, funds and wealth management products and other assets ⁽¹⁾	113,194.3	3,993.8	3.53	143,135.7	5,520.1	3.86
— Debt securities investment	211,112.2	7,463.7	3.54	173,012.1	6,252.3	3.61
Amounts due from banks and other financial institutions ⁽²⁾	30,775.4	863.1	2.80	22,061.6	551.0	2.50
Deposits with banks and other financial institutions	12,647.2	35.8	0.28	8,702.0	41.7	0.48
Balances with central bank	41,382.8	562.4	1.36	40,652.9	557.5	1.37

	For the year ended 31 December					
	Average balance	2021 Interest income ⁽⁸⁾	Average yield (%)	Average balance	2020 Interest income ⁽⁸⁾	Average yield (%)
		<i>(Amounts in millions of RMB, except for percentages)</i>				
Total interest-earning assets (include assets at FVTPL)	720,156.5	32,714.1	4.54	680,603.3	32,296.0	4.75
Allowance for impairment losses	(16,652.0)			(17,094.7)		
Non-interest-earning assets ⁽³⁾	25,967.0			21,433.9		
Total assets	729,471.5	32,714.1	4.48	684,942.5	32,296.0	4.72

	For the year ended 31 December					
	Average balance	2021 Interest expenses ⁽⁸⁾	Average cost (%)	Average balance	2020 Interest expenses ⁽⁸⁾	Average cost (%)
		<i>(Amounts in millions of RMB, except for percentages)</i>				
Interest-bearing liabilities						
Due to customers	372,413.5	9,871.8	2.65	352,277.5	9,223.4	2.62
Deposits from banks and other financial institutions	43,492.7	1,210.8	2.78	39,702.4	1,157.9	2.92
Amounts due to banks and other financial institutions ⁽⁴⁾	98,699.0	2,063.4	2.09	72,870.7	1,427.3	1.96
Debt securities issued	105,067.1	3,588.6	3.42	109,069.0	3,877.1	3.55
Lease liabilities	962.2	41.9	4.35	1,116.5	49.4	4.42
Borrowings from central bank	28,432.8	673.0	2.37	35,933.0	1,176.4	3.27
Total interest-bearing liabilities (include liabilities at FVTPL)	649,067.3	17,449.5	2.69	610,969.1	16,911.5	2.77
Non-interest-bearing liabilities ⁽⁵⁾	20,690.3			19,915.4		
Total liabilities	669,757.6	17,449.5	2.61	630,884.5	16,911.5	2.68
Net interest income		15,264.6			15,384.5	
Net interest spread⁽⁶⁾			1.85			1.98
Net interest margin⁽⁷⁾			2.12			2.26

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”.

3.1.3.2 Interest Income

For the year ended 31 December 2021, the interest income of the Bank (including the interest income at FVTPL) increased by 1.3% to RMB32,714.1 million from RMB32,296.0 million for the year ended 31 December 2020, and the average yield on our interest-earning assets decreased by 21 basis points from 4.75% for the year ended 31 December 2020 to 4.54% for the year ended 31 December 2021, primarily because we reduced fees and costs to support the real economy, which affected our interest income to a certain extent.

Interest income from loans and advances to customers

For the year ended 31 December 2021, interest income from our loans and advances to customers increased by 2.2% from RMB19,373.4 million for the year ended 31 December 2020 to RMB19,795.3 million for the year ended 31 December 2021, primarily due to the increase of 6.1% in average balance of our loans and advances to customers from RMB293,039.0 million for the year ended 31 December 2020 to RMB311,044.6 million for the year ended 31 December 2021. The increase in the average balance of our loans and advances to customers was primarily due to the fact that the Bank further increased its support to the real economy and stepped up its efforts on loan business.

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

For the year ended 31 December 2021, interest income from asset management plans and trust plans, funds and wealth management products and other assets decreased by 27.6% from RMB5,520.1 million for the year ended 31 December 2020 to RMB3,993.8 million for the year ended 31 December 2021, primarily due to the fact that the average balance of our asset management plans and trust plans, funds and wealth management products and other assets decreased by 20.9% from RMB143,135.7 million for the year ended 31 December 2020 to RMB113,194.3 million for the year ended 31 December 2021. The decrease in the average balance of our asset management plans and trust plans, funds and wealth management products and other assets was primarily due to the Bank's strict compliance with regulatory requirements as well as its proactive efforts regarding decreasing investments in non-standardised debt assets such as asset management plans and trust plans.

Interest income from debt securities investment

Interest income from debt securities investment increased by 19.4% from RMB6,252.3 million for the year ended 31 December 2020 to RMB7,463.7 million for the year ended 31 December 2021, primarily due to the increase of 22.0% in average balance of debt securities investment from RMB173,012.1 million for the year ended 31 December 2020 to RMB211,112.2 million for the year ended 31 December 2021. The increase in the average balance of our debt securities investment was primarily because the Bank enhanced the allocation of standardised bond assets and improved 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 increased by 56.6% from RMB551.0 million for the year ended 31 December 2020 to RMB863.1 million for the year ended 31 December 2021, primarily due to the fact that the average balance of the amounts due from banks and other financial institutions increased by 39.5% from RMB22,061.6 million for the year ended 31 December 2020 to RMB30,775.4 million for the year ended 31 December 2021, while the average yield of the amounts due from banks and other financial institutions increased by 30 basis points from 2.50% for the year ended 31 December 2020 to 2.80% for the year ended 31 December 2021. The increase in the average balance of our amounts due from banks and other financial institutions was primarily because we increased our investment in such assets, while the increase in the average yield was primarily attributable to the Bank's proactive optimisation of its asset structure, which effectively increased the return on such assets.

Interest income from deposits with banks and other financial institutions

Interest income from deposits with banks and other financial institutions decreased by 14.1% from RMB41.7 million for the year ended 31 December 2020 to RMB35.8 million for the year ended 31 December 2021, primarily due to the fact that the average yield of the amounts due from banks and other financial institutions decreased by 20 basis points from 0.48% for the year ended 31 December 2020 to 0.28% for the year ended 31 December 2021.

Interest income from balances with central bank

Interest income from balances with central bank increased by 0.9% from RMB557.5 million for the year ended 31 December 2020 to RMB562.4 million for the year ended 31 December 2021, primarily due to the increase of 1.8% in the average balance of our balances with central bank from RMB40,652.9 million for the year ended 31 December 2020 to RMB41,382.8 million for the year ended 31 December 2021.

3.1.3.3 Interest Expense

Our interest expense (including the interest expense at FVTPL) increased by 3.2% from RMB16,911.5 million for the year ended 31 December 2020 to RMB17,449.5 million for the year ended 31 December 2021, primarily due to the increase of 6.2% in the average balance of interest-bearing liabilities from RMB610,969.1 million for the year ended 31 December 2020 to RMB649,067.3 million for the year ended 31 December 2021. The increase in the average balance of our interest-bearing liabilities was primarily due to the fact that the Bank increased the size of deposits.

Interest expense on due to customers

Our interest expense on due to customers increased by 7.0% from RMB9,223.4 million for the year ended 31 December 2020 to RMB9,871.8 million for the year ended 31 December 2021, primarily due to the increase by 5.7% in the average balance of due to customers from RMB352,277.5 million for the year ended 31 December 2020 to RMB372,413.5 million for the year ended 31 December 2021, and the increase of 3 basis points in the average cost of due to customers from 2.62% for the year ended 31 December 2020 to 2.65% for the year ended 31 December 2021.

Interest expense on deposits from banks and other financial institutions

Our interest expense on deposits from banks and other financial institutions increased by 4.6% from RMB1,157.9 million for the year ended 31 December 2020 to RMB1,210.8 million for the year ended 31 December 2021, primarily due to the increase of 9.5% in the average balance of the deposits from banks and other financial institutions from RMB39,702.4 million for the year ended 31 December 2020 to RMB43,492.7 million for the year ended 31 December 2021. The increase in the average balance of our deposits from banks and other financial institutions was primarily due to the adjustment in our Bank's liability structure and the 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 increased by 44.6% from RMB1,427.3 million for the year ended 31 December 2020 to RMB2,063.4 million for the year ended 31 December 2021, primarily due to the increase of 35.4% in the average balance of the amounts due to banks and other financial institutions from RMB72,870.7 million for the year ended 31 December 2020 to RMB98,699.0 million for the year ended 31 December 2021. The increase in the average balance of amounts due to banks and other financial institutions was primarily because the Bank actively adjusted its liability structure, which increased the scale of such liabilities.

Interest expense on debt securities issued

Our interest expense on debt securities issued decreased by 7.4% from RMB3,877.1 million for the year ended 31 December 2020 to RMB3,588.6 million for the year ended 31 December 2021, primarily due to the decrease of 3.7% in the average balance of debt securities issued from RMB109,069.0 million for the year ended 31 December 2020 to RMB105,067.1 million for the year ended 31 December 2021, and the decrease of 13 basis points in the average cost of debt securities issued from 3.55% for the year ended 31 December 2020 to 3.42% for the year ended 31 December 2021. The decrease in the average balance of our debt securities issued was primarily due to the reduction in the scale of our corresponding liabilities. The decrease in the average cost of our debt securities issued was primarily due to the lowering costs as a result of our reasonable arrangement of bonds issuance at a proper time.

Interest expense on lease liabilities

For the year ended 31 December 2021, our interest expense on lease liabilities amounted to RMB41.9 million, representing a decrease of 15.2% as compared to RMB49.4 million for the year ended 31 December 2020, primarily due to the decrease of 13.8% in the average balance of our lease liabilities from RMB1,116.5 million for the year ended 31 December 2020 to RMB962.2 million for the year ended 31 December 2021 and the decrease of 7 basis points in the average cost from 4.42% for the year ended 31 December 2020 to 4.35% for the year ended 31 December 2021.

Interest expense on borrowings from central bank

Our interest expense on borrowings from central bank decreased by 42.8% from RMB1,176.4 million for the year ended 31 December 2020 to RMB673.0 million for the year ended 31 December 2021, primarily due to the decrease of 20.9% in the average balance of borrowings from central bank from RMB35,933.0 million for the year ended 31 December 2020 to RMB28,432.8 million for the year ended 31 December 2021, and the decrease of 90 basis points in the average cost from 3.27% for the year ended 31 December 2020 to 2.37% for the year ended 31 December 2021.

3.1.3.4 Investment Income

The Bank adopted the IFRS 9 since 1 January 2018. Certain financial assets measured at amortised cost under the original standard were reclassified to financial assets measured at FVTPL 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 FVTPL, including debt securities investment, funds, asset management plans and trust plans and wealth management products and expense on financial liabilities held for trading measured at FVTPL. Investment income for the year ended 31 December 2021 was RMB2,339.2 million, representing an increase of 34.6% as compared to the investment income of RMB1,738.1 million for the year ended 31 December 2020, which was primarily due to the increase in the investment yield and scale of investment measured at FVTPL as a result of the Bank's proactive asset structure adjustment.

3.1.3.5 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 2020 and 2021.

	For the year ended 31 December			Rate of change
	2021	2020	Change in amount	(%)
	(Amounts in millions of RMB, except for percentages)			
Fee and commission income				
Wealth management service fees	887.2	1,516.9	(629.7)	(41.5)
Agency commission and underwriting service fees	759.2	552.4	206.8	37.4
Settlement and clearing fees	203.8	169.7	34.1	20.1
Consultancy fees	118.6	91.7	26.9	29.3
Acceptance and guarantee commitment fees	61.5	75.8	(14.3)	(18.9)
Bank card fees	49.5	38.0	11.5	30.3
Others	2.5	2.6	(0.1)	(3.8)
Subtotal	2,082.3	2,447.1	(364.8)	(14.9)
Fee and commission expenses	(298.7)	(136.6)	(162.1)	118.7
Net fee and commission income	1,783.6	2,310.5	(526.9)	(22.8)

Our net fee and commission income decreased by 22.8% from RMB2,310.5 million for the year ended 31 December 2020 to RMB1,783.6 million for the year ended 31 December 2021. The decrease in our net fee and commission income was primarily due to the decrease in wealth management service fees. The decrease in wealth management service fees was due to, on the one hand, the decrease in gains from wealth management investment among declining market interest rates, and, on the other hand, the fact that the Bank made adjustments to the profit distribution and rates of our certain products to comply with new asset management requirements and optimise the establishment of product portfolio, leading to a decrease in revenue.

