

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



BANK OF TIANJIN CO., LTD.*

天津銀行股份有限公司*

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

(Stock Code: 1578)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

The board of directors (the “**Board**”) of Bank of Tianjin Co., Ltd.*(the “**Bank**”) hereby announces the unaudited consolidated interim results of the Bank for the six months ended 30 June 2022 (the “**Reporting Period**”). The content of this results announcement has been prepared in accordance with applicable disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”) in relation to preliminary announcements of interim results. The interim financial statements of the Bank for the six months ended 30 June 2022 have been prepared in accordance with the International Accounting Standard 34-Interim Financial Reporting (the “**IAS 34**”) and the Hong Kong Listing Rules and reviewed by PricewaterhouseCoopers Limited in accordance with International Standard on Review Engagements. Such interim results have also been reviewed and confirmed by the Board and the audit committee of the Board. Unless otherwise stated, financial data of the Bank and its subsidiaries are presented in Renminbi.

CONTENTS

1. SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS	3
2. FINANCIAL STATEMENT	7
3. MANAGEMENT DISCUSSION AND ANALYSIS	30
3.1 FINANCIAL REVIEW	30
3.1.1 Environment and Prospects	30
3.1.2 Overall Operations	30
3.1.3 Analysis of the Income Statement	34
3.1.4 Analysis of the Statement of Financial Position	48
3.1.5 Analysis of Off-balance Sheet Items	61
3.1.6 Credit Quality Analysis	62
3.2 BUSINESS REVIEW	71
3.2.1 Business segment report	71
3.2.2 Geographical segment report	82
3.3 ANALYSIS ON CAPITAL ADEQUACY RATIO	82
3.4 RISK MANAGEMENT	84
4. OTHER INFORMATION	88

1. SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

	For the six months ended 30 June		Rate of
	2022	2021	change
	<i>(Amounts in thousands of</i>		<i>(%)</i>
	<i>Renminbi, unless otherwise stated)</i>		
OPERATING RESULTS			
Interest income	15,055,020	15,016,942	0.3
Interest expense	(9,514,403)	(8,643,042)	10.1
NET INTEREST INCOME	5,540,617	6,373,900	(13.1)
Investment income	878,929	1,177,738	(25.4)
Fee and commission income	1,042,428	1,130,808	(7.8)
Fee and commission expense	(229,773)	(72,369)	217.5
NET FEE AND COMMISSION INCOME	812,655	1,058,439	(23.2)
Net trading gains	483,385	272,528	77.4
Net gains arising from derecognition of financial assets measured at amortised cost	103,150	44,479	131.9
Other income, gains or losses	18,946	52,674	(64.0)
OPERATING INCOME	7,837,682	8,979,758	(12.7)
Operating expenses	(2,048,245)	(1,987,414)	3.1
Impairment losses under expected credit loss model (ECL), net of reversals	(2,248,105)	(3,795,735)	(40.8)
Share of results of associates	9,196	8,717	5.5

	For the six months ended 30 June		Rate of change
	2022	2021	(%)
	<i>(Amounts in thousands of Renminbi, unless otherwise stated)</i>		
PROFIT BEFORE TAX	3,550,528	3,205,326	10.8
Income tax expense	<u>(522,622)</u>	<u>(497,858)</u>	5.0
PROFIT FOR THE PERIOD	3,027,906	<u>2,707,468</u>	<u>11.8</u>
Profit for the period attributable to:			
Equity holders of the Bank	3,023,600	<u>2,696,658</u>	<u>12.1</u>
Non-controlling interests	4,306	<u>10,810</u>	<u>(60.2)</u>
Earnings per share attributable to equity holders of the Bank (Expressed in RMB Yuan per share)			
– Basic and diluted	0.50	<u>0.44</u>	<u>13.6</u>

	As of 30 June 2022	As of 31 December 2021	Rate of change(%)
	<i>(Amounts in thousands of Renminbi, unless otherwise stated)</i>		
MAJOR INDICATORS OF ASSETS/ LIABILITIES			
Total assets	750,562,807	719,903,932	4.3
Of which: loans and advances to customers	<u>336,333,266</u>	<u>324,607,358</u>	3.6
Total liabilities	690,099,870	662,363,094	4.2
Of which: due to customers	<u>394,564,959</u>	<u>382,478,890</u>	3.2
Share capital	6,070,552	6,070,552	–
Attributable to equity holders of the Bank	59,622,584	56,704,791	5.1
Total equity	60,462,937	<u>57,540,838</u>	<u>5.1</u>

	For the six months ended 30 June		
	2022	2021	Change
PROFITABILITY INDICATORS (%)			
Return on average total assets ⁽¹⁾	0.82	0.78	0.04
Return on average equity ⁽²⁾	10.26	9.78	0.48
Net interest spread ⁽³⁾	1.44	1.88	(0.44)
Net interest margin ⁽⁴⁾	1.70	2.16	(0.46)
Net fee and commission income to operating income	10.37	11.79	(1.42)
Cost-to-income ratio ⁽⁵⁾	24.89	20.96	3.93
	As of 30 June 2022	As of 31 December 2021	Change
ASSET QUALITY INDICATORS (%)			
Non-performing loan ratio ⁽⁶⁾	2.28	2.41	(0.13)
Allowance coverage ratio ⁽⁷⁾	154.96	154.26	0.70
Allowance to gross loan ratio ⁽⁸⁾	3.53	3.72	(0.19)
CAPITAL ADEQUACY RATIO INDICATORS (%)			
<i>Calculated based on Capital Administrative Measures</i>			
Core tier-one capital adequacy ratio ⁽⁹⁾	10.46	10.73	(0.27)
Tier-one capital adequacy ratio ⁽¹⁰⁾	10.46	10.74	(0.28)
Capital adequacy ratio ⁽¹¹⁾	13.00	13.49	(0.49)
Total equity to total assets	8.06	7.99	0.07
OTHER INDICATORS (%)			
Loan-to-deposit ratio ⁽¹²⁾	88.86	88.70	0.16
Liquidity ratio ⁽¹³⁾	61.56	60.80	0.76
Percentage of loans to the single largest customer ⁽¹⁴⁾	6.77	5.49	1.28
Percentage of loans to the top ten customers ⁽¹⁵⁾	43.36	39.26	4.10

Note:

- (1) Calculated by dividing net profit for the period by average balance of total assets at the beginning and the end of the period.
- (2) Calculated by dividing net profit for the period by average balance of total equity at the beginning and the end of the period.
- (3) Calculated as the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities.
- (4) Calculated by dividing net interest income by the daily average balance of total interest-earning assets.
- (5) Calculated by dividing total operating expenses, excluding sundry taxes, by total operating income.
- (6) Calculated by dividing total non-performing loans by gross loans (excluding interests).
- (7) Calculated by dividing total allowance for impairment on loans to customers by total non-performing loans.
- (8) Calculated by dividing total allowance for impairment on loans to customers by gross loans (excluding interests) to customers.
- (9) Calculated by dividing core tier-one capital, net of core tier-one capital deductions, by risk-weighted assets.
- (10) Calculated by dividing tier-one capital, net of tier-one capital deductions, by risk-weighted assets.
- (11) Calculated by dividing total capital, net of capital deductions, by risk-weighted assets.
- (12) Loan-deposit ratios as of 31 December 2021 and 30 June 2022 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. FINANCIAL STATEMENT

2.1 CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(All amounts in thousands of RMB unless otherwise stated)

	For the six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Interest income	15,055,020	15,016,942
Interest expense	(9,514,403)	(8,643,042)
Net interest income	5,540,617	6,373,900
Investment income	878,929	1,177,738
Fee and commission income	1,042,428	1,130,808
Fee and commission expense	(229,773)	(72,369)
Net fee and commission income	812,655	1,058,439
Net trading gains	483,385	272,528
Net gains arising from derecognition of financial assets measured at amortised cost	103,150	44,479
Other income, gains or losses	18,946	52,674
Operating income	7,837,682	8,979,758
Operating expenses	(2,048,245)	(1,987,414)
Impairment losses under expected credit loss model, net of reversals	(2,248,105)	(3,795,735)
Share of results of associates	9,196	8,717
Profit before tax	3,550,528	3,205,326
Income tax expense	(522,622)	(497,858)
Profit for the period	3,027,906	2,707,468
Net profit attributable to:		
Shareholders of the Bank	3,023,600	2,696,658
Non-controlling interests	4,306	10,810