3.1.3.6 Net Trading Gains/(losses)

Net trading gains/(losses) arise from realised and unrealised profit and loss of financial assets measured at FVTPL, the net disposal gains and losses of debt instruments measured at fair value through other comprehensive income (“FVOCI”) and net gains and losses arising from derivative financial instruments. Our net trading gains amounted to RMB649.7 million for the year ended 31 December 2021, while we recorded net trading losses of RMB446.9 million for the year ended 31 December 2020, primarily due to the increase in the fair value of financial assets which was mainly affected by market fluctuation. Meanwhile, the Bank grasped trading opportunities in the market, thereby increasing gains from price differences in spot trading.

3.1.3.7 Operating Expenses

The following table sets forth the principal components of our operating expenses for the years ended 31 December 2020 and 2021.

	For the year ended 31 December			Rate of change
	2021	2020	Change in amount	(%)
	(Amounts in millions of RMB, except for percentages)			
Operating expenses				
Staff costs	2,375.1	2,068.6	306.5	14.8
Sundry taxes	210.9	204.0	6.9	3.4
Other general and administrative expenses	540.4	508.4	32.0	6.3
Office expenses	423.4	421.9	1.5	0.4
Rental and property management expenses	80.9	74.1	6.8	9.2
Depreciation and amortisation	794.0	676.0	118.0	17.5
Total operating expenses	4,424.7	3,953.0	471.7	11.9
Cost-to-income ratio ⁽¹⁾	23.81%	21.80%	–	2.01

Note:

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

Our operating expenses increased by 11.9% from RMB3,953.0 million for the year ended 31 December 2020 to RMB4,424.7 million for the year ended 31 December 2021. The increase in operating expenses is primarily due to the Bank's efforts in solidifying technology foundation and continuing to increase the investment in technology resources with the aim to accelerate fintech transformation. The investment focused on system development, procurement of electronic equipment and software, allocation of human resources in information technology, consultation of information technology and construction of infrastructure.

For the years ended 31 December 2020 and 2021, our cost-to-income ratio (excluding sundry taxes) was 21.80% and 23.81%, respectively.

Staff costs

Staff costs are the largest component of our operating expenses, which amounted to RMB2,375.1 million for the year ended 31 December 2021, representing an increase of 14.8% as compared to RMB2,068.6 million for the year ended 31 December 2020. This is mainly due to that the State and Tianjin reduced enterprises' social insurance premiums in stages in response to the impact of the epidemic in 2020, resulting in a lower base due to a decrease in staff costs in the corresponding year. The payments of social insurance have returned to normal in 2021.

	For the year ended 31 December			Rate of
	2021	2020	Change in amount	change (%)
	<i>(Amounts in millions of RMB, except for percentages)</i>			
Salaries, bonuses and allowances	1,678.7	1,579.5	99.2	6.3
Social insurance	300.7	116.0	184.7	159.2
Housing funds	134.0	124.1	9.9	8.0
Staff welfare	96.4	81.1	15.3	18.9
Labour union fees and staff education expenses	41.7	36.4	5.3	14.6
Contribution to annuity funds	123.6	131.5	(7.9)	(6.0)
Total	2,375.1	2,068.6	306.5	14.8

Sundry taxes

Sundry taxes amounted to RMB210.9 million for the year ended 31 December 2021, representing an increase of 3.4% as compared to RMB204.0 million for the year ended 31 December 2020.

Office expenses and rental and property management expenses

The office expenses and rental and property management expenses amounted to RMB504.3 million for the year ended 31 December 2021, representing an increase of 1.7% as compared to RMB496.0 million for the year ended 31 December 2020.

Other general and administrative expenses

Our other general and administrative expenses amounted to RMB540.4 million for the year ended 31 December 2021, representing an increase of 6.3% as compared to RMB508.4 million for the year ended 31 December 2020.

Depreciation and amortisation

Depreciation and amortisation, including right-of-use assets, amounted to RMB794.0 million for the year ended 31 December 2021, representing an increase of 17.5% as compared to RMB676.0 million for the year ended 31 December 2020. The increase was primarily due to the fact that the Bank stepped up its efforts in construction of technology infrastructure and therefore the depreciation of fixed assets was increased.

3.1.3.8 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			Rate of change (%)
	2021	2020	Change in amount	
	(Amounts in millions of RMB, except for percentages)			
Loans and advances to customers at amortised cost	10,023.1	7,297.4	2,725.7	37.4
Loans and advances to customers at FVOCI	7.7	21.9	(14.2)	(64.8)
Credit commitments	62.9	(41.5)	104.4	(251.6)
Debt instruments at amortised cost	(484.0)	597.6	(1,081.6)	(181.0)
Debt instruments at FVOCI	19.9	356.3	(336.4)	(94.4)
Deposits with banks and other financial institutions	(2.2)	6.0	(8.2)	(136.7)
Placements with banks and other financial institutions	(63.3)	4.8	(68.1)	(1,418.8)
Others	288.0	(11.7)	299.7	(2,561.5)
Total	9,852.1	8,230.8	1,621.3	19.7

Our impairment losses under ECL model, net of reversals for the year ended 31 December 2021 were RMB9,852.1 million, representing an increase of 19.7% as compared to RMB8,230.8 million for the year ended 31 December 2020, which was primarily due to the Bank's increased overall provision for assets, reflecting our prudence for impairment provision.

3.1.3.9 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			Rate of change
	2021	2020	Change in amount	(%)
	(Amounts in millions of RMB, except for percentages)			
Profit before tax	3,441.7	5,035.1	(1,593.4)	(31.6)
Tax calculated at the applicable statutory tax rate of 25%	860.4	1,258.8	(398.4)	(31.6)
Income tax at concessionary rate	(4.1)	(1.4)	(2.7)	192.9
Income tax adjustment for prior years	7.1	2.5	4.6	184.0
Tax effect of expenses not deductible for tax purpose	59.4	36.5	22.9	62.7
Tax effect of income not subject to tax ⁽¹⁾	(695.4)	(604.7)	(90.7)	15.0
Income tax expenses	227.4	691.7	(464.3)	(67.1)

Note:

- (1) The income not subject to tax mainly represents interest income arising from government bonds and fund dividends. Such interest income is tax free under the PRC tax regulations.

Our income tax for the year ended 31 December 2021 was RMB227.4 million, representing a decrease of 67.1% as compared to RMB691.7 million for the year ended 31 December 2020. The decrease was primarily due to the decrease in profit before tax and the increase in income not subject to tax.

3.1.4 Analysis of the Statement of Financial Position

3.1.4.1 Assets

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

	As of 31 December 2021		As of 31 December 2020	
	Amount	% of the total (%)	Amount	% of the total (%)
<i>(Amounts in millions of RMB, except for percentages)</i>				
Assets				
Gross loans and advances to customers	337,019.8	46.8	307,822.4	44.8
Allowance for impairment losses	(12,412.4)	(1.7)	(12,070.1)	(1.8)
Loans and advances to customers, net	324,607.4	45.1	295,752.3	43.0
Investment securities and other financial assets, net	316,239.5	44.0	312,323.2	45.4
Financial assets held under resale agreements	600.2	0.1	600.2	0.1
Cash and balances with the central bank	39,831.6	5.5	47,831.5	7.0
Deposits with banks and other financial institutions	5,286.5	0.7	7,831.2	1.1
Placements with banks and other financial institutions	19,063.0	2.6	10,693.2	1.6
Derivative financial assets	16.8	0.0	9.7	0.0
Other assets ⁽¹⁾	14,258.9	2.0	12,718.9	1.8
Total assets	<u>719,903.9</u>	<u>100.0</u>	<u>687,760.2</u>	<u>100.0</u>

Note:

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

As of 31 December 2021, our total assets amounted to RMB719,903.9 million, representing an increase of 4.7% as compared to RMB687,760.2 million as of 31 December 2020. The increase was primarily due to the increase in our loans and advances to customers and investment securities and other financial assets.

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 2021		As of 31 December 2020	
	Amount	% of the total (%)	Amount	% of the total (%)
	<i>(Amounts in millions of RMB, except for percentages)</i>			
Corporate loans	164,971.1	48.9	145,451.5	47.2
Personal loans	132,296.2	39.3	134,982.3	43.9
Finance lease receivables	1,651.9	0.5	3,121.3	1.0
Discounted bills	38,100.6	11.3	24,267.3	7.9
Total	337,019.8	100.0	307,822.4	100.0

Corporate loans

Our corporate loans amounted to RMB164,971.1 million as of 31 December 2021, representing an increase of 13.4% as compared to RMB145,451.5 million as of 31 December 2020.

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

	As of 31 December 2021		As of 31 December 2020	
	Amount	% of the total (%)	Amount	% of the total (%)
	<i>(Amounts in millions of RMB, except for percentages)</i>			
Short-term loans (one year or less)	62,047.3	37.6	43,609.7	30.0
Medium and long-term loans (over one year)	102,923.8	62.4	101,841.8	70.0
Total corporate loans	164,971.1	100.0	145,451.5	100.0

Short-term loans as a percentage of our corporate loan portfolio increased from 30.0% as of 31 December 2020 to 37.6% as of 31 December 2021 and our medium and long-term loans as a percentage of our corporate loan portfolio decreased from 70.0% as of 31 December 2020 to 62.4% as of 31 December 2021. The changes in the above percentages of our corporate loan portfolio were primarily due to the active business optimisation carried out by the Bank.

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

	As of 31 December 2021		As of 31 December 2020	
	Amount	% of the total (%)	Amount	% of the total (%)
	<i>(Amounts in millions of RMB, except for percentages)</i>			
Working capital loans	77,794.0	47.2	73,449.8	50.5
Fixed asset loans	67,002.4	40.6	61,635.8	42.4
Trade finance	11,024.8	6.7	6,836.5	4.7
Others ⁽¹⁾	9,149.9	5.5	3,529.4	2.4
Total corporate loans	164,971.1	100.0	145,451.5	100.0

Note:

(1) Consist primarily of merger and acquisition loans and factoring business.

Our working capital loans amounted to RMB77,794.0 million as of 31 December 2021, representing an increase of 5.9% as compared to RMB73,449.8 million as of 31 December 2020, which was primarily due to the further adjustment and optimisation of the credit structure.

Our fixed assets loans amounted to RMB67,002.4 million as of 31 December 2021, representing an increase of 8.7% as compared to RMB61,635.8 million as of 31 December 2020, which was primarily due to the further adjustment and optimisation of the credit structure.

Our trade finance amounted to RMB11,024.8 million as of 31 December 2021, representing an increase of 61.3% as compared to RMB6,836.5 million as of 31 December 2020, which was primarily due to the increase in financing demands from customers.

Our other corporate loans amounted to RMB3,529.4 million and RMB9,149.9 million as of 31 December 2020 and 31 December 2021, representing a year-on-year increase of 159.2%, which was primarily due to the stronger support put into merger and acquisition loans and factoring business by the Bank.

Personal loans

Our personal loans amounted to RMB132,296.2 million as of 31 December 2021, representing a decrease of 2.0% as compared to RMB134,982.3 million as of 31 December 2020. The decrease was primarily due to a decrease in the amount of personal loans for consumption.