2.1 CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(All amounts in thousands of RMB unless otherwise stated)

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
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	(83,257)	238,865
Amount reclassified to profit or loss upon disposal of:		
– Financial assets measured at fair value through other comprehensive income	(77,425)	(128,224)
Impairment loss for financial assets measured at fair value through other comprehensive income included in profit or loss	19,606	8,633
Income tax relating to items that may be reclassified to profit or loss	<u>35,269</u>	<u>(19,316)</u>
Other comprehensive (expense)/income for the period, net of tax	<u>(105,807)</u>	<u>99,958</u>
Total comprehensive income for the period	<u><u>2,922,099</u></u>	<u><u>2,807,426</u></u>
Profit for the period attributable to:		
Shareholders of the Bank	2,917,793	2,796,616
Non-controlling interests	<u>4,306</u>	<u>10,810</u>
	<u><u>2,922,099</u></u>	<u><u>2,807,426</u></u>
Earnings per share (expensed in RMB Yuan per share):		
– Basic and diluted	<u><u>0.50</u></u>	<u><u>0.44</u></u>

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

2.2 CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

(All amounts in thousands of RMB unless otherwise stated)

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
ASSETS		
Cash and balances with the central bank	42,574,591	39,831,551
Deposits with banks and other financial institutions	3,278,839	5,286,491
Placements with banks and other financial institutions	26,773,421	19,063,025
Derivative financial assets	172,933	16,776
Financial assets held under resale agreements	600,197	600,197
Financial assets at fair value through profit or loss	73,120,353	73,740,567
Debt instruments at fair value through other comprehensive income	70,992,927	50,154,686
Loans and advances to customers	336,333,266	324,607,358
Debt instruments at amortised cost	182,015,284	190,702,029
Equity instruments at fair value through other comprehensive income	1,642,224	1,642,224
Deferred tax assets	4,514,973	4,514,145
Other assets	5,000,948	5,942,697
Property and equipment	2,386,979	2,555,066
Right-of-use assets	889,613	990,057
Interests in associates	266,259	257,063
TOTAL ASSETS	750,562,807	719,903,932

2.2 CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 30 JUNE 2022

(All amounts in thousands of RMB unless otherwise stated)

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
LIABILITIES		
Borrowings from the central bank	63,648,149	53,070,305
Deposits from banks and other financial institutions	43,876,352	41,412,833
Placements from banks and other financial institutions	20,505,383	21,409,841
Financial liabilities held for trading	–	519,111
Derivative financial liabilities	12,667	156,724
Financial assets sold under repurchase agreements	62,264,546	59,110,735
Income tax payable	447,662	15,553
Other liabilities	4,370,496	4,662,187
Lease liabilities	919,023	1,015,819
Due to customers	394,564,959	382,478,890
Debt securities issued	99,490,633	98,511,096
	<u>690,099,870</u>	<u>662,363,094</u>
TOTAL LIABILITIES		
EQUITY		
Share capital	6,070,552	6,070,552
Capital reserve	10,731,130	10,731,130
Investment revaluation reserve	(118,142)	(12,335)
Surplus reserve	3,352,480	3,352,480
General reserve	9,216,746	9,216,746
Retained earnings	30,369,818	27,346,218
	<u>59,622,584</u>	<u>56,704,791</u>
Equity attributable to shareholders of the Bank	59,622,584	56,704,791
Non-controlling interests	840,353	836,047
	<u>60,462,937</u>	<u>57,540,838</u>
TOTAL EQUITY	<u>60,462,937</u>	<u>57,540,838</u>
TOTAL EQUITY AND LIABILITIES	<u><u>750,562,807</u></u>	<u><u>719,903,932</u></u>

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

2.3 CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2022
(All amounts in thousands of RMB unless otherwise stated)

	Attributable to shareholders of the Bank							Non-controlling interests	Total
	Share capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Subtotal		
As at 31 December 2021 (Audited)	6,070,552	10,731,130	(12,335)	3,352,480	9,216,746	27,346,218	56,704,791	836,047	57,540,838
Profit for the period	-	-	-	-	-	3,023,600	3,023,600	4,306	3,027,906
Other comprehensive income for the period	-	-	(105,807)	-	-	-	(105,807)	-	(105,807)
Total comprehensive income for the period	-	-	(105,807)	-	-	3,023,600	2,917,793	4,306	2,922,099
As at 30 June 2022 (Unaudited)	<u>6,070,552</u>	<u>10,731,130</u>	<u>(118,142)</u>	<u>3,352,480</u>	<u>9,216,746</u>	<u>30,369,818</u>	<u>59,622,584</u>	<u>840,353</u>	<u>60,462,937</u>
As at 31 December 2020 (Audited)	6,070,552	10,731,130	(390,876)	3,352,480	9,213,596	24,153,342	53,130,224	817,766	53,947,990
Profit for the period	-	-	-	-	-	2,696,658	2,696,658	10,810	2,707,468
Other comprehensive income for the period	-	-	99,958	-	-	-	99,958	-	99,958
Total comprehensive income for the period	-	-	99,958	-	-	2,696,658	2,796,616	10,810	2,807,426
As at 30 June 2021 (Unaudited)	<u>6,070,552</u>	<u>10,731,130</u>	<u>(290,918)</u>	<u>3,352,480</u>	<u>9,213,596</u>	<u>26,850,000</u>	<u>55,926,840</u>	<u>828,576</u>	<u>56,755,416</u>

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

2.4 CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2022
(All amounts in thousands of RMB unless otherwise stated)

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Operating activities		
Profit before tax	3,550,528	3,205,326
Adjustments for:		
Depreciation and amortisation	409,733	389,634
Impairment losses under expected credit loss model, net of reversals	2,248,105	3,795,735
Share of results of associates	(9,196)	(8,717)
Interest income arising from debt instruments at FVOCI and at amortised costs	(4,500,754)	(4,708,506)
Interest expense arising from debt securities issued	1,583,114	1,898,976
Interest expense arising from lease liabilities	21,998	23,541
Investment income	(878,929)	(1,177,738)
Net trading losses	(483,385)	(272,528)
Net gains arising from derecognition of financial assets measured at amortised cost	(103,150)	(44,479)
Dividend income from investment securities	(66,016)	(66,016)
Other income, gains or losses	–	(78,842)
Operating cash flows before movements in working capital	1,772,048	2,956,386
Decrease/(Increase) in balances with the central bank and deposits with banks and other financial institutions	1,329,322	(4,048,963)
Increase in placements with banks and other financial institutions	(7,047,152)	(2,609,071)
Increase in financial assets held for trading and derivative financial assets	(1,332,850)	(11,580,765)
Increase in loans and advances to customers	(13,455,849)	(14,546,889)
Increase/(Decrease) in borrowings from the central bank	10,252,518	(2,161,537)
Increase/(Decrease) in deposits from banks and other financial institutions	2,395,344	(2,192,937)
Decrease in placements from banks and other financial institutions	(899,445)	(7,497,880)
(Decrease)/Increase in financial liabilities held for trading and derivative financial liabilities	(654,165)	406,776
Increase/(Decrease) in financial assets sold under repurchase agreements	3,186,846	(1,771,939)
Increase in customer deposits	11,142,078	35,678,882
Decrease in other operating assets	622,917	472,933
Increase in other operating liabilities	696,749	379,526
Cash generated by operating activities	8,008,361	(6,515,478)
Income tax paid	(56,071)	(548,948)
Net cash generated by operating activities	7,952,290	(7,064,426)

2.4 CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(All amounts in thousands of RMB unless otherwise stated)

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Investing activities		
Cash received from disposal and redemption of investment securities	92,332,957	75,673,462
Cash received from disposal of property and equipment and other assets	66,912	2,444
Cash paid for purchase of investment securities	(107,624,894)	(71,216,666)
Cash paid for purchase of property and equipment and other assets	(138,222)	(294,952)
Interest and investment income from investment securities	10,613,632	6,198,475
Net cash (used in)/generated by investing activities	<u>(4,749,615)</u>	<u>10,362,763</u>
Financing activities		
Cash received from debt securities issued	66,169,792	86,996,141
Repayment of debt securities issued	(65,030,000)	(95,490,000)
Repayment of lease liabilities	(162,036)	(134,473)
Interest paid on financing activities	(1,743,370)	(2,455,225)
Dividends paid	(187)	(28,801)
Net cash used in financing activities	<u>(765,801)</u>	<u>(11,112,358)</u>
Net (decrease)/increase in cash and cash equivalents	2,436,874	(7,814,021)
Cash and cash equivalents at the beginning of the period	15,157,013	24,603,939
Effect of foreign exchange rate changes	190,490	(9,256)
Cash and cash equivalents at the end of the period	<u><u>17,784,377</u></u>	<u><u>16,780,662</u></u>
Net cash generated by operating activities include:		
Interests received	11,777,168	12,637,547
Interest paid	(6,840,419)	(7,032,653)
Net interest received from operating activities	<u><u>4,936,749</u></u>	<u><u>5,604,894</u></u>

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

2.5 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

(All amounts in thousands of RMB unless otherwise stated)

2.5.1 PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards (“IFRS”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2021.