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

	As of 31 December 2021		As of 31 December 2020	
	Amount	% of the total (%)	Amount	% of the total (%)
	<i>(Amounts in millions of RMB, except for percentages)</i>			
Personal loans for consumption	67,429.5	51.0	86,895.0	64.3
Residential mortgage loans	29,403.7	22.2	25,506.2	18.9
Personal loans for business purposes	32,953.0	24.9	20,339.4	15.1
Credit card overdrafts	2,510.0	1.9	2,241.7	1.7
Total personal loans	132,296.2	100.0	134,982.3	100.0

Our personal loans for consumption amounted to RMB67,429.5 million as of 31 December 2021, representing a decrease of 22.4% as compared to RMB86,895.0 million as of 31 December 2020. The decrease in our personal loans for consumption was because we proactively adjusted the asset structure of personal loan business and increased the proportion of personal loans for business purposes, thus moderately decreasing the amount of personal loans for consumption.

Our residential mortgage loans amounted to RMB29,403.7 million as of 31 December 2021, representing an increase of 15.3% as compared to RMB25,506.2 million as of 31 December 2020. The increase in our residential mortgage loans was primarily due to the fact that we kept expanding high-quality project resources in the primary market and the platform channels of leading real estate agencies in the secondary market, and gradually realised the increase in our mortgage lending.

Our personal loans for business purposes amounted to RMB32,953.0 million as of 31 December 2021, representing an increase of 62.0% as compared to RMB20,339.4 million as of 31 December 2020. The increase in our personal loans for business purposes was primarily due to the fact that the Bank effectively implemented the central financial policy to support the development of small and micro enterprises and individual entrepreneurs, and fully exploited PBoC's financial policies of "stabilising operations of enterprises and securing employment". Using big data technologies and electronic channels, the Bank continuously improved and promoted 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 to enrich small and micro loan products. The Bank launched the online mortgage product of "e-loans for home mortgage" (宅抵 e 貸) so as to realise sustainable growth in business scale and client base.

As of 31 December 2021, our credit card overdrafts amounted to RMB2,510.0 million, representing an increase of 12.0% as compared to RMB2,241.7 million as of 31 December 2020. The increase in the amount of credit card overdrafts was mainly due to the growth in the scale of the Bank's credit card assets.

Finance lease receivables

As of 31 December 2021, our finance lease receivables amounted to RMB1,651.9 million, representing a decrease of 47.1% as compared to RMB3,121.3 million as of 31 December 2020, primarily due to the fact that the existing sale leaseback business has been settled successively, while new sale leaseback business was audited in accordance with IFRS 9 and classified as loans.

Discounted bills

Discounted bills represented an important component of our portfolio of loans and advances to customers. Our discounted bills increased by 57.0% from RMB24,267.3 million as of 31 December 2020 to RMB38,100.6 million as of 31 December 2021, primarily due to the fact that the Bank proactively adjusted asset structure to increase the scale of such business and supported the financing demands from entities.

Investment securities and other financial assets

As of 31 December 2021, the balance of our investment securities and other financial assets amounted to RMB316,239.5 million, representing an increase of 1.3% compared to RMB312,323.2 million as of 31 December 2020, primarily due to the fact that the Bank further optimised its asset structure, continuously reducing the scale of investment in non-standardised debt assets such as assets management plans and trust plans while increasing the business scales of 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 2020 and 31 December 2021.

	As of 31 December 2021		As of 31 December 2020	
	Amount	% of the total (%)	Amount	% of the total (%)
	<i>(Amounts in millions of RMB, except for percentages)</i>			
Debt securities				
Debt securities measured at amortised cost	149,344.0	47.3	129,632.0	41.3
Debt securities measured at FVOCI	50,017.0	15.8	54,908.5	17.6
Debt securities measured at FVTPL	10,575.0	3.3	6,129.6	2.0
Allowance for impairment losses	(786.1)	(0.2)	(202.8)	(0.1)
Subtotal	209,149.9	66.2	190,467.3	60.8
Funds	18,974.0	6.0	22,051.8	7.1
Wealth management products issued by other financial institutions	–	–	305.4	0.1
Asset management plans and trust plans and other debt financing products, net				
Asset management plans and trust plans	70,146.4	22.2	86,763.0	27.8
Other debt financing products	18,180.0	5.7	14,531.1	4.7
Allowance for impairment losses	(2,761.3)	(0.9)	(3,828.7)	(1.2)
Subtotal	85,565.1	27.0	97,465.4	31.3

	As of 31 December 2021		As of 31 December 2020	
	% of		% of	
	the total		the total	
	Amount	(%)	Amount	(%)
<i>(Amounts in millions of RMB, except for percentages)</i>				
Equity investments				
Equity investments measured at FVTPL	908.3	0.3	468.6	0.2
Equity investments measured at FVOCI	1,642.2	0.5	1,564.7	0.5
Subtotal	2,550.5	0.8	2,033.3	0.7
Total investment securities and other financial assets, net	316,239.5	100.0	312,323.2	100.0

Debt securities

The following table sets forth the components of our debt securities as of 31 December 2020 and 31 December 2021.

	As of 31 December 2021		As of 31 December 2020	
	% of		% of	
	the total		the total	
	Amount	(%)	Amount	(%)
<i>(Amounts in millions of RMB, except for percentages)</i>				
PRC government bonds	73,684.9	35.1	65,170.7	34.2
Debt securities issued by PRC policy banks	63,194.0	30.1	75,766.1	39.8
Debt securities issued by PRC corporate issuers	40,920.5	19.5	24,080.4	12.6
Debt securities issued by PRC banks and other financial institutions	6,517.0	3.1	3,659.3	1.9
Asset-backed securities	25,619.7	12.2	21,993.6	11.5
Total	209,936.1	100.0	190,670.1	100.0

Our holding of debt securities issued by the PRC government increased by 13.1% from RMB65,170.7 million as of 31 December 2020 to RMB73,684.9 million as of 31 December 2021, primarily due to the Bank's proper adjustment in the asset structure, which increased the scale of deployment of high-quality current assets with higher comparable yield.

Our holding of debt securities issued by PRC policy banks decreased by 16.6% from RMB75,766.1 million as of 31 December 2020 to RMB63,194.0 million as of 31 December 2021, primarily due to the Bank's proper adjustment in the asset structure, which decreased the scale of deployment of such assets.

Our holding of debt securities issued by PRC corporate issuers increased by 69.9% from RMB24,080.4 million as of 31 December 2020 to RMB40,920.5 million as of 31 December 2021, primarily because the Bank stepped up its efforts in financing entities based on its philosophy of returning to its origins, thus an increase in the proportion of corporate bonds was recorded.

Our holding of debt securities issued by PRC banks and other financial institutions increased by 78.1% from RMB3,659.3 million as of 31 December 2020 to RMB6,517.0 million as of 31 December 2021, primarily due to the Bank's proper adjustment in the asset structure, which increased the deployment of investment in financial bonds.

Our holding of asset-backed securities increased by 16.5% from RMB21,993.6 million as of 31 December 2020 to RMB25,619.7 million as of 31 December 2021, primarily due to the fact that the Bank adjusted its asset structure properly, stepped up its efforts in financing entities and increased high-grade assets to support the scale of deployment of securities assets.

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 investment intention as of 31 December 2020 and 31 December 2021.

	As of 31 December 2021		As of 31 December 2020	
	Amount	% of the total (%)	Amount	% of the total (%)
	<i>(Amounts in millions of RMB, except for percentages)</i>			
Debt instruments at amortised cost	190,702.0	60.3	187,348.8	60.0
Financial assets measured at FVOCI	51,796.9	16.4	59,488.0	19.0
Financial assets measured at FVTPL	73,740.6	23.3	65,486.4	21.0
Total	316,239.5	100.0	312,323.2	100.0

Financial assets held under resale agreements

The table below sets forth the distribution of our financial assets held under resale agreements by collateral type as of 31 December 2020 and 31 December 2021.

	As of 31 December 2021		As of 31 December 2020	
	Amount	% of the total (%)	Amount	% of the total (%)
<i>(Amounts in millions of RMB, except for percentages)</i>				
Analysed by collateral type:				
Bills	993.5	100.0	993.5	100.0
Total	993.5	100.0	993.5	100.0
Allowance for impairment losses	<u>(393.3)</u>		<u>(393.3)</u>	
Net amount	<u>600.2</u>		<u>600.2</u>	

Our financial assets held under resale agreements amounted to RMB600.2 million as of 31 December 2021, which was the same as compared to RMB600.2 million as of 31 December 2020.

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, (iv) derivative financial assets, and (v) others.

Our cash and balances with central bank amounted to RMB39,831.6 million as of 31 December 2021, representing a decrease of 16.7% as compared to RMB47,831.5 million as of 31 December 2020.

Deposits with banks and other financial institutions amounted to RMB5,286.5 million as of 31 December 2021, representing a decrease of 32.5% as compared to RMB7,831.2 million as of 31 December 2020, primarily due to the Bank's active adjustment of asset structure and proper decrease in the asset scale of deposits with banks and other financial institutions.

Our placements with banks and other financial institutions amounted to RMB19,063.0 million as of 31 December 2021, representing an increase of 78.3% as compared to RMB10,693.2 million as of 31 December 2020, primarily due to Bank's active adjustment of asset structure, higher gains achievement and proper increase in the asset scale of placements.

Our derivative financial assets amounted to RMB16.8 million as of 31 December 2021, representing an increase of 73.2% as compared to RMB9.7 million as of 31 December 2020, primarily due to a year-on-year increase 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 12.1% from RMB12,718.9 million as of 31 December 2020 to RMB14,258.9 million as of 31 December 2021, primarily due to the increase in other receivables.

3.1.4.2 Liabilities

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

	As of 31 December 2021		As of 31 December 2020	
	Amount	% of the total (%)	Amount	% of the total (%)
	<i>(Amounts in millions of RMB, except for percentages)</i>			
Due to customers	382,478.9	57.7	355,981.9	56.2
Debt securities issued	98,511.1	14.9	108,711.6	17.1
Deposits from banks and other financial institutions	41,412.8	6.3	47,492.0	7.5
Financial assets sold under repurchase agreements	59,110.7	8.9	60,492.7	9.5
Placements from banks and other financial institutions	21,409.8	3.2	25,809.8	4.1
Financial liabilities held for trading	519.1	0.1	472.8	0.1
Borrowings from central bank	53,070.3	8.0	25,318.8	4.0
Income tax payable	15.6	0.0	437.6	0.1
Derivative financial liabilities	156.7	0.0	675.0	0.1
Other liabilities ⁽¹⁾	5,678.1	0.9	8,420.0	1.3
TOTAL LIABILITIES	662,363.1	100.0	633,812.2	100.0

Note:

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

As of 31 December 2021, our total liabilities were RMB662,363.1 million, representing an increase of 4.5% as compared to RMB633,812.2 million as of 31 December 2020.

Due to customers

As of 31 December 2021, our due to customers amounted to RMB382,478.9 million, representing an increase of 7.4% as compared to RMB355,981.9 million as of 31 December 2020.

The following table sets forth our due to customers by product type and maturity profile of deposits as of 31 December 2020 and 31 December 2021.

	As of 31 December 2021		As of 31 December 2020	
	Amount	% of the total (%)	Amount	% of the total (%)
	<i>(Amounts in millions of RMB, except for percentages)</i>			
Corporate deposits				
Demand	175,494.9	45.9	174,256.3	49.0
Time ⁽¹⁾	80,556.1	21.1	78,449.5	22.0
Subtotal	256,051.0	67.0	252,705.8	71.0
Personal deposits				
Demand	19,811.2	5.2	19,588.6	5.5
Time ⁽¹⁾	87,308.2	22.8	68,220.1	19.2
Subtotal	107,119.4	28.0	87,808.7	24.7
Others ⁽²⁾	19,308.5	5.0	15,467.4	4.3
Total due to customers	382,478.9	100.0	355,981.9	100.0

Notes:

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

Our corporate deposits increased by 1.3% from RMB252,705.8 million as of 31 December 2020 to RMB256,051.0 million as of 31 December 2021. The increase in our corporate deposits was primarily due to the fact that the Bank enhanced client acquisition capability, stabilised our customer base and increased the deposits contribution through our Bank's enhanced marketing and maintenance of corporate deposit clients, improvement of refined management of deposits and accurate marketing.