2.5.1.1 Standards, amendments and interpretations effective on 1 January 2022

On 1 January 2022, the Group adopted the following new standards, amendments and interpretations. The Group has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective.

Amendments on IFRS 16	COVID-19 Related Rent Concessions
Amendments on IAS 16	Property, Plant and Equipment: Proceeds before intended use
Amendments on IFRS 3	Reference to the Conceptual Framework
Amendments on IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements	Annual Improvements to IFRS Standards 2018-2020

The adoption of the above amendments does not have a significant impact on the operation results, comprehensive income and financial position of the Group.

2.5.1.2 Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group in 2022:

		Effective for annual periods beginning on or after
IFRS 17	Insurance Contracts	1 January 2023
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

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 the financial information mainly based on operating segments for the purpose of resource allocation and performance assessment.

Measurement of segment assets and liabilities and segment income and results 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 or incurred with third parties are referred to as 'external interest income/expense'.

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

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

Operating segments

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

Corporate banking

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

Personal banking

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

Treasury operation

The treasury operation includes currency market transactions, foreign exchange, precious metal and derivative transactions, and debt instrument investments for its own account or on behalf of customers.

2.5.2 SEGMENT ANALYSIS (CONTINUED)

Others

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

	Corporate banking	Personal banking	Treasury operation	Others	Total
For the six months ended 30 June 2022					
External interest income	4,910,203	4,401,944	5,742,873	–	15,055,020
External interest expense	(4,014,133)	(1,658,539)	(3,841,731)	–	(9,514,403)
Inter-segment interest income/(expense)	1,756,886	(21,512)	(1,735,374)	–	–
Net interest income	2,652,956	2,721,893	165,768	–	5,540,617
Investment income	–	–	878,929	–	878,929
Fee and commission income	201,977	246,963	593,488	–	1,042,428
Fee and commission expense	(57,414)	(169,303)	(3,056)	–	(229,773)
Net fee and commission income	144,563	77,660	590,432	–	812,655
Net trading gains	–	–	483,385	–	483,385
Net gains arising from derecognition of financial assets measured at amortised cost	–	–	103,150	–	103,150
Other income, gains or losses	(21,570)	–	24,626	15,890	18,946
Operating income	2,775,949	2,799,553	2,246,290	15,890	7,837,682
Operating expenses	(709,199)	(864,918)	(474,128)	–	(2,048,245)
Impairment losses under expected credit loss model, net of reversals	(303,373)	(1,880,771)	(63,961)	–	(2,248,105)
Share of results of associates	–	–	–	9,196	9,196
Profit before tax	1,763,377	53,864	1,708,201	25,086	3,550,528
Income tax expense					(522,622)
Profit for the period					<u>3,027,906</u>
Supporting information					
Depreciation and amortisation	(144,602)	(148,118)	(117,013)	–	(409,733)
Capital expenditure	(44,648)	(54,637)	(8,137)	(30,800)	(138,222)
As at 30 June 2022					
Segment assets	233,055,359	131,974,146	383,611,599	1,921,703	750,562,807
Segment liabilities	(273,780,560)	(125,507,133)	(290,305,837)	(506,340)	(690,099,870)
Supplementary information Credit commitments	<u>70,219,542</u>	<u>16,511,411</u>	<u>–</u>	<u>–</u>	<u>86,730,953</u>

2.5.2 SEGMENT ANALYSIS (CONTINUED)

	Corporate banking	Personal banking	Treasury operation	Others	Total
For the six months ended 30 June 2021					
External interest income	4,515,352	4,919,150	5,582,440	–	15,016,942
External interest expense	(3,893,966)	(989,115)	(3,759,961)	–	(8,643,042)
Inter-segment interest income/(expense)	1,957,973	(817,503)	(1,140,470)	–	–
Net interest income	2,579,359	3,112,532	682,009	–	6,373,900
Investment income	–	–	1,177,738	–	1,177,738
Fee and commission income	315,020	403,164	412,624	–	1,130,808
Fee and commission expense	(36,170)	(30,211)	(5,988)	–	(72,369)
Net fee and commission income	278,850	372,953	406,636	–	1,058,439
Net trading gains	–	–	272,528	–	272,528
Net gains arising from derecognition of financial assets measured at amortised cost	–	–	44,479	–	44,479
Other income, gains or losses	–	–	23,786	28,888	52,674
Operating income	2,858,209	3,485,485	2,607,176	28,888	8,979,758
Operating expenses	(632,945)	(900,565)	(453,904)	–	(1,987,414)
Impairment losses under expected credit loss model, net of reversals	(1,733,075)	(1,578,021)	(484,639)	–	(3,795,735)
Share of results of associates	–	–	–	8,717	8,717
Profit before tax	492,189	1,006,899	1,668,633	37,605	3,205,326
Income tax expense					(497,858)
Profit for the period					<u>2,707,468</u>
Supporting information					
Depreciation and amortisation	(123,853)	(152,806)	(112,975)	–	(389,634)
Capital expenditure	(90,146)	(126,829)	(19,553)	(58,424)	(294,952)
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	<u>65,608,219</u>	<u>14,811,994</u>	<u>–</u>	<u>–</u>	<u>80,420,213</u>

2.5.3 NET INTEREST INCOME

	For the six months ended 30 June	
	2022	2021
Interest income:		
Loans and advances to customers, including:		
Corporate loans and advances	4,825,348	4,308,407
Personal loans and advances	4,401,944	4,919,150
Discounted bills	390,525	326,228
Finance lease	33,565	148,137
Balances with the central bank	256,279	282,243
Deposits with banks and other financial institutions	13,586	13,021
Placements with banks and other financial institutions	519,429	256,786
Financial assets held under resale agreements	113,590	54,464
Investments, including:		
Debt instruments at FVOCI	894,284	887,178
Debt instruments at amortised cost	3,606,470	3,821,328
	<u>15,055,020</u>	<u>15,016,942</u>
Subtotal		
Interest expense:		
Borrowings from the central bank	(765,741)	(252,058)
Deposits from banks and other financial institutions	(575,012)	(636,533)
Placements from banks and other financial institutions	(206,133)	(238,549)
Financial assets sold under repurchase agreements	(710,539)	(722,116)
Due to customers	(5,651,866)	(4,871,269)
Debt securities issued	(1,583,114)	(1,898,976)
Lease liabilities	(21,998)	(23,541)
	<u>(9,514,403)</u>	<u>(8,643,042)</u>
Subtotal		
Net interest income	<u><u>5,540,617</u></u>	<u><u>6,373,900</u></u>

2.5.4 INVESTMENT INCOME

	For the six months ended 30 June	
	2022	2021
Investment income from financial instruments at fair value through profit or loss	<u><u>878,929</u></u>	<u><u>1,177,738</u></u>

Investment income includes income from bond investments, funds, wealth management products, asset management plans and trust beneficiary rights measured at FVTPL.