Our personal deposits increased by 22.0% from RMB87,808.7 million as of 31 December 2020 to RMB107,119.4 million as of 31 December 2021. The increase in personal deposits was primarily because the Bank continued to strengthen the refined management of personal deposit products and optimise product functions. Giving full play to the brand influence of key deposit products such as “Seagull deposit (海鷗存)”, “Happy certificates of deposit (幸福存單)” and “Large-denomination certificates of deposit (大額存單)”, the Bank developed a product system covering the needs of customers at all levels. The Bank took the improvement of wealth management ability of front-line marketing service personnel as an important operation and management objective, so as to enhance comprehensive service capabilities and asset allocation capabilities to cope with market changes. Our personal deposits growth was boosted by the increase in personal integrated financial assets. The personal deposits of the Bank reached a new level by successfully exceeding RMB100 billion.

Debt securities issued

As of 31 December 2021, our debt securities issued amounted to RMB98,511.1 million, representing a decrease of 9.4% as compared to RMB108,711.6 million as of 31 December 2020. The decrease in our debt securities issued was primarily due to the Bank’s active adjustment of liability structure and extension to multiple financing channels to obtain fund support at low costs through other means.

Deposits from banks and other financial institutions

As of 31 December 2021, our deposits from banks and other financial institutions amounted to RMB41,412.8 million, representing a decrease of 12.8% as compared to RMB47,492.0 million as of 31 December 2020. The decrease in our deposits from banks and other financial institutions mainly represents our active adjustment of liability structure and extension to multiple financing channels to obtain fund support at low costs through other means.

Financial assets sold under repurchase agreements

As of 31 December 2021, our financial assets sold under repurchase agreements amounted to RMB59,110.7 million, representing a decrease of 2.3% as compared to RMB60,492.7 million as of 31 December 2020. The decrease in our financial assets sold under repurchase agreements was primarily due to our active adjustment of liability structure and extension to multiple financing channels to obtain fund support through other means.

Placements from banks and other financial institutions

As of 31 December 2021, our placements from banks and other financial institutions amounted to RMB21,409.8 million, representing a decrease of 17.0% as compared to RMB25,809.8 million as of 31 December 2020. The decrease in our placements from banks and other financial institutions was primarily due to the Bank's active adjustment of liability structure and extension to multiple financing channels to obtain fund support through other means.

Financial liabilities held for trading

As of 31 December 2021, our financial liabilities held for trading amounted to RMB519.1 million, representing an increase of 9.8% as compared to RMB472.8 million as of 31 December 2020. The increase in our financial liabilities held for trading was primarily due to the Bank's active adjustment of liability structure which increased the scale of such business.

Borrowings from central bank

As of 31 December 2021, our borrowings from central bank amounted to RMB53,070.3 million, representing an increase of 109.6% as compared to RMB25,318.8 million as of 31 December 2020. The increase in our borrowings from central bank was mainly attributable to the Bank's active adjustment of liability structure and the stable fund support obtained through borrowings from central bank.

Income tax payable

As of 31 December 2021, our income tax payable amounted to RMB15.6 million, representing a decrease of 96.4% as compared to RMB437.6 million as of 31 December 2020.

Derivative financial liabilities

As of 31 December 2021, our derivative financial liabilities amounted to RMB156.7 million, representing a decrease of 76.8% as compared to RMB675.0 million as of 31 December 2020.

Other liabilities

Our other liabilities mainly include lease liabilities, other payables, settlement payable, salaries and benefits payable, dividends payable, provision related to litigation and sundry taxes payable, etc. Our other liabilities decreased by 32.6% from RMB8,420.0 million as of 31 December 2020 to RMB5,678.1 million as of 31 December 2021, primarily due to the decrease in other payables.

3.1.4.3 Equity

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

	As of 31 December 2021		As of 31 December 2020	
	Amount	% of the total (%)	Amount	% of the total (%)
<i>(Amounts in millions of RMB, except for percentages)</i>				
Equity				
Share capital	6,070.6	10.6	6,070.6	11.3
Capital reserve	10,731.1	18.6	10,731.1	19.9
Investment revaluation reserve	(12.3)	0.0	(390.9)	(0.7)
Surplus reserve	3,352.5	5.8	3,352.5	6.2
General reserve	9,216.7	16.0	9,213.6	17.1
Retained earnings	27,346.2	47.5	24,153.3	44.7
Equity attributable to equity holders of the Bank	56,704.8	98.5	53,130.2	98.5
Non-controlling interests	836.0	1.5	817.8	1.5
Total equity	57,540.8	100.0	53,948.0	100.0

As of 31 December 2021, our shareholders' equity amounted to RMB57,540.8 million, representing an increase of 6.7% as compared to RMB53,948.0 million as of 31 December 2020. As of 31 December 2021, our equity attributable to equity holders of the Bank was RMB56,704.8 million, representing an increase of 6.7% as compared to RMB53,130.2 million as of 31 December 2020. The increase in shareholders' equity for the year ended 31 December 2021 was mainly due to the supplement to equity from the net profit of the Bank.

3.1.5 Analysis of Off-balance Sheet Items

The following table sets forth the contractual amounts of our credit commitments as of 31 December 2020 and 31 December 2021.

	As of 31 December 2021	As of 31 December 2020
	<i>(Amounts in millions of RMB)</i>	
Acceptances	30,581.0	24,312.1
Undrawn corporate loans limit	19,343.7	20,591.2
Undrawn credit card limit	14,812.0	13,950.7
Letters of credit	13,759.1	7,921.4
Letters of guarantee	1,924.4	944.6
Total	80,420.2	67,720.0

3.1.6 Credit Quality 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 2020 and 31 December 2021.

	As of 31 December 2021		As of 31 December 2020	
	Amount	% of total ⁽¹⁾ (%)	Amount	% of total ⁽¹⁾ (%)
	<i>(Amounts in millions of RMB, except for percentages)</i>			
Normal	312,735.1	92.79	286,945.6	93.22
Special mention	16,238.5	4.82	14,297.3	4.64
Subtotal	328,973.6	97.61	301,242.9	97.86
Substandard	6,026.1	1.79	4,001.3	1.30
Doubtful	1,221.7	0.36	2,008.5	0.65
Loss	798.4	0.24	569.7	0.19
Subtotal	8,046.2	2.39	6,579.5	2.14
Gross loans and advances to customers	337,019.8	100.0	307,822.4	100.00

As of 31 December 2021, according to the five-category loan classification, the normal loans amounted to RMB312,735.1 million, accounting for 92.79% of all the loans of the Bank, representing an increase of RMB25,789.5 million as compared to that as of 31 December 2020. Loans classified as special mention were RMB16,238.5 million, accounting for 4.82% of all loans, representing an increase of RMB1,941.2 million as compared to that as of 31 December 2020. The non-performing loans were RMB8,046.2 million, representing an increase of RMB1,466.7 million as compared to that as of 31 December 2020, with a non-performing loan ratio⁽¹⁾ of 2.39%, representing an increase of 0.25 percentage point as compared to that as of 31 December 2020, primarily due to weakened repayment abilities of individual corporate customers and personal customers of the Bank. Meanwhile, we enhanced our asset quality classification and management in a more prudent and proactive manner according to strict regulatory requirements, leading to the increase in non-performing loans.

Note:

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

Distribution of corporate loans by industry

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

	As of 31 December 2021		As of 31 December 2020	
	Amount	% of the total (%)	Amount	% of the total (%)
	<i>(Amounts in millions of RMB, except for percentages)</i>			
Leasing and business services	37,788.6	22.7	23,428.4	15.8
Real estate	30,891.9	18.5	35,926.5	24.2
Manufacturing	24,625.5	14.8	23,253.0	15.7
Construction	20,772.4	12.5	17,593.5	11.8
Water, environment and public facilities management	17,538.5	10.5	11,727.5	7.9
Wholesale and retail	15,212.0	9.1	22,138.6	14.9
Finance	4,210.3	2.5	3,103.9	2.1
Production and supply of electricity, heat, gas and water	3,907.1	2.3	2,603.0	1.8
Transportation, storage and postal services	3,782.8	2.3	3,188.2	2.1
Culture, sports, and entertainment	2,632.2	1.6	881.9	0.6
Resident services, repair and other services	1,228.4	0.7	1,061.7	0.7
Agriculture, forestry, animal husbandry and fishery	730.4	0.4	1,016.5	0.7
Mining	670.5	0.4	366.7	0.2
Information transmission, software and information technology services	630.9	0.4	679.7	0.5
Accommodation and catering	625.6	0.4	744.3	0.5
Education	497.8	0.3	48.7	0.0
Health and social services	479.5	0.3	354.3	0.2
Scientific research and technical services	398.6	0.3	456.4	0.3
Total corporate loans⁽¹⁾	166,623.0	100.0	148,572.8	100.0

Note:

(1) Consist of finance lease receivables.

In 2021, the Bank actively supported the development of the real economy with its loans structure further optimised. As of 31 December 2021, loans provided to customers in the industries of (i) leasing and business services, (ii) real estate, (iii) manufacturing, (iv) construction, and (v) water, environment and public utilities management represented the top five largest components of the Bank's corporate loans. As of 31 December 2021 and 31 December 2020, the balance of loans provided to the corporate customers in these five industries were RMB131,616.9 million and RMB111,928.9 million, respectively, accounting for 79.0% and 75.4% of the total corporate loans and advances, respectively.

Distribution of non-performing loans to corporate customers 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 2021			As of 31 December 2020		
	Amount	% of the total (%)	NPL ratio ⁽¹⁾ (%)	Amount	% of the total (%)	NPL ratio ⁽¹⁾ (%)
<i>(Amounts in millions of RMB, except for percentages)</i>						
Manufacturing	1,918.9	34.6	7.79	1,722.9	45.6	7.41
Real estate	1,603.3	28.9	5.19	19.2	0.5	0.05
Wholesale and retail	1,191.9	21.5	7.84	1,620.3	43.0	7.32
Leasing and commercial services	282.5	5.1	0.75	47.5	1.3	0.20
Water, environment and public facilities management	114.2	2.1	0.65	–	–	–
Construction	113.0	2.0	0.54	208.6	5.5	1.19
Agriculture, forestry, animal husbandry and fishery	76.2	1.4	10.43	30.3	0.8	2.98
Accommodation and catering	74.5	1.3	11.91	74.5	2.0	10.01
Transportation, storage and postal services	60.3	1.1	1.59	41.8	1.1	1.31
Culture, sports and entertainment	60.0	1.1	2.28	–	–	–
Information transmission, software and information technology services	49.9	0.8	7.91	–	–	–
Scientific research and technical services	5.9	0.1	1.48	5.9	0.2	1.29
Total non-performing loans to corporate customers⁽²⁾	5,550.6	100.0	3.33	3,771.0	100.0	2.54

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 loans to corporate customers consist primarily of non-performing loans to corporate borrowers in the manufacturing industry and real estate industry. The non-performing loan ratios for our corporate loans in the manufacturing industry were 7.41% and 7.79% as of 31 December 2020 and 31 December 2021, respectively. As of 31 December 2020 and 31 December 2021, non-performing loans to corporate customers to borrowers in this industry accounted for 45.6% and 34.6% of our total non-performing loans to corporate customers, respectively. The increase in our non-performing loan ratio for our corporate loans to borrowers in the manufacturing industry was primarily due to the weakened repayment ability of our individual corporate customers.

The non-performing loan ratios for our corporate loans in the real estate industry were 0.05% and 5.19% as of 31 December 2020 and 31 December 2021, respectively. As of 31 December 2020 and 31 December 2021, non-performing loans to corporate customers to borrowers in this industry accounted for 0.5% and 28.9% of our total non-performing loans to corporate customers, respectively. The increase in our non-performing loan ratio for our corporate loans to borrowers in the real estate industry was primarily due to the weakened repayment ability of our individual corporate customers.

As of 31 December 2020 and 31 December 2021, the Bank's balances of non-performing loans to corporate customers from the wholesale and retail industry were RMB1,620.3 million and RMB1,191.9 million, respectively, representing a year-on-year decrease of 26.4%, and the non-performing loan ratios were 7.32% and 7.84%, respectively. As of 31 December 2020 and 31 December 2021, non-performing loans to corporate customers to borrowers in this industry accounted for 43.0% and 21.5% of our total non-performing loans to corporate customers, respectively. The increase in our non-performing loan ratio for our corporate loans to borrowers in the wholesale and retail industry was primarily due to the weakened repayment ability of our individual corporate customers.

The non-performing loan ratios for our corporate loans in the leasing and business services were 0.20% and 0.75% as of 31 December 2020 and 31 December 2021, respectively. As of 31 December 2020 and 31 December 2021, non-performing loans to corporate customers to borrowers in this industry accounted for 1.3% and 5.1% of our total non-performing loans to corporate customers, respectively. The increase in our non-performing loan ratio for our corporate loans to borrowers in the leasing and business services industry was primarily due to the weakened repayment ability of our individual corporate customers.

The non-performing loan ratios for our corporate loans in the water, environment and public facilities management industry were 0 and 0.65% as of 31 December 2020 and 31 December 2021, respectively. As of 31 December 2020 and 31 December 2021, non-performing loans to corporate customers to borrowers in this industry accounted for 0 and 2.1% of our total non-performing loans to corporate customers, respectively. The increase in our non-performing loan ratio for our corporate loans to borrowers in the water, environment and public facilities management industry was primarily due to the weakened repayment ability of our individual corporate customers.

Distribution of non-performing loans by product type

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

	As of 31 December 2021			As of 31 December 2020		
	Amount	% of the total (%)	NPL ratio ⁽¹⁾ (%)	Amount	% of the total (%)	NPL ratio ⁽¹⁾ (%)
<i>(Amounts in millions of RMB, except for percentages)</i>						
Corporate loans⁽²⁾						
Working capital loans	4,010.5	49.8	5.16	3,508.9	53.3	4.78
Fixed asset loans	1,276.9	15.9	1.91	129.2	2.0	0.21
Finance lease receivables	170.2	2.1	10.30	–	–	–
Others ⁽³⁾	93.0	1.2	0.46	132.9	2.0	3.77
Subtotal	5,550.6	69.0	3.33	3,771.0	57.3	2.54
Personal loans						
Personal loans for consumption	1,340.4	16.7	1.99	2,092.4	31.8	2.41
Personal loans for business purposes	937.0	11.6	2.84	572.9	8.7	2.82
Residential mortgage loans	124.5	1.5	0.42	100.0	1.5	0.39
Credit card overdrafts	93.7	1.2	3.73	43.2	0.7	1.93
Subtotal	2,495.6	31.0	1.89	2,808.5	42.7	2.08
Total non-performing loans	8,046.2	100.0	2.39	6,579.5	100.0	2.14

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.

The non-performing loan ratio for our corporate loans increased from 2.54% as of 31 December 2020 to 3.33% as of 31 December 2021, with a 47.2% increase in our non-performing loans to corporate customers from RMB3,771.0 million to RMB5,550.6 million. The increase in our non-performing loans to corporate customers was primarily due to the weakened repayment ability of our individual corporate customers.

The non-performing loan ratio for our personal loans decreased from 2.08% as of 31 December 2020 to 1.89% as of 31 December 2021, with a 11.2% decrease in our non-performing personal loans from RMB2,808.5 million as of 31 December 2020 to RMB2,495.6 million as of 31 December 2021. The decrease in the scale of our non-performing loans and the non-performing loan ratio for our personal loans was primarily because the Bank strengthened the collection and resolution of individual non-performing loans.

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 2020 and 31 December 2021.

	As of 31 December 2021			As of 31 December 2020		
	Amount	% of the total (%)	NPL ratio ⁽¹⁾ (%)	Amount	% of the total (%)	NPL ratio ⁽¹⁾ (%)
<i>(Amounts in millions of RMB, except for percentages)</i>						
Tianjin	1,549.7	19.3	1.04	1,463.0	22.2	1.16
Beijing	395.1	4.9	2.28	514.7	7.8	3.24
Shandong Province	1,122.9	14.0	3.11	1,175.0	17.9	3.31
Shanghai	1,538.0	19.1	1.92	1,960.3	29.8	2.43
Hebei Province	2,810.9	34.9	9.95	808.1	12.3	3.09
Sichuan Province	618.5	7.7	2.48	641.3	9.7	2.81
Others	11.1	0.1	1.18	17.1	0.3	1.81
Total non-performing loans	8,046.2	100.0	2.39	6,579.5	100.0	2.14

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 2020 and 31 December 2021.

	As of 31 December 2021		As of 31 December 2020	
	Amount	% of the total (%)	Amount	% of the total (%)
<i>(Amounts in millions of RMB, except for percentages)</i>				
Unsecured loans	157,750.0	46.8	118,069.5	38.4
Guaranteed loans	81,270.3	24.1	96,701.7	31.4
Collateralised loans ⁽¹⁾	78,158.6	23.2	70,600.8	22.9
Pledged loans ⁽¹⁾	19,840.9	5.9	22,450.4	7.3
Gross loans and advances to customers	337,019.8	100.0	307,822.4	100.0

Note:

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

Borrowers concentration

As of 31 December 2021, the Bank's total loans to its largest single borrower accounted for 5.49% of its regulatory capital while total loans to its top ten customers accounted for 39.26% of its regulatory capital, which was in compliance with regulatory requirements.

a. Indicators of concentration

Major regulatory indicators	Regulatory standard	As of 31 December 2021	As of 31 December 2020
Loan concentration ratio for the largest single customer (%)	<=10	5.49	4.35
Loan concentration ratio for the top ten customers (%)	<=50	39.26	32.79

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 2021			Classification
		Amount	% of the total loans (%)	% of regulatory capital ⁽¹⁾ (%)	
Industry		(Amounts in millions of RMB, except for percentages)			
Borrower A	Manufacturing	3,889.2	1.15	5.49	Normal
Borrower B	Water, environment and public facilities management	3,163.0	0.94	4.48	Normal
Borrower C	Construction	2,998.5	0.89	4.23	Normal
Borrower D	Construction	2,938.3	0.87	4.15	Normal
Borrower E	Leasing and commercial services	2,883.0	0.86	4.07	Normal
Borrower F	Real estate	2,803.2	0.83	3.96	Normal
Borrower G	Leasing and commercial services	2,699.7	0.80	3.81	Normal
Borrower H	Manufacturing	2,295.3	0.68	3.24	Normal
Borrower I	Manufacturing	2,229.0	0.66	3.15	Normal
Borrower J	Leasing and commercial services	1,895.0	0.57	2.68	Normal
Total		27,794.2	8.25	39.26	

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 2021, the loan balance of the largest single borrower of the Bank was RMB3,889.2 million, accounting for 1.15% of our total amount of loans, and the total amount of loans of the top ten single borrowers was RMB27,794.2 million, representing 8.25% of the total amount of loans of the Bank.

Aging schedule of loans past due

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

	As of 31 December 2021		As of 31 December 2020	
	As a percentage of gross loans and advances to customers		As a percentage of gross loans and advances to customers	
Past due	Amount	(%)	Amount	(%)
	<i>(Amounts in thousands of RMB, except percentages)</i>			
Past due 1 to 90 days	4,483,913	1.33	4,577,681	1.49
Past due 90 days to 1 year	4,800,869	1.42	5,496,738	1.78
Past due 1 to 3 years	2,626,806	0.78	1,531,285	0.50
Past due more than 3 years	664,889	0.20	679,052	0.22
Total	<u>12,576,477</u>	<u>3.73</u>	<u>12,284,756</u>	<u>3.99</u>

Changes to allowance for impairment losses of loans

The allowance for impairment losses of loans increased by 2.8% from RMB12,070.1 million as of 31 December 2020 to RMB12,412.4 million as of 31 December 2021. The increase was mainly due to the fact that the Bank strengthened the overall provision of our assets.

	As of 31 December 2021		As of 31 December 2020	
	NPL ratio ⁽²⁾		NPL ratio ⁽²⁾	
	Amount	(%)	Amount	(%)
	<i>(Amounts in millions of RMB, except for percentages)</i>			
Beginning of the year	12,070.1	2.14	12,716.4	1.96
Net provisions for the year ⁽¹⁾	10,023.1		7,297.5	
Write-off and transfers	(9,981.4)		(8,126.5)	
Recovery	440.4		297.5	
Other changes	(139.8)		(114.8)	
End of the year	<u>12,412.4</u>	<u>2.39</u>	<u>12,070.1</u>	<u>2.14</u>

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).

3.2 Business Review

3.2.1 Business segment report

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

	For the year ended 31 December			
	2021		2020	
	Amount	% of the total (%)	Amount	% of the total (%)
<i>(Amounts in millions of RMB, except for percentages)</i>				
Corporate Banking Business	6,157.5	34.8	6,267.9	36.4
Personal Banking Business	6,647.4	37.6	6,534.3	38.1
Treasury Operations Business	4,901.8	27.7	4,341.2	25.2
Others ⁽¹⁾	(12.7)	(0.1)	53.3	0.3
Total	17,694.0	100.0	17,196.7	100.0

Note:

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

3.2.1.1 Corporate Banking Business

In 2021, with focus on serving the real economy, the Bank insisted on returning to the origins and steadily promoted the innovation and development of corporate business. We continued to optimise the layout of corporate banking business and the structure of corporate customers according to the principle of “Four Tailor-made Approaches”, allocated credit resources into strategically emerging industries and technological innovation to precisely support various industries with financial needs for post-epidemic resumption of production and work and assurance of supply. The Bank expanded credit allocation to industries such as green and environmental protection industries, strategically emerging industries, advanced manufacturing industries, and industries including new generations of information technology, integrated circuits, high-end equipment, new materials and biomedicine, so as to provide high-quality financial services for development of the real economy.

For the year ended 31 December 2021, our operating income from corporate banking business amounted to RMB6,157.5 million, accounting for 34.8% of the total operating income over the same period, representing a decrease of 1.8% as compared to the same period last year.

As of 31 December 2021, the balance of our corporate loans (excluding discounted bills and finance leases receivables) amounted to RMB164,971.1 million, representing an increase of 13.4% as compared to that of 31 December 2020. As of 31 December 2021, our total corporate deposits amounted to RMB256,051.0 million, representing an increase of 1.3% as compared to that of 31 December 2020.

The Bank actively adhered to and implemented the concept of green development, attached great importance to and actively fulfilled its ESG responsibilities, promoted green finance from a strategic perspective, continuously increased financial support for green and low-carbon fields and continuously improved its comprehensive service capabilities for green finance. The Bank also constantly empowered green finance and actively contributed to high-quality economic and social development and comprehensive green and low-carbon transformation with focus on clear strategic planning, optimisation of loan portfolio, enrichment of product portfolios, and improvement of technological support. During the Reporting Period, the Bank actively carried out product innovation and completed the first carbon quota pledged loan. As of the end of the Reporting Period, our balance of green loans reached RMB12.07 billion, representing an increase of 29.4% year-on-year.

In 2021, the Bank's transaction banking business firmly implemented the requirements of Strategic Planning of "14th Five-Year Plan" for "building a modern transaction bank", further strengthening product innovation. Through trade financing, supply chain finance, free trade and cross-border business, treasury management and so forth, the Bank promoted a "four-in-one (四位一體) collaborative customer service model to support the development of the real economy and take the business to a new level. For the year ended 31 December 2021, the business volume of our transaction banking business exceeded RMB100 billion.