2.5.5 NET FEE AND COMMISSION INCOME

	For the six months ended 30 June	
	2022	2021
Fee and commission income		
Agency commissions and underwriting service fees	541,035	439,899
Wealth management service fees	201,847	466,999
Settlement and clearing fees	127,947	85,494
Consultancy fees	115,257	78,313
Acceptance and guarantee commitment fees	31,334	37,028
Bank card fees	24,515	21,514
Others	493	1,561
	<u>1,042,428</u>	<u>1,130,808</u>
Subtotal		
	<u>1,042,428</u>	<u>1,130,808</u>
Fee and commission expense	<u>(229,773)</u>	<u>(72,369)</u>
Total	<u><u>812,655</u></u>	<u><u>1,058,439</u></u>

2.5.6 NET TRADING GAINS

	For the six months ended 30 June	
	2022	2021
Net gains arising from trading of financial assets at fair value through profit or loss	407,455	451,299
Net gains on disposal of debt instruments at fair value through other comprehensive income	77,425	128,224
Net loss arising from fair value changes of derivative financial instruments	<u>(1,495)</u>	<u>(306,995)</u>
Total	<u><u>483,385</u></u>	<u><u>272,528</u></u>

2.5.7 NET GAIN ARISING FROM DERECOGNITION OF FINANCIAL ASSETS MEASURED AT AMORTISED COST

	For the six months ended 30 June	
	2022	2021
Net gain on disposal of financial assets measured at amortised cost	<u><u>103,150</u></u>	<u><u>44,479</u></u>

2.5.8 OTHER INCOME, GAINS OR LOSSES

	For the six months ended 30 June	
	2022	2021
Dividend income	66,016	66,016
Rental income	19,186	23,797
Government subsidies	13,596	6,552
Exchange differences	(50,681)	(41,813)
Others	(29,171)	(1,878)
	<hr/>	<hr/>
Total	18,946	52,674
	<hr/> <hr/>	<hr/> <hr/>

2.5.9 OPERATING EXPENSES

		For the six months ended 30 June	
	<i>Note</i>	2022	2021
Staff costs	<i>(1)</i>	1,116,005	1,172,160
Depreciation of property and equipment		186,240	180,795
Depreciation of right-of-use assets		143,685	146,331
Office expenses		108,944	97,493
Taxes and surcharges		97,448	105,489
Amortisation		79,808	62,508
Rental and property management expenses		49,791	50,353
Other general and administrative expenses		266,324	172,285
		<hr/>	<hr/>
Total		2,048,245	1,987,414
		<hr/> <hr/>	<hr/> <hr/>

(1) Staff costs

	For the six months ended 30 June	
	2022	2021
Salaries, bonuses and allowances	785,740	849,573
Social security contributions	155,515	150,942
Housing funds	69,422	64,336
Staff welfare	22,602	26,657
Labour union fees and employee education expenses	16,573	18,264
Annuity scheme	66,153	62,388
	<hr/>	<hr/>
Total	1,116,005	1,172,160
	<hr/> <hr/>	<hr/> <hr/>

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

	For the six months ended 30 June	
	2022	2021
Deposits with banks and other financial institutions	13	(1,192)
Placements with banks and other financial institutions	1,693	(62,751)
Debt instruments at FVOCI	3,661	1,553
Loans and advances to customers at amortised cost	2,242,937	3,268,870
Loans and advances to customers at FVOCI	15,944	7,079
Debt instruments at amortised cost	42,289	554,341
Credit commitments	(45,660)	29,967
Others	(12,772)	(2,132)
	<u>2,248,105</u>	<u>3,795,735</u>

2.5.11 INCOME TAX EXPENSE

	For the six months ended 30 June	
	2022	2021
Income tax expense comprise:		
Current income tax	488,181	284,066
Deferred tax	34,441	213,792
	<u>522,622</u>	<u>497,858</u>

Except for certain subsidiaries entitle to a preferential tax rate, 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:

	For the six months ended 30 June	
	2022	2021
Profit before tax	3,550,528	3,205,326
Tax calculated at the applicable statutory tax rate of 25%	887,632	801,332
Income tax at concessionary rate	(1,039)	(3,030)
Income tax adjustment for prior years	(14,259)	5,457
Tax effect of expense not deductible for tax purpose	10,933	403
Tax effect of income not subject to tax (1)	(360,645)	(306,304)
	<u>522,622</u>	<u>497,858</u>

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

2.5.12 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is as follows:

	For the six months ended 30 June	
	2022	2021
Earnings:		
Profit for the period attributable to equity holders of the Bank for the purpose of basic earnings per share	<u>3,023,600</u>	2,696,658
Numbers of shares:		
Weighted average number of shares in issue for the purpose of basic earnings per share (in thousand)	<u>6,070,552</u>	6,070,552
Basic earnings per share (RMB Yuan)	<u><u>0.50</u></u>	<u><u>0.44</u></u>

No diluted earnings per share has been presented for the six months ended 30 June 2022 and 2021 as the Group had no potential dilutive ordinary shares in issue during the periods.

2.5.13 DIVIDENDS

No dividend was proposed for 2021 and 2020.

2.5.14 INTERESTS IN ASSOCIATES

	30 June	31 December
	2022	2021
Unlisted shares, at cost	223,000	223,000
Share of post-acquisition losses and other comprehensive income	<u>43,259</u>	34,063
Total	<u><u>266,259</u></u>	<u><u>257,063</u></u>

2.5.15 DEBT SECURITIES ISSUED

	<i>Note</i>	30 June	31 December
		2022	2021
12 Tianjin Bank bonds 01	<i>(1)</i>	1,500,000	1,500,000
12 Tianjin Bank bonds 02	<i>(2)</i>	1,280,009	1,200,365
18 Tianjin Bank tier-two bonds	<i>(3)</i>	10,207,457	10,447,998
19 Tianjin Bank bonds	<i>(4)</i>	5,098,471	5,001,883
20 Tianjin Bank bonds 01	<i>(5)</i>	5,081,294	5,174,912
Tianjin Bank 1-month negotiable certificates of deposit	<i>(6)</i>	699,534	209,804
Tianjin Bank 3-month negotiable certificates of deposit	<i>(7)</i>	11,099,944	11,636,275
Tianjin Bank 6-month negotiable certificates of deposit	<i>(8)</i>	12,837,374	6,612,235
Tianjin Bank 9-month negotiable certificates of deposit	<i>(9)</i>	8,502,319	13,664,745
Tianjin Bank 1-year negotiable certificates of deposit	<i>(10)</i>	<u>43,184,231</u>	43,062,879
Total		<u><u>99,490,633</u></u>	<u><u>98,511,096</u></u>

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.
- (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.
- (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 billion with a fixed coupon rate of 4.80% per annum, payable annually.
- (4) The 3-year fixed-rate financial bonds were issued on 25 December 2019 by the Bank at a face value of RMB5 billion with a fixed coupon rate of 3.88% per annum, payable annually.
- (5) The 3-year fixed-rate financial bonds were issued on 20 January 2020 by the Bank at a face value of RMB5 billion with a fixed coupon rate of 3.73% per annum, payable annually.
- (6) The Bank issued a series of 1-month negotiable certificates of deposit (“CD”) at a discount. As at 30 June 2022, the face value of outstanding CD amounted to RMB0.7 billion, with a reference interest rate of 1.70%-1.88% (31 December 2021: 2.5%-2.85%) per annum, payable at maturity.
- (7) The Bank issued a series of 3-month negotiable CD at a discount. As at 30 June 2022, the face value of outstanding CD amounted to RMB11.13 billion, with a reference interest rate of 1.88%-2.42% (31 December 2021: 2.50%-2.75%) per annum, payable at maturity.
- (8) The Bank issued a series of 6-month negotiable CD at a discount. As at 30 June 2022, the face value of outstanding CD amounted to RMB12.92 billion, with a reference interest rate of 2.02%-2.65% (31 December 2021: 2.58%-2.82%) per annum, payable at maturity.
- (9) The Bank issued a series of 9-month negotiable CD at a discount. As at 30 June 2022, the face value of outstanding CD amounted to RMB8.6 billion, with a reference interest rate of 2.30%-2.90% (31 December 2021: 2.72%-3.05%) per annum, payable at maturity.
- (10) The Bank issued a series of 1-year CD at a discount. As at 30 June 2022, the face value of outstanding CD amounted to RMB43.75 billion, with a reference interest rate of 2.40%-3.05% (31 December 2021: 2.80%-3.30%) per annum, payable at maturity.

2.5.16 STRUCTURED ENTITIES

As at 30 June 2022 and at 31 December 2021, there were no structured entities held by the Group being consolidated.

(1) Unconsolidated structured entities

(a) *Interest held in structured entities sponsored by third-party institutions*

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 plans and funds.