3.2.1.2 Personal Banking Business

In 2021, our Bank's retail business firmly carried out the direction of building a "citizen's bank". We further implemented the business strategy of "focus on key areas, optimised its strengths, and mended its weaknesses" to efficiently promote the implementation of various measures. We launched peak season marketing activities in advance at the beginning of the year, adhered to the target and put more emphasis on key business assessment weight; we strengthened our refined process management by the normal supervision mechanism of daily notifications, regular special scheduling meetings and monthly business analysis; by expanding product advantages and timely adjusting product strategies, we increased the promotion and marketing of "Seagull deposit (海鷗存)", "Happy certificates of deposit (幸福存單)" and "Large-denomination certificates of deposit (大額存單)" to form our own distinctive advantages in low-tier cities. By continuously improving the asset allocation capability of our front-line marketing service staff, we fully utilised the role of wealth management products as a reservoir for personal deposits and promoted the continuous and steady development of retail business.

For the year ended 31 December 2021, the operating income from our personal banking business amounted to RMB6,647.4 million, accounting for 37.6% of our total operating income over the same period and representing an increase of 1.7% as compared to the same period of last year.

As of 31 December 2021, the balance of our personal loans reached RMB132,296.2 million, accounting for 39.3% of our total loans to customers. As of 31 December 2021, our personal loans for consumption, residential mortgage loans, personal loans for business purpose and credit card overdrafts amounted to RMB67,429.5 million, RMB29,403.7 million, RMB32,953.0 million and RMB2,510.0 million, respectively, and accounted for 51.0%, 22.2%, 24.9% and 1.9%, respectively, of our total personal loans. As of the same date, our total personal deposits amounted to RMB107,119.4 million, representing an increase of 22.0% as compared to that of 31 December 2020.

Adhering to the concept of building a “citizen’s bank”, the Bank continued to develop the “Smart Xiao Er (智慧小二)” financial scenario ecosystem with an aim to cover small and micro enterprises and individual entrepreneurs in Tianjin’s commercial, trading and retail businesses. In addition to provision of personal collection and processing of data account, the Bank also provided unsecured loans that allow borrowing and repaying online anytime according to accounts’ transaction records of which the lowest interest rate could be 3.95% in Tianjin. As of the end of 2021, the accumulative number of merchants in the network of the “Smart Xiao Er” scenario ecosystem reached over 200,000, covering 35,000 community convenience stores, 50,000 restaurants, nearly 20,000 merchant booths in 283 traditional markets, more than 3,000 breakfast carts and more than 10,000 taxis across the city, which fulfil the daily payment needs of about 1,200,000 citizens in Tianjin.

In 2021, the Bank proactively explored local markets, continued to strengthen cooperation with social security authorities of Tianjin, expanded the functions and rights of social security cards and actively promoted the issuance of the third-generation social security card, thus significantly increasing the number of pension fund customers and the amount of retained deposit. 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.

In 2021, the Bank’s credit card business conducted marketing activities such as “Gold rewards for activated new customers (激活新客享金喜)”, “Order take-away and save RMB6 every day (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)”, “Super 50% off (超級5折)” and “Super discount every day (超級天天減)” for Meituan Joint Credit Card customers. Together with the online promotion of Bank of Tianjin Jingdong PLUS Co-branded credit card, our new product, the Bank conducted marketing activities such as “Get Jingdong PLUS annual membership card from full-quota first swipe (首刷滿額領取京東PLUS京典年卡)”, “Shopping discount for every week (周周購物滿減)” and “Gifts for rewards collected from spending (消費集獎章兌好禮). The Bank also actively promoted the development of “payment + scenario + finance” ecosystem, which was to be fully integrated with the “Smart Xiao Er” scenario ecosystem, and continued to carry out the activities such as “Instant discount for first payment (首單立減)” and “Instant discount for every Tianhang Pay payment (天行支付，筆筆立減)” for Meituan Joint Credit Card. As of 31 December 2021, we issued 1,290.1 thousand credit cards, representing a year-on-year increase of 21.01%, and the credit card overdraft amounted to RMB2,510.0 million, representing a year-on-year increase of 12.0%.

3.2.1.3 Small and Micro Inclusive Financial Services

In 2021, our Bank continued thoroughly implementing the work arrangement and requirements of the Central Committee of the CCP, the State Council and regulatory agencies regarding the enhancement of financial services to small and micro enterprises with the targets of “increase in volume, coverage expansion, quality improvement and cost reduction”, and comprehensively improving the financial support for small and micro inclusive enterprises. By further strengthening financial technology empowerment and enhancing the service coverage of small and micro inclusive financial products, the Bank focused on the promotion of small and micro loan products targeting individuals to “launch new products, achieve the amount and reduce costs”, and continued to utilise central financial policies, so as to benefit more small and micro enterprises.

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 2021, our Bank actively connected to relevant authorities, implemented a series of central financial policies including re-lending facilities, rediscount, unsecured loans support plans and periodic deferment of repayment of the principal and interest, and further enriched the small and micro online product supply. By fully utilising financial technologies, our Bank set the small and micro online loan targeting individuals as the driving force for inclusive small and micro business, and provided more financing channels and choices of products for small and micro clients, to realise full access to long-tail, first loan and inclusive customer groups. While “increasing in volume, expanding coverage” and “launching new products and achieving the amount”, our Bank continued to maintain the reduction and benefits for small and micro enterprises, lower the financing costs and optimise and enhance the small and micro financial services. As of 31 December 2021, our inclusive loans to small and micro enterprises amounted to RMB36,361.6 million, representing an increase of 42.5% as compared to that of 31 December 2020. Number of clients for inclusive loans to small and micro clients increased by 78.7% to 907,165. In 2021, the weighted average interest rate of newly released inclusive loans to small and micro enterprises was 6.82%, representing a decrease of 0.74 percentage point over the same period in 2020.

Our Bank thoroughly implemented the work arrangements of the Party Central Committee, the State Council and regulatory agencies on financial services for rural revitalisation, in a bid to promote services to smaller local markets. We carried out solid work in areas including agriculture-related inclusive finance product innovation and continued to enhance financial support for “agriculture, rural areas and farmers,” steadily enhancing the efficiency and level of financial services for rural revitalisation. The Bank enhanced the R&D and promotion of products such as “Hui Nong Loan” and “Farmer Loan Program” to contribute to the continuous growth of agriculture-related loans. As of 31 December 2021, our inclusive agriculture-related loan balance amounted to RMB4,202.4 million, among which, the inclusive agriculture-related loan balance in Tianjin reached RMB1,529.9 million, representing an increase of 49.1% as compared to that of 31 December 2020.

3.2.1.4 Treasury operation business

In 2021, our Bank's treasury operations business firmly implemented the requirements of the strategic planning of the "14th Five-Year Plan", continued to insist on "returning to our origins (回歸本源)", served the country's major development strategy, focused on key areas such as the coordinated development of Beijing, Tianjin and Hebei as well as green and environmental protection. At the same time, we further enhanced quality and efficiency, deepened market analysis, constantly enhanced operating capability, and continuously improved the FICC (Fixed income, Currency & Commodity) product business system that integrates investment and financing and trading business. Our Bank promoted the balanced development of financial market businesses including bond investments, interbanks, notes, treasury transaction, foreign exchange and gold. With a diverse product business system, the Bank aspired to meet the multiple financing needs of the real economy, create multi-channel sources of profits and facilitate the high-quality development of treasury operations.

As of 31 December 2021, our operating income in treasury operations business was RMB4,901.8 million, accounting for 27.7% of our total operating income, representing an increase of 12.9% as compared to the same period last year.

As of 31 December 2021, our Bank possessed business qualifications such as member of Ministry of Finance book-entry treasury bond underwriting syndicates; member of local government bond underwriting syndicates in Tianjin, Shanghai, Hebei, Shandong and Sichuan; member of financial debt underwriting syndicates of the three major policy banks (China Development Bank, China Export-Import Bank and Agricultural Development Bank of China); one of the first batch of institutions qualified for the trading of interest rate swap options and interest rate collar options in the inter-bank market. The Bank also possessed A-class lead underwriting qualification for debt financing instruments of non-financial enterprises in the inter-bank market; the business qualification as trustee for debt financing instruments of non-financial enterprises in the inter-bank market; the license for hedging derivatives trading; qualifications of core dealers of CRMW instruments; issuing institution of CRMW and issuing institution of credit-linked notes, business qualification for interbank gold price asking transactions through the Shanghai Gold Exchange; business qualifications for interest rate swaps and standard bond forward business; membership of China Foreign Exchange Trade System for inter-bank forex trading in Shanghai Free-Trade Zone; qualification to undertake real-time interest rate swap transactions and qualification as type A member of the Shanghai Gold Exchange international business. In 2021, with the approval of our filing by the China Foreign Exchange Trade System, the Bank became one of the first batch of spot bond market makers in the interbank bond market after the promulgation of the new regulations on market makers by the

People's Bank of China. The Bank also successfully obtained the qualification of lead underwriter of Tianjin government bonds from 2022 to 2024. In addition, the Bank obtained the qualification of lead participant of online interbank depository of China Foreign Exchange Trading System and successfully carried out the first interbank depository business of pledge for bonds under custody in Shanghai Clearing House, laying a solid foundation for exploration into and development of our new business.

In 2021, in terms of financial market business, the Bank won the "Annual Market Influence Award-Core Dealer" in the Interbank Local Currency Market in 2021 issued by the National Interbank Funding Centre, and the "Top 100 Settlement" in 2021 issued by the China Central Depository & Clearing Co., Ltd. The Bank was awarded three awards, including "Outstanding Underwriter in the Interbank Market", "Innovation Award", and "Green and Low-Carbon Pioneer Award" in 2021 by China Development Bank. With outstanding performance in the "X-Series" trading in the China Foreign Exchange Trade System, we were listed on the monthly "X-Repo" list for 6 times, named the "Best Progressive Dealer (最佳進步交易商)" among July's innovative and active dealers in repurchasing, awarded "X-Lending" for 10 times as an active institution and won the title of quarterly iDeal FX Star. In addition, with the exceptional performance on green bonds investments, our Bank ranked third of the green bond investor among urban and rural commercial banks in 2021 as published by the National Association of Financial Market Institutional Investors. Regarding investment banking business, the Bank won four awards issued by Wind in 2021 including the "Bond Underwriting Fast Progress Award-Bank (債券承銷快速進步獎－銀行)", the "Best Interbank Debt Financing Instrument Underwriter-Outstanding City Commercial Bank Award (最佳銀行間債務融資工具承銷商－卓越城商行)", 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 "Best Financial Bond Underwriter-Outstanding Bank Award (最佳金融債承銷商－卓越銀行獎)" and "Excellent Underwriter (優秀承銷商)" and "Market Innovation Driven Award (市場創新驅動獎)" of 2021 excellent organisations of domestic RMB financial bond underwriting market group awarded by the Export-Import Bank of China. In terms of asset management business, in 2021, the Bank continued to enrich its net worth product system, adhering to the concept of "customer-oriented" and meeting the multi-level and diversified investment and wealth management needs of customers from the perspectives of risk-return characteristics, liquidity and investment convenience. With excellent asset management capabilities, in 2021, the Bank was successively awarded the "Golden Bull Award for Wealth Management Products of Banks (銀行理財產品金牛獎)" by CSJ Golden Bull (中證金牛), the "Outstanding Asset Management Award for City Commercial Bank (卓越資產管理城市商業銀行獎)" by Pystandard, the "Gamma Award for Golden Quality Bank Wealth Management Products (金質銀行理財產品天璣獎)" by Securities Times, while several products including "Hong Ding Wealth – Daily Open-ended Net Worth Phase 1 (鴻鼎財富－天天開放淨值型 1 期)" and "Hong Ding Wealth – Half-year Open-ended Net Worth Phase 6 (鴻鼎財富－半年開放淨值型 6 期)" were rated as 5-star wealth management products by Pystandard.