The following table set out an analysis of the gross carrying amounts of interests held by the Group as at 30 June 2022 in the structured entities sponsored by third-party institutions.

	30 June 2022	31 December 2021
Asset management plans	37,354,913	48,247,323
Asset-backed securities	24,691,816	25,619,668
Trust beneficiary rights	21,757,897	21,899,053
Funds	19,389,850	18,973,950
Wealth management products	1,007,845	–
	<hr/>	<hr/>
Total	104,202,321	114,739,994
	<hr/> <hr/>	<hr/> <hr/>

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

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

The type of unconsolidated structured entities sponsored by the Group is net value-based products. The purpose of sponsoring these structured entities is to generate fees from managing assets on behalf of investors. Interests held by the Group includes fees charged by providing management services to these structured entities as disclosed in Note 2.5.5.

As at 30 June 2022, the amount of assets held by the unconsolidated structured entities sponsored by the Group amounted to RMB91,827 million (31 December 2021: RMB101,762 million).

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

2.5.17 RELATED PARTY TRANSACTIONS

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

	Shareholding ratio		Main business	Legal representative	Place of registration	Registered capital	
	30 June 2022	31 December 2021				30 June 2022	31 December 2021
Tianjin Bonded Zone Investment Co., Ltd.	15.93%	15.93%	Investment and management	Dong Guangpei	Tianjin	8,832,650	8,832,650
Australia and New Zealand Banking Group Limited	11.95%	11.95%	Financial business	Not applicable	Australia Melbourne	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	7,845,977
Tianjin Pharmaceutical Holdings Ltd. (b)	8.06%	8.06%	Wholesale and retail of various commodities and logistics	Zhang Mingrui	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 of the Bank; and through a number of controlled corporations, holds an aggregate of 2,778,686 shares, owning 0.046%. 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%; and through a number of controlled corporations, holds an aggregate of 2,028,817 shares, owning 0.033%. As such, Tianjin Pharmaceutical Holdings Ltd. is controlling a total of 489,107,183 shares of the Bank, representing 8.06% equity.

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

During the period/year, the Group had the following material balances and entered into the following major 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.

	30 June 2022	31 December 2021
Assets		
Loans and advances to customers	4,662,125	3,999,583
Financial assets at fair value through profit or loss	812,923	1,659,398
Debt instruments at amortised cost	201,576	–
Deposits with banks and other financial institutions	–	20,208
Placements with banks and other financial institutions	200,000	–
Debt instruments at fair value through other comprehensive income	592,425	408,456
Total	6,469,049	6,087,645
Liabilities		
Due to customers	3,392,961	3,398,396

2.5.17 RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

	For the six months ended 30 June	
	2022	2021
Transactions during the period:		
Interest income	155,205	155,474
Interest expense	43,635	26,864
Trading net profit and loss	(36,099)	380
Interest rate range during the period:		
Loans and advances to customers	3.28%-5.83%	4.45%~9.50%
Placements with banks and other financial institutions	2.10%	–
Debt instruments at fair value through other comprehensive income	5.4%-5.8%	5.50%~6.75%
Due to customers	0.01%-4.18%	0.005%~4.18%

(2) **Other related parties**

Other related parties can be individuals or enterprises, which include members of the Board of Directors and the senior management and close family members of such individuals; entities (and their subsidiaries) controlled or jointly controlled by members of the Board of Directors and the senior management, and close family members of such individuals. The conditions and prices of these transactions are determined on the basis of market price and normal business procedure or contractual terms. They are examined and approved in accordance with the transaction type and content by corresponding decision-making authority.

Balances and transactions with other related parties

During the period/year, the Group had the following material balances and entered into the following material transactions with major shareholders and entities under their control. The conditions and prices of these transactions are determined on the basis of market price and normal business procedure or contractual terms. They are examined and approved in accordance with the transaction type and content by corresponding decision-making authority.

	30 June 2022	31 December 2021
Liabilities		
Deposits from banks and other financial institutions	716,941	837,117
	For the six months ended 30 June	2022
	2022	2021
Transactions during the period:		
Interest expense	11,967	18,644
Interest rate range during the period:		
Deposit from banks and other financial institutions	2.1%-3.35%	2.00%~3.60%

From 1 January to 30 June 2022 and 2021, the amount of other transactions between other related parties is not significant.

2.5.17 RELATED PARTY TRANSACTIONS (CONTINUED)

(3) Subsidiaries controlled by the Bank

There are several related party transactions between the Bank and its subsidiaries. All transactions are priced on the basis of market price, conducted according to normal business procedures, or handled according to the contracting terms of the Bank, and approved by the corresponding decision-making body according to the transaction type and transaction content.

For the six months ended 30 June 2022 and 2021, the transactions between the Bank and its subsidiaries include lending out funds, interbank deposits and other businesses.

As at 30 June 2022 and 31 December 2021, the principal balance of lending from the Bank to its subsidiaries is RMB2.20 billion and RMB2.70 billion respectively; the principal balance of funds deposited by the subsidiaries with the Bank is RMB1.197 billion and RMB1.334 billion respectively.

For the six months ended 30 June 2022 and 2021, interest income of the Bank and its subsidiaries is RMB59 million and RMB63 million respectively, and the interest expense of the Bank and its subsidiaries is RMB8 million and RMB12 million respectively.

For the six months ended 30 June 2022 and 2021, the amount of other transactions between the Bank and its subsidiaries is not significant.

(4) Key management personnel

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

No major transactions have been entered into with the key management personnel for the six months ended 30 June 2022 other than the emoluments paid to them.

	For the six months ended 30 June	
	2022	2021
Basic salaries, bonuses and allowances	2,944	2,889
Contribution to pension schemes	803	763
Fees	715	719
Total	4,462	4,371

(5) Annuity schemes

Contribution to pension schemes is disclosed in Note 2.5.9.

2.5.18 CONTINGENT LIABILITIES AND COMMITMENTS

(1) Legal proceedings

The Group, as defendants, are involved in certain lawsuits arising from its normal business operations. As at 30 June 2022, the Group has assessed and measured the impact of those pending lawsuits, and no provision related to these lawsuits has been recognised.

(2) Capital commitments

	30 June 2022	31 December 2021
Contracted but not provided for – commitments for the acquisition of property and equipment	<u>508,673</u>	<u>1,027,548</u>

(3) Credit commitments

	30 June 2022	31 December 2021
Loan commitments		
– with an original maturity within one year	3,621,747	5,159,469
– with an original maturity of one year or above	15,817,389	14,184,192
Bank acceptances	35,920,733	30,580,955
Credit card commitments	16,511,411	14,811,994
Letters of credit issued	11,965,673	13,759,086
Letters of guarantee issued	<u>2,894,000</u>	<u>1,924,517</u>
Total	<u>86,730,953</u>	<u>80,420,213</u>

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

(4) Redemption commitments of government bonds

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 30 June 2022, the principal balance of certificate government bonds which the Group had an obligation to pay in advance amounted to RMB1,995 million (31 December 2021: RMB2,231 million) and the principal balance of e-saving bonds amounted to RMB1,673 million (31 December 2021: RMB2,147 million). The original terms of these bonds are from 1 to 5 years.

The Ministry of Finance does not pay the principal and interest of the certificate government bonds before the maturity date, but pays the principal and interest of the e-savings bonds on a regular basis upon request by the Bank.

2.5.19 TRANSFER OF FINANCIAL ASSETS

(1) Repurchase agreement

The Group entered into repurchase agreements with certain counterparties to sell bonds or bills of carrying amount of RMB64,460 million as at 30 June 2022 (31 December 2021: RMB60,880 million) which are subject to the simultaneous agreements with commitments to repurchase at specified future dates and prices. As at 30 June 2022, the proceeds from selling such bonds or bills totalling RMB62,265 million (31 December 2021: RMB59,111 million) presented as “financial assets sold under repurchase agreements”.

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 bonds 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 and therefore have not derecognised such bonds and bills 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.

(2) Transfer of placement with banks

For the six months ended 30 June 2022, the Group transferred placements with banks and other financial institutions amounted to RMB1,500 million and derecognised accordingly. There is no significant impact in profit or loss.