Money Market Transactions

In 2021, our Bank closely monitored changes in monetary policies, seized the regularity of capital fluctuation in the market and properly arranged RMB and foreign currency position to ensure the liquidity security. Meanwhile, we effectively optimised liability structure by broadening the liability source with multiple channels and low costs. On the one hand, we flexibly utilised various money market tools including certificates of deposit, bond repurchase, inter-bank RMB and foreign currency placement and MLF (中期借貸便利) and proactively utilised commercial bank time deposits for cash management of the central treasury so as to obtain financial support through diversified channels, 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

In 2021, our Bank further strengthened judgement on the change of the policy environment and financial market, proactively participated in sales and trading business, continued to optimise asset structures, and constantly improve profitability and profit quality.

Firstly, we studied the market trend in advance, took advantage in market fluctuations, sought value-based bonds that were undervalued on the market, and effectively enhanced active trading capabilities to increase spread income from spot trading. Meanwhile, during the year, the Bank's local currency bond programmatic trading system was successfully launched, realising the function of automatic provision of market and quotation for the bond market. The Bank was one of the first institutions to carry out automated trading among city commercial banks, and its trading capabilities and market influence have been significantly improved.

Secondly, we effectively increased the proportion of non-interest income through marketing making of bonds, underwriting and distribution, gold leasing, trading of foreign exchange and note trading that were traded on behalf of clients as well as intermediary business. Meanwhile, we actively implemented the responsibility as a bond underwriter, effectively fulfilled social responsibility, and expanded income sources of the intermediary business. During the year, the Bank underwrote RMB168.2 billion in aggregate of national bonds, local government bonds and policy bank bonds, including the first "Carbon Neutrality" bond of RMB1.26 billion issued by China Development Bank (CDB) in which we acted as the lead underwriter, the first green financial bond in 2021 of RMB1 billion under the theme of "Development of Yangtze River Economic Belt (長江經濟帶發展)" issued by CDB in which we acted as the lead underwriter, the green financial bond of RMB1.7 billion under the theme of "Low-Carbon Transportation System (低碳交通運輸體系建設)" issued by CDB in which we acted as the lead underwriter, and the financial bonds of RMB1 billion under the theme of "the 'petals' of Beijing-Tianjin-Hebei coordinated development (京津冀協同發展『花瓣』)" issued by CDB. We actively implemented the material decisions of the Central Government, such as "Carbon Peaking", "Carbon Neutrality" and Beijing-Tianjin-Hebei joint development strategy.

Thirdly, we continued to optimise our investment portfolio, enhanced the quality of investment in assets and improved the comprehensive contribution to business. In 2021, we continued to moderately invest in standardised high-grade credit bonds, asset-backed securities and other corporate credit bonds, while actively engaged in the ESG bond investment in green corporate bonds in order to support the real economy without compromising on economic and social benefits.

Forex and Precious Metal Transactions

In 2021, we kept up with the changes in the foreign exchange market liquidity and policy trends of the US Federal Reserve, continuously consolidated and enhanced the capabilities and standards of the Bank's foreign exchange and precious metal business. We further accelerated the building of relationships 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 and precious metals. During the year, our total volume of foreign currency lending, foreign exchange transactions including repurchase, spot, forward and swap, as well as precious metal transactions amounted to RMB2.61 trillion, representing a year-on-year increase of 60.5%.

Treasury Business Conducted on Behalf of Customers

In 2021, our wealth management business continued to develop steadily. Under the guidance of the new regulatory requirements on asset management business, we accelerated the product transformation towards the net worth type and successively launched products such as Hong Ding 15-month (鴻鼎15個月) and regular-accessible products such as Golden Life (金色人生), as well as hybrid products such as Guanchao (觀潮) Series. By the end of 2021, the size of our existing net worth wealth management products reached RMB101,761.88 million, representing an increase in its proportion to the overall figure to 100% from 89% at the beginning of the year. Meanwhile, our Bank optimised the allocation of major types of assets, strengthened investment in standardised assets such as bonds and mutual funds, gradually reduced the investment in non-standard assets, strengthened investment research, and increased the frequency of transactions according to market changes to enhance profitability.

Investment Banking Business

In 2021, regarding investment banking business, the Bank actively fulfilled social responsibilities. In terms of empowering new economy, developing service area and promoting innovation leadership, the Bank, as the lead underwriter, underwrote the first high-growth bonds in the national interbank market and issued the first credit risk mitigation warrant in cooperation with China Bond Insurance Co., Ltd. (中債信用增進投資股份有限公司), underwrote the first Chinese central enterprise green sustainable note (carbon-neutral bond) in the national interbank market, the first sustainability-linked bond in Tianjin, the first public offering green asset-backed note in Tianjin (carbon-neutral ABN), and the first energy supply guarantee bond for enterprises in Hebei Province. As a result, we precisely promoted the development of the real economy.

Throughout the year, the Bank's volume of lead underwriting of bonds was RMB133 billion, ranking us 1st among Beijing-Tianjin-Hebei local corporate banks. We ranked 10th in the banking industry and 2nd among city commercial banks in terms of the lead underwriting volume of asset securitisation products, and we ranked 10th in the banking industry and 2nd among city commercial banks in terms of the lead underwriting volume of non-policy financial bonds.

3.2.1.5 International business

For the year ended 31 December 2021, our international settlement volume amounted to US\$8,285.7 million, representing a year-on-year growth of 41.5%. In 2021, the Bank improved retention of customers regarding its international business, vigorously expanded its market, strengthened the support for bulk commodity import and export business, and stabilised foreign trade and investment. Through quality services and advantageous products, the Bank strived to explore the international business markets, which had driven a rapid business development.

3.2.1.6 Integrated operation of subsidiaries

Since 2008, the Bank has started its setup for integrated operations, founding a total of 8 county banks in poor counties and districts with small economic size and inadequate financial services such as Jizhou District, Tianjin, Ningxia and Xinjiang, shouldering the responsibilities of inclusive financing, enhancing and improving rural financial services. In 2016, the Bank founded Bank of Tianjin Financial Leasing Co., Ltd., marking an important milestone of the integration and diversification of the Bank's operations. For a long time, the Bank actively guided each subsidiary to maintain their position and refocus on core businesses, continuously strengthening their ability to revitalise rural areas with financial services, enhancing their ability to provide small and micro or inclusive financial services, and boosting the Group's synergistic development while achieving high-quality growth themselves.

In 2021, the Bank continued to strengthen the strategic guidance of its subsidiaries, enhanced subsidiary results assessment and promoted the improvement of the quality and efficiency of county banks. The Bank improved the construction of systems, enhanced shareholder management, improved subsidiaries governance systems, and raised the Group's operation efficiency and level of intensive management.

For the year ended 31 December 2021, total assets and net profit of Bank of Tianjin Financial Leasing Co., Ltd. amounted to RMB9,291.9 million and RMB5.1 million, respectively. Ningxia Yuanzhou Village Bank(寧夏原州村鎮銀行), our consolidated subsidiary, recorded operating income of RMB32.7 million and net profit of RMB0.9 million in 2021, respectively. Ningxia Tongxin Village Bank(寧夏同心村鎮銀行), our another consolidated subsidiary, recorded operating income of RMB53.4 million and net profit of RMB32.9 million in 2021, respectively.

3.2.2 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			
	2021		2020	
	Amount	% of the total (%)	Amount	% of the total (%)
<i>(Amounts in millions of RMB, except for percentages)</i>				
Tianjin	10,540.9	59.5	8,974.7	52.2
Shanghai	3,041.7	17.2	3,297.3	19.2
Shandong Province	1,394.1	7.9	1,276.3	7.4
Sichuan Province	1,313.2	7.4	1,408.1	8.2
Beijing	773.2	4.4	1,361.6	7.9
Hebei Province	544.8	3.1	797.1	4.6
Others	86.1	0.5	81.6	0.5
Total	17,694.0	100.0	17,196.7	100.0

3.3 Analysis on Capital Adequacy Ratio

Our Bank calculated and disclosed the capital adequacy ratios at all levels according to the Administrative Measures for the Capital of Commercial Banks (Provisional) (effective since 1 January 2013) promulgated by the China Banking and Insurance Regulatory Commission and used the weighting method to calculate the credit risk-weighted assets, used the standard method to calculate the market risk-weighted assets, and used the basic index method to calculate the operational risk-weighted assets.

As of 31 December 2021, our Bank's capital adequacy ratio met the regulatory requirements under such regulations. As of 31 December 2021, the capital adequacy ratio was 13.49%, which dropped by 0.99 percentage point in comparison to the ratio as of 31 December 2020. Tier-one capital adequacy ratio and core tier-one capital adequacy ratio were 10.74% and 10.73%, which were 0.38 and 0.39 percentage point lower than those as of 31 December 2020, respectively. The decrease in our capital adequacy ratio was primarily due to the increase in total risk-weighted assets.

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

	As of 31 December 2021	As of 31 December 2020
Core capital		
— Share capital	6,070.6	6,070.6
— Capital reserve and investment revaluation reserve	10,718.8	10,340.2
— Surplus reserve	3,352.5	3,352.5
— General reserve	9,216.7	9,213.6
— Retained earnings	27,346.2	24,153.3
— Non-controlling interests that may be included	268.8	213.8
Total core capital	56,973.6	53,344.0
Core tier-one capital	56,973.6	53,344.0
Core tier-one capital deductible items	(643.7)	(484.8)
Net core tier-one capital	56,329.9	52,859.2
Net tier-one capital	56,365.7	52,887.7
Tier-two capital		
— Net tier-two capital instruments and related premiums	10,000.0	10,420.0
— Surplus allowance for impairment losses on loans	4,366.2	5,490.6
— Non-controlling interests that may be included	71.7	57.0
Total tier-two capital	14,437.9	15,967.6
Net capital	70,803.6	68,855.3
Total risk-weighted assets	525,028.2	475,546.0
Core tier-one capital adequacy ratio <i>(expressed in percentage)</i>	10.73	11.12
Tier-one capital adequacy ratio <i>(expressed in percentage)</i>	10.74	11.12
Capital adequacy ratio <i>(expressed in percentage)</i>	13.49	14.48

As of 31 December 2021, the Bank's leverage ratio was 7.44%.

	As of 31 December 2021	As of 31 December 2020
Leverage ratio	7.44%	7.38%

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.

3.4 Risk Management

Our Bank is exposed to the following primary risks: credit risk, operational risk, market risk, liquidity risk and information technology risk. In 2021, the Bank continuously enhanced comprehensive risk management, advanced risk governance structure, improved risk management ability, effectively strengthened the risk control of various business and struck the adequate balance between risk and development. While pursuing innovative development, the Bank secured the healthy development of various business.

Credit risk

Credit risk refers to risk of financial loss to creditors or holders of financial products, resulting from the failure by an obligor or counterparty to fulfil 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.

The Bank has developed 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, and set up the credit review and extension institution based on the principle of separation for loan approval and extension and approval at various levels to ensure the independence of credit review and extension. The Bank has also built a scientific and rigorous credit review and extension and authorisation 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 achieved effective control over credit risks by adopting management tools such as credit rating, agreed term, pricing, credit risks mitigation, asset classification, asset impairment, and credit limits. Electronic information systems such as credit extension management system and internal rating system have been established to effectively improve credit risk management capabilities.

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.

The Bank has continued improving 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 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 refers to the risk of loss, in respect of the Bank's on and off-balance sheet activities, arising from adverse changes in market including interest rates, exchange rates, stock prices and product prices. The market risks which the Bank is primarily exposed to include interest risk and currency risk.

The Board of the Bank undertakes the ultimate responsibility for monitoring market risk management to ensure that we effectively identify, measure, monitor and control various market risks assumed by all 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 that the we have sufficient human resources, materials, and appropriate organisation structure, management information system and technical level to effectively identify, measure, monitor and control various market risks assumed by all businesses. The Bank strictly followed the relevant regulatory requirements for market risk management and formed an effective market risk management organisational structure.