3. MANAGEMENT DISCUSSION AND ANALYSIS

3.1 FINANCIAL REVIEW

3.1.1 Environment and Prospects

In the face of the complex and severe international environment and the arduous task of domestic reform, development and stability, under the strong leadership of the CPC Central Committee with Comrade Xi Jinping as the core, we have effectively coordinated the work of epidemic prevention and control and economic and social development so far this year. Thereby positive results have been achieved in epidemic prevention and control, and new achievements have been made in economic and social development. Meanwhile, the current economy is facing certain main conflicts and problems and we must maintain our strategic focus and stick to do our part of duty.

The Bank will carry out the economic work well in the second half of this year. We will adhere to the general principle of seeking progress while maintaining stability, fully, accurately and comprehensively implement the new development philosophy, and accelerate the construction of a new development pattern to strive to promote high-quality development, as well as fully implement the requirements of epidemic prevention, stable economy and safe development. In the face of challenges and opportunities, the Bank will conscientiously implement the central government's financial policies and the instructions of the Tianjin municipal government, combine its pursuit of development with serving national strategies, and actively building up its core competitiveness under the guidance of "14th Five-Year Plan", so as to enhance its economic efficiency and overall strength and welcome the victory of the 20th National Congress of the CPC.

3.1.2 Overall Operations

In the first half of 2022, Bank of Tianjin coordinated financial services, epidemic prevention and control, and safe production, and solidly promoted the implementation of strategic planning, returned to its origin, locality and position, so as to strive to build a "mainstream bank in Beijing, Tianjin and Hebei" and a "citizen's bank". The Bank focused its credit resources on the real economy and social livelihood, serving the country's overall strategy, local economic development and people's livelihood. We also enhanced our comprehensive risk management capabilities and accelerated digital transformation, resulting in an overall positive operating performance.

The scale of assets and liabilities has grown steadily. As at the end of the Reporting Period, Bank of Tianjin's total assets amounted to RMB750.56 billion, an increase of 4.3% as compared with that as at the end of the previous year. Taking the "Four Tailor-made Approaches" customer hierarchical management and "Four-in-One" service model as the starting point, the Bank increased its support for major national strategies, key regional projects, green development, scientific and technological innovation and rural revitalization, with the balance of various loans of RMB336.33 billion, an increase of 3.6% as compared with that as at the end of the previous year, and the balance of bond investments of RMB223.72 billion, an increase of 6.6% as compared with that as at the end of the previous year. The sources of liabilities were further expanded, with total liabilities reaching RMB690.1 billion, representing an increase of 4.2% as compared with that as at the end of the previous year, while it was continued to empower personal wealth management, corporate treasury management and the "Smart Xiao Er (智慧小二)" scenario ecosystem, with customer deposits balance reaching RMB394.56 billion, an increase of 3.2% as compared with that as at the end of the previous year.

Significant improvement in the growth rate of net profit. The Bank practised financial corporate social responsibility, proactively implement relevant policies to reduce fees and costs to promote stable and moderate loan interest rates, and reasonably concede benefits to the real economy. During the Reporting Period, the operating income amounted to RMB7.84 billion, representing a year-on-year decrease of 12.7%, mainly due to the fact that Bank of Tianjin responded to the State Council’s policy requirements to stabilize the economy, and increased its concessions to small and medium-sized, small and micro, and inclusive customers, resulting in a 0.43 percentage point decrease in the average yield on loans and advances to customers; as well as a 0.47 percentage point decrease in the average yield on investment securities and other financial assets as a result of the active suppression of non-standardized debt investments such as asset management plans and trust plans in accordance with regulatory requirements. In the context of continuous reduction of fees and costs, the Bank further improved cost control and achieved a net profit of RMB3.03 billion, representing a year-on-year increase of 11.8%; ROA and ROE were 0.82% and 10.26%, representing the year-on-year increases of 0.04 and 0.48 percentage point respectively.

Effective improvement in asset quality. The Bank continued to improve the risk alarming management system, optimized the whole-process credit management, and relied on digital transformation to enhance our independent risk control capabilities and consolidate the foundation of asset quality. The provision for impairment losses for the current period amounted to RMB2.25 billion, representing a year-on-year decrease of 40.8%. We utilized the provision to write off non-performing loans of RMB2.77 billion, effectively resolving non-performing assets. As of the end of the Reporting Period, the non-performing loans amounted to RMB7.84 billion, representing a decrease of 2.5% over the beginning of the year, and the non-performing loan ratio was 2.28%, representing a decrease of 0.13 percentage point over the beginning of the year. The provision coverage ratio was 154.96% and the capital adequacy ratio was 13.00%, which continued to meet regulatory requirements.

Stabilizing the overall economic situation and holding on to the main responsibilities and business with effectiveness. The Bank formulated the “Implementation Plan for Bank of Tianjin Implementing a Package of Policies and Measures to Stabilize the Economy (天津銀行貫徹穩住經濟一攬子政策措施實施方案)”, and made every effort to provide financial services to stabilize the economy. The “Smart Xiao Er” service platform exclusively created by Bank of Tianjin was listed by the Tianjin Municipal Government as a package of 15 measures to support the development of market entities in 2022 by helping enterprises to ease the difficulties and 35 measures to stabilize the economy. At the end of the Reporting Period, the cumulative number of online merchants reached 456 thousand, of which nearly 260 thousand are in Tianjin, accounting for 37% of registered small and micro enterprises and the individual entrepreneurs in Tianjin, and is continuously growing. Up to now, the Bank has facilitated 3.5 million settlements for these enterprises every day with settlement amount of about RMB300 million for these enterprises every day, and has granted 134,000 preferential credit loans with borrowing and repayment to 69,800 small and micro enterprises and individual entrepreneurs on the platform, with a total amount of

RMB3.476 billion, at an annual interest rate as low as 3.95%, which provides a Bank of Tianjin solution to the problem of difficult and expensive financing for small and micro enterprises. By fully utilizing financial technologies, the Bank sets the small and micro online self-operated loan targeting individuals as the driving force for inclusive small and micro business and agriculture-related business. The balance of inclusive loans to small and micro enterprises of no more than RMB10 million each under the regulatory criteria of the Bank (excluding subsidiaries) amounted to RMB27.59 billion, representing an increase of 11.75% as compared with that as at the end of the previous year, and the balance of agriculture-related loans of no more than RMB10 million each reached RMB3.856 billion, representing an increase of 17.51% as compared with that as at the end of the previous year. The Bank effectively promoted the transmission of financial relief policies. During the Reporting Period, we issued a total of RMB13.065 billion of loans to small and micro private enterprises in line with the re-lending policy, representing a year-on-year increase of 87.1%; we completed rediscounting of RMB3.301 billion, of which approximately RMB3.132 billion was allocated to support small and micro private enterprises bills, representing a year-on-year increase of 0.7%, which represented that the Bank took solid and practical actions to “stabilize the overall economic situation”.

The Bank continued to enhance the support for national major strategic deployment areas. The balance of loans in the Beijing-Tianjin-Hebei region reached RMB216.67 billion, representing an increase of 11.2% as compared with that as at the end of the previous year, in line with its positioning as a “mainstream bank in Beijing-Tianjin-Hebei”. The Bank leading underwrote RMB38.190 billion of corporate credit bonds in the Beijing-Tianjin-Hebei region, including RMB26.988 billion of corporate credit bonds in Tianjin, ranking to the top in Tianjin market. The Bank also leading underwrote the first Beijing-Tianjin-Hebei science and technology innovation asset-backed notes (high-growth bonds), and all the proceeds were used for 9 national-level specialized, refined, differentiated and innovative “little giants”, national high-tech enterprises, national enterprises technology center and other technological innovation enterprises in the Beijing-Tianjin-Hebei region. In response to Tianjin’s strategy of “a manufacturing city”, the Bank enriched financial products to support the development of key industrial chains, and invested RMB4.119 billion in supply chain finance business, representing a year-on-year growth of 99.27%, while RMB1.48 billion in E chain factoring business, representing a year-on-year growth of 549.12%. The Bank carried out ESG investment management concept and increased green credit investment, and the balance of green credit was RMB13.437 billion, representing an increase of RMB1.368 billion or 11.33% as compared with the beginning of the year. The Bank jointly released the first ESG-themed Beijing-Tianjin-Hebei regional credit bond index of “China Bond-Beijing-Tianjin-Hebei ESG-themed Selected Credit Bond Index of Bank of Tianjin” with China Bond Financial Valuation Center, ranking 2nd in the list of the National City and Rural Commercial Bank Green Debt Financing Instrument Investor Ranking List in the second quarter of 2022.

The Bank practiced the service tenet of “citizen’s bank” and achieved remarkable results. We focused on exclusive customer base, and promoted the service upgrade of the “Four Cards in One (四卡合一)” for social security cards with customer needs as the core. We launched the elderly-care themed debit card “Yinian Card (怡年卡)” to promote the stratification of savings and deposit products. Personal asset under management (AUM) reached to RMB205.647 billion, representing an increase of 4.75% as compared with that as at the end of the previous year, and the personal deposits amounted to RMB122.78 billion, representing an increase of 14.6% as compared with that as at the end of the previous year. The “New Citizen (新市民)” financial service plan was formulated to provide financial support in terms of entrepreneurship and employment, housing needs, medical security, etc. The balance of related credit business reached RMB1.98 billion.

The Bank relied on technology empowerment to promote digital transformation, reaching to a new level. We formulated the “Strategic Plan for Financial Technology and Digital Transformation of Bank of Tianjin Co., Ltd. (2022-2025) (天津銀行股份有限公司金融科技與數字化轉型戰略規劃(2022 – 2025年))”. We have upgraded the core system and become the first modern bank in China to achieve ecological transformation of the full spectrum of business through the “cloud + distributed + multi-business” technology. The Bank adopted the strategy of one-step-to-reach, phased implementation and smooth transition, completed eight major projects including new core construction, old core transformation, internet innovation, traditional service transformation, big risk control project, big data empowerment, data warehouse transfer and core gradient transfer on a step-by-step basis. We built the Seagull Cloud platform (海鷗雲平台) and the overall distributed structure framework and established a business middle-office and a data middle-office system, and built a new distributed core business system with “high performance, high flexibility, high security, and high autonomy and controllability” based on data standardization and business rule standardization. Therefore, the processing capability, expansion capability and business support capability have been greatly improved, realizing the IT strategic goals of “secure bank” and “smart bank”. The Bank put the local third machine room into trial operation, continued to promote the construction of a remote disaster recovery data centre in Chengdu, improved the IT infrastructure of the “four centres in two places (兩地四中心)”, further improving the disaster recovery capabilities of important information systems. We continued to promote the construction of the “Data Blue Ocean (數據藍海)”, took the data middle-office as an effective mean, consolidated the data foundation, and followed the implementation of “three steps in five years” (五年三步走) to constantly improve the level of data management and data application capabilities, so as to lay a solid foundation for digital transformation.

3.1.3 Analysis of the Income Statement

	For the six months ended 30 June		Rate of Change (%)
	2022	2021	
	<i>(Amounts in thousands of Renminbi, unless otherwise stated)</i>		
Interest income	15,055,020	15,016,942	0.3
Interest expense	(9,514,403)	(8,643,042)	10.1
NET INTEREST INCOME	5,540,617	6,373,900	(13.1)
Investment income	878,929	1,177,738	(25.4)
Fee and commission income	1,042,428	1,130,808	(7.8)
Fee and commission expense	(229,773)	(72,369)	217.5
NET FEE AND COMMISSION INCOME	812,655	1,058,439	(23.2)
Net trading gains	483,385	272,528	77.4
Net gains arising from derecognition of financial assets measured at amortised cost	103,150	44,479	131.9
Other income, gains or losses	18,946	52,674	(64.0)
OPERATING INCOME	7,837,682	8,979,758	(12.7)
Operating expenses	(2,048,245)	(1,987,414)	3.1
Impairment losses under expected credit loss (ECL) model, net of reversals	(2,248,105)	(3,795,735)	(40.8)
Share of results of associates	9,196	8,717	5.5
PROFIT BEFORE TAX	3,550,528	3,205,326	10.8
Income tax expense	(522,622)	(497,858)	5.0
PROFIT FOR THE PERIOD	3,027,906	2,707,468	11.8

During the Reporting Period, the Bank's profit before tax of RMB3,550.5 million, representing an increase of RMB345.2 million over the same period last year, representing a year-on-year increase of 10.8%, and net profit of RMB3,027.9 million, representing an increase of RMB320.4 million over the same period last year, representing a year-on-year increase of 11.8%.

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

During the Reporting Period, the Bank's net interest income amounted to RMB5,540.6 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 RMB878.9 million. The sum of two was RMB6,419.5 million, decreased by RMB1,132.1 million as compared to the figure for the same period last year measured in the same standard, representing a year-on-year decrease of 15.0%, which was mainly because the Bank responded to the policy requirements of State Council related to economic stability by increasing more concessions to small, medium, micro and inclusive customers. The average yield of loans and advances to customers decreased by 0.43 percentage point. At the same time, in accordance with regulatory requirements, the average yield of investment in securities and other financial assets decreased by 0.47 percentage point by actively reducing non-standardized debt investments such as asset management plans and trust plans.

During the Reporting Period, the Bank continued to increase its loan allocation to key projects and high-quality customers, and the size of interest-earning assets increased by 7.9% on a year-on-year basis, while affected by the aforementioned factors of declining net interest income, net interest spread decreased to 1.44% from 1.88% and net interest margin decreased to 1.70% from 2.16% in the corresponding period of the previous year.

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 periods indicated.

	For the six months ended 30 June					
	Average balance	2022 Interest income ⁽⁸⁾	Average yield (%)	Average balance	2021 Interest income ⁽⁸⁾	Average yield (%)
<i>(Amounts in millions of RMB, except for percentages)</i>						
Interest-earning assets						
Loans and advances to customer	327,033.4	9,651.3	5.90	306,318.4	9,701.9	6.33
Investment securities and other financial assets ⁽¹⁾	332,121.5	5,379.1	3.24	317,745.4	5,887.3	3.71
Amounts due from banks and other financial institutions ⁽²⁾	42,467.6	633.0	2.98	23,802.5	311.3	2.62
Deposits with banks and other financial institutions	14,199.9	13.6	0.19	11,366.9	13.0	0.23
Balances with central bank	39,872.6	256.3	1.29	41,454.6	282.2	1.36
Total interest-earning assets (include assets at FVTPL)	755,695.0	15,933.3	4.22	700,687.8	16,195.7	4.62
Allowance for impairment losses	(16,851.2)			(16,798.7)		
Non-interest-earning assets ⁽³⁾	26,826.6			23,751.8		
Total assets	765,670.4	15,933.3	4.16	707,640.9	16,195.7	4.58

	For the six months ended 30 June					
	Average balance	2022 Interest expense ⁽⁸⁾	Average cost (%)	Average balance	2021 Interest expense ⁽⁸⁾	Average cost (%)
<i>(Amounts in millions of RMB, except for percentages)</i>						
Interest-bearing liabilities						
Due to customers	382,536.2	5,651.9	2.95	363,768.3	4,871.3	2.68
Deposits from banks and other financial institutions	45,048.1	575.0	2.55	44,220.6	636.5	2.88
Amounts due to banks and other financial institutions ⁽⁴⁾	94,314.7	916.1	1.94	92,303.2	961.7	2.08
Debt securities issued	101,417.0	1,583.1	3.12	108,374.7	1,899.0	3.50
Lease liabilities	967.4	22.0	4.55	1,037.0	23.5	4.53
Borrowings from central bank	61,149.7	765.7	2.50	20,807.6	252.1	2.42
Total interest-bearing liabilities (include liabilities at FVTPL)	685,433.1	9,513.8	2.78	630,511.4	8,644.1	2.74
Non-interest-bearing liabilities ⁽⁵⁾	21,026.2			20,402.0		
Total liabilities	706,459.3	9,513.8	2.69	650,913.4	8,644.1	2.66
Net interest income		6,419.5			7,551.6	
Net interest spread⁽⁶⁾			1.44			1.88
Net interest margin⁽⁷⁾			1.70			2.16

Note:

- (1) Includes bonds, asset management plans, trust plans, public funds, wealth management products and 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, provisions related to litigation, 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

During the Reporting Period, our interest income (includes interest income at FVTPL) was RMB15,933.3 million, representing a decrease of RMB262.4 million as compared to the same period last year, a year-on-year decrease of 1.6%; the average yield of these interest-earning assets was 4.22%, representing a year-on-year decrease of 40 basis points, which was mainly because the Bank further increased its support and reduced fees and provided more concessions to the real economy, resulting in a certain impact on its interest income.