The Bank, through the improvement of market risk governance structure, management tool, system construction and 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 we can tolerate, so as to ensure that various market risk indicators meet the regulatory requirements and operation needs.

Market Risk of Banking Book

Interest Rate Risk

Interest rate risk refers to the risk derived from fluctuations in the fair value or future cash flows of financial instruments due to changes in market rates. The interest rate risk of the banking book primarily arises from the mismatch of the maturity dates or repricing dates of our Bank's interest rate-sensitive on-and-off balance sheet assets and liabilities. The Bank primarily uses repricing gap analysis, interest rate sensitivity analysis, and stress testing to weigh our exposure to potential interest rate changes. The Bank manages its interest rate risk of banking book by:

- Regularly monitoring the macro-economic factors that may impact the PBoC benchmark interest rates and the market rates;
- Minimising the mismatches between re-pricing dates (or the maturity dates of the contracts) of interest-generating assets and interest-bearing liabilities; and
- Enhancing the interest rate margin between the interest-generating assets and interest-bearing liabilities with reference to the prevailing PBoC benchmark interest rates and the market rates.

Exchange Rate Risk

Exchange rate risk refers to risks caused by the adverse impact on the Banks' foreign currency position and cash flows as a result of the exchange rate fluctuations of their primary foreign currency. Our primary principle for controlling our exchange rate risk is to match asset and liability denominated in every currency and monitor our foreign currency exposure on a daily basis. Based on the relevant regulatory requirements and our management's judgments on the current environment, the Group reasonably arranges our sources and use of funds denominated in foreign currencies to minimise the possible mismatches of assets and liabilities in different currencies.

Market Risk of Trading Book

The market risk of the trading book of the Bank primarily arises from fluctuations in the value of the financial instruments on our trading book due to changes in interest rates and exchange rates. Based on our market risk management policies, the Bank has adopted a number of risk management techniques, including limit management and stress testing, to monitor and control market risks of our trading book.

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.

The Bank adopts a 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 the business scale and overall development plans of the Bank, under which the headquarters will uniformly manage our general liquidity risks.

Faced with changes in the macro environment, monetary policies and regulatory policies, the Bank has consistently adhered to a prudent strategy for liquidity risk management. By monitoring a number of key liquidity indicators, conducting liquidity risk stress tests, and formulating and implementing management strategies to optimise the asset-liability structure and other measures, we continuously improve liquidity risk management capabilities and ensure sufficient liquidity of the Bank.

Information technology risk management

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

The Bank continuously improves IT risk management, formulates and revises IT risk management-related policies and sets up IT risk 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 epidemic, the Bank timely formulated a bank-wide 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.

4. OTHER INFORMATION

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

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

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

4.2 Directors, Supervisors and Other Senior Management Personnel of the Bank

As at the date of this announcement, the composition of Directors, Supervisors and other senior management personnel of the Bank is as follows:

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 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. JIANG Zhengjun, one shareholder representative Supervisor, namely Mr. YU Yang, and two external Supervisors, namely Mr. ZHANG Lianming and Mr. LIU Baorui.

The Bank comprised five other senior management personnel, namely Mr. JIANG Hua, Mr. LIU Gangling, Mr. ZHENG Ke, Mr. XIA Zhenwu and Ms. DONG Xiaodong.

4.3 Changes of Directors, Supervisors and Senior Management Personnel during the Reporting Period

On 29 December 2020, due to the reason of age, Ms. ZHANG Furong tendered her resignation from the position of the executive Director, 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 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) 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 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.

The shareholders of the Bank approved the appointment of Mr. WU Hongtao as an executive Director of our 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 was 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. LIU Gangling as the vice president of the Bank, and the qualification of Mr. LIU was 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” dated 12 October 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 was approved by CBIRC Tianjin Office on 18 March 2021. For details, please refer to the announcement of the Bank headed “(I) Resignation of Executive Director, Secretary of the Board and Joint Company Secretary; (II) Appointment of Secretary of the Board and Joint Company Secretary; (III) Change of Authorised Representative; and (IV) Proposed Changes of Members of Committees of the Board” dated 29 December 2020 and the announcement headed “Announcement on Approval of the Qualification of Secretary of the Board by the Regulatory Body” dated 18 March 2021.

On 10 September 2021, Mr. TANG Yiping tendered his resignation to the Board from the position of the Executive Vice President of the Bank due to work adjustment. Mr. TANG’s resignation took effect on 10 September 2021.

On 14 October 2021, the Bank convened a Board meeting to resolve the appointment of Mr. ZHENG Ke as the Vice President of the Bank, and the qualification of Mr. ZHENG was approved by CBIRC Tianjin Office on 7 January 2022.

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.

During the period from the end of the Reporting Period to the date of this announcement, the following changes have been made regarding the Directors, Supervisors and senior management personnel of the Bank.

On 5 January 2022, the Bank held an employee representative meeting at which Ms. FENG Xia was re-elected as an employee Supervisor of the Bank and Mr. JIANG Zhengjun was elected as an employee Supervisor of the Bank. Mr. JIANG began to perform his duties as a Supervisor since 28 February 2022 on which Mr. YAO Tao was automatically relieved from his duties as a Supervisor and member of the relevant special committees. For details, please refer to the announcement of the Bank headed “Proposed Re-election and Appointment of Directors for the Seventh Session of the Board of Directors; Proposed Re-election and Appointment of Supervisors for the Seventh Session of the Board of Supervisors (Excluding Employee Supervisors); and Re-election and Appointment of Employee Supervisors” dated 6 January 2022, as well as the circular dated 12 January 2022. The English name of Mr. JIANG Zhengjun (姜正軍) should be collectively translated as JIANG Zhengjun in such documents.

The shareholders of the Bank approved the re-election of the seventh session of the Board of Directors at the First Extraordinary General Meeting of 2022 held on 28 February 2022, at which Mr. SUN Liguang and Mr. WU Hongtao were re-appointed while Mr. ZHENG Ke and Ms. DONG Xiaodong were newly appointed as executive Directors; Ms. SUN Jingyu, Ms. DONG Guangpei, Mr. Alistair Marshall BULLOCH, Mr. WANG Shunlong, Mr. ZHAO Wei and Ms. LI Jun were re-appointed as non-executive Directors; Mr. JIN Qingjun, Mr. HUA Yaogang and Mr. HE Jia were re-appointed while Mr. ZENG Jianhua and Mr. LU Jianzhong were newly appointed as independent non-executive Directors. The re-appointed Directors shall perform their duties as Directors of the seventh session of the Board of the Bank since 28 February 2022; the qualifications of Mr. ZHENG Ke, Ms. DONG Xiaodong, Mr. ZENG Jianhua and Mr. LU Jianzhong to serve as Directors of the Bank are subject to approval by the CBIRC Tianjin Office. Pending approval of qualifications of Mr. ZENG Jianhua and Mr. LU Jianzhong as independent non-executive Directors, Mr. FENG Heping and Mr. LAW Yee Kwan, Quinn will continue to perform their duties as independent non-executive Directors of the Bank and members of the relevant special committees. For details, please refer to the announcement headed “(I) Re-election of Chairman of the Board; (II) Changes of Members of Committees of The Board; (III) Re-election of Chairwoman of the Board of Supervisors; (IV) Changes of Members of Committees of the Board of Supervisors; (V) Re-election of President; and (VI) Re-election of Secretary to the Board and Joint Company Secretary” as well as the announcement headed “Poll Results of the 2022 First Extraordinary General Meeting, the 2022 First Domestic Share Class Meeting and the 2022 First H Share Class Meeting Held on Monday, 28 February, 2022” dated 28 February 2022 of the Bank.

At the 2022 First Extraordinary General Meeting held on 28 February 2022, shareholders of the Bank approved the re-election of the seventh session of the Board of Supervisors, re-appointment of Mr. YU Yang as a shareholder representative Supervisor, re-appointment of Mr. LIU Baorui as an external Supervisor and new appointment of Mr. LAW Yee Kwan, Quinn as an external Supervisor. Mr. YU Yang and Mr. LIU Baorui have performed their duties as Supervisors of the seventh session of the Board of Supervisors of the Bank since 28 February 2022; Mr. LAW Yee Kwan, Quinn will perform the duties of Supervisor of the seventh session of the Board of Supervisors of the Bank from the date when the qualifications of Mr. ZENG Jianhua and Mr. LU Jianzhong as independent non-executive Directors are approved by the CBIRC Tianjin Office, when Mr. ZHANG Lianming will automatically be relieved from his duties as a Supervisor and member of related special committees of the Bank on the same day. For details, please refer to the announcement headed “(I) Re-election of Chairman of the Board; (II) Changes of Members of Committees of The Board; (III) Re-election of Chairwoman of the Board of Supervisors; (IV) Changes of Members of Committees of the Board of Supervisors; (V) Re-election of President; and (VI) Re-election of Secretary to the Board and Joint Company Secretary” as well as the announcement headed “Poll Results of the 2022 First Extraordinary General Meeting, the 2022 First Domestic Share Class Meeting and the 2022 First H Share Class Meeting Held on Monday, 28 February, 2022” dated 28 February 2022 of the Bank.

On 28 February 2022, the Bank convened the first meeting of the seventh session of the Board of Directors at which Mr. SUN Liguang was re-elected as the Chairman of the Board of the Bank, Mr. WU Hongtao was re-elected as the President of the Bank, Ms. DONG Xiaodong was re-elected as the secretary of the Board and joint company secretary of the Bank, and division of duties of the special committees under the Board of Directors was defined. For details, please refer to the announcement headed “(I) Re-election of Chairman of the Board; (II) Changes of Members of Committees of The Board; (III) Re-election of Chairwoman of the Board of Supervisors; (IV) Changes of Members of Committees of the Board of Supervisors; (V) Re-election of President; and (VI) Re-election of Secretary to the Board and Joint Company Secretary” dated 28 February 2022.

On 28 February 2022, the Bank convened the first meeting of the seventh session of the Board of Supervisors, at which Ms. FENG Xia was re-elected as the Chairwoman of the Board of Supervisors of the Bank and division of duties of the special committees under the Board of Supervisors was defined. For details, please refer to the announcement headed “(I) Re-election of Chairman of the Board; (II) Changes of Members of Committees of The Board; (III) Re-election of Chairwoman of the Board of Supervisors; (IV) Changes of Members of Committees of the Board of Supervisors; (V) Re-election of President; and (VI) Re-election of Secretary to the Board and Joint Company Secretary” dated 28 February 2022.

4.4 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.

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

4.5 Profits and Dividends

The Bank’s revenue for the year ended 31 December 2021 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 2020 of the Bank was considered and approved by the shareholders of the Bank at the 2020 annual general meeting of the Bank held on 18 May 2021. The Bank has not distributed any final dividend for the year of 2020.

To meet regulatory requirements while strengthening the Bank’s capital foundation and facilitating the sustainable and steady corporate development, it is proposed that no final dividend for 2021 be distributed to the shareholders, as approved at the Board meeting held on 30 March 2022, and the undistributed profits are reserved for distribution in subsequent years. Such profit distribution plans will be proposed at the 2021 annual general meeting for consideration. The independent non-executive Directors of the Bank have also expressed their independent opinions on the profit distribution plan.

4.6 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.

4.7 Material Investment, Acquisition and Disposal of Asset and Business Merger

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

4.8 Review of the Final Results

The final financial statements for the year ended 31 December 2021 prepared by the Bank in accordance with the International Financial Reporting Standards promulgated by the International Accounting Standards Board have been audited by PricewaterhouseCoopers 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.

4.9 Subsequent Events

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

5. PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement was published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Bank (www.bankoftianjin.com). The 2021 annual report prepared in accordance with the IFRSs and Hong Kong Listing Rules will be published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Bank (www.bankoftianjin.com), and will be despatched to the holders of H shares of the Bank in due course.

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

By Order of the Board
Bank of Tianjin Co., Ltd.*
SUN Ligu
Chairman

Tianjin, China
30 March 2022

As at the date of this announcement, the Board 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.*