Interest income from loans and advances to customers

During the Reporting Period, interest income from our loans and advances to customers amounted to RMB9,651.3 million, representing a decrease of RMB50.6 million as compared to the same period last year, a year-on-year decrease of 0.5%, mainly due to the year-on-year decrease of 43 basis points in the average yield of loans and advances to customers to 5.90%. The decrease in the average yield of our loans and advances to customers was primarily due to the Bank's proactive implementation of various measures to stabilise the economy and reduce fees and provide more concessions to support the real economy.

Interest income from investment securities and other financial assets

During the Reporting Period, the Bank's interest income from investment securities and other financial assets amounted to RMB5,379.1 million, representing a decrease of RMB508.2 million or a year-on-year decrease by 8.6%, which was mainly due to a decrease by 47 basis points year-on-year in the average yield on investment securities and other financial assets to 3.24%. The decrease in the average yield on investment securities and other financial assets was primarily due to its proactive efforts regarding decreasing investments in non-standardised debt assets such as asset management plans and trust plans, with a corresponding reduction in investment income and interest income.

Interest income from amounts due from banks and other financial institutions

During the Reporting Period, interest income from amounts due from banks and other financial institutions amounted to RMB633.0 million, representing an increase of RMB321.7 million as compared to the same period last year, a year-on-year increase of 103.3%, mainly due to the year-on-year increase of 78.4% in the average balance of amounts due from banks and other financial institutions to RMB42,467.6 million and the year-on-year increase of 36 basis points in the average yield of amounts due from banks and other financial institutions to 2.98%. The increase in average balance of amounts due from banks and other financial institutions was mainly because we increased our investment in such assets and the increase in the average yield of our amounts due from banks and other financial institutions was mainly because we proactively optimised our asset structure, which increased the return on such assets.

Interest income from deposits with banks and other financial institutions

During the Reporting Period, interest income from deposits with banks and other financial institutions amounted to RMB13.6 million, representing an increase of RMB0.6 million as compared to the same period last year, a year-on-year increase of 4.6%, mainly due to the year-on-year increase of 24.9% in the average balance of deposits with banks and other financial institutions to RMB14,199.9 million.

Interest income from balances with central bank

During the Reporting Period, interest income from balances with central bank amounted to RMB256.3 million, representing a decrease of RMB25.9 million as compared to the same period last year, a year-on-year decrease of 9.2%, mainly due to the year-on-year decrease of 3.8% in the average balance of balances with central bank to RMB39,872.6 million and the year-on-year decrease of 7 basis points in the average yield of balances with central bank to 1.29%.

3.1.3.3 Interest Expense

During the Reporting Period, our interest expense (including interest expense at FVTPL) amounted to RMB9,513.8 million, representing an increase of RMB869.7 million as compared to the same period last year, a year-on-year increase of 10.1%, mainly due to the year-on-year increase of 8.7% in the average balance of interest-bearing liabilities to RMB685,433.1 million. The increase in the average balance of interest-bearing liabilities was primarily due to an increase in the average balance of due to customers and borrowings from central bank.

Interest expense on due to customers

During the Reporting Period, our interest expense on due to customers amounted to RMB5,651.9 million, representing an increase of RMB780.6 million as compared to the same period last year, a year-on-year increase of 16.0%, mainly due to the year-on-year increase of 5.2% in the average balance of due to customers to RMB382,536.2 million and the year-on-year increase of 27 basis points in the average cost of due to customers to 2.95%. The increase in the average balance of due to customers, was primarily because an increase in the size of deposits as the Bank continued to diversify the range of deposit products to meet different consumer business needs; the increase in our average cost of due to customers was mainly due to an increase in the proportion of personal time deposits.

Interest expense on deposits from banks and other financial institutions

During the Reporting Period, our interest expense on deposits from banks and other financial institutions amounted to RMB575.0 million, representing a decrease of RMB61.5 million as compared to the same period last year, a year-on-year decrease of 9.7%, mainly due to the year-on-year decrease of 33 basis points in the average cost of the deposits from banks and other financial institutions to 2.55%. The decrease in average cost of the deposits from banks and other financial institutions was mainly due to reasonable allocation of debts at a proper time, leading to a lower cost.

Interest expense on amounts due to banks and other financial institutions

During the Reporting Period, our interest expense on amounts due to banks and other financial institutions amounted to RMB916.1 million, representing a decrease of RMB45.6 million as compared to the same period last year, a year-on-year decrease of 4.7%, mainly due to the year-on-year decrease of 14 basis points in the average cost of interest expense on amounts due to banks and other financial institutions to 1.94%. The decrease in average cost of interest expense on amounts due to banks and other financial institutions was mainly due to reasonable allocation of debts at a proper time, leading to a lower cost.

Interest expense on debt securities issued

During the Reporting Period, our interest expense on debt securities issued amounted to RMB1,583.1 million, representing a decrease of RMB315.9 million as compared to the same period last year, a year-on-year decrease of 16.6%, mainly due to the year-on-year decrease of 6.4% in the average balance of our debt securities issued to RMB101,417.0 million and the year-on-year decrease of 38 basis points in the average cost of our debt securities issued to 3.12%. The decrease in average balance of our debt securities issued was mainly due to adjustment of liability structure, which decreased the scale of liability business and the decrease in average cost of our debt securities issued was mainly due to reasonable allocation of debts at a proper time, leading to a lower cost.

Interest expense on lease liabilities

During the Reporting Period, our interest expense on lease liabilities amounted to RMB22.0 million, representing a decrease of RMB1.5 million as compared to the same period last year, a year-on-year decrease of 6.4%, mainly due to the year-on-year decrease of 6.7% in the average balance of lease liabilities to RMB967.4 million.

Interest expense on borrowings from central bank

During the Reporting Period, our interest expense on borrowings from central bank amounted to RMB765.7 million, representing an increase of RMB513.6 million as compared to the same period last year, a year-on-year increase of 203.7%, mainly due to the year-on-year increase of 193.9% in the average balance of borrowings from central bank to RMB61,149.7 million. The increase in the average balance of borrowings from the central bank was primarily due to the Bank's proactive application of various financial policies to broaden its financing pipeline.

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. During the Reporting Period, our investment income amounted to RMB878.9 million, representing a decrease of RMB298.8 million as compared to the same period last year, a year-on-year decrease of 25.4%, mainly due to its proactive efforts regarding decreasing investments in non-standardised debt assets such as asset management plans and trust plans, with a corresponding reduction in investment income.

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 periods indicated.

	For the six months ended 30 June			Rate of change (%)
	2022	2021	Change in amount	
	<i>(Amounts in millions of RMB, except for percentages)</i>			
Fee and commission income				
Agency commission and underwriting service fees	541.0	439.9	101.1	23.0
Wealth management service fees	201.8	467.0	(265.2)	(56.8)
Settlement and clearing fees	127.9	85.5	42.4	49.6
Consultancy fees	115.3	78.3	37.0	47.3
Acceptance and guarantee commitment fees	31.3	37.0	(5.7)	(15.4)
Bank card fees	24.5	21.5	3.0	14.0
Others	0.6	1.6	(1.0)	(62.5)
Subtotal	1,042.4	1,130.8	(88.4)	(7.8)
Fee and commission expense	(229.7)	(72.4)	(157.3)	217.3
Net fee and commission income	812.7	1,058.4	(245.7)	(23.2)

During the Reporting Period, our net fee and commission income amounted to RMB812.7 million, representing a decrease of RMB245.7 million as compared to the same period last year, a year-on-year decrease of 23.2%. 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 in accordance with new asset management requirements to optimise the establishment of product portfolio, leading to a decrease in revenue.

3.1.3.6 Net Trading Gains

Net trading gains 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 RMB483.4 million for the Reporting Period, while we recorded net trading gains of RMB272.5 million for the same period last year, representing a year-on-year increase of 77.4%, which was primarily because the Bank grasped trading opportunities in the market and increased net trade gains.

3.1.3.7 Operating Expenses

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

	For the six months ended 30 June			Rate of change (%)
	2022	2021	Change in amount	
<i>(Amounts in millions of RMB, except for percentages)</i>				
Operating expenses				
Staff costs	1,116.0	1,172.2	(56.2)	(4.8)
Sundry taxes	97.4	105.5	(8.1)	(7.7)
Other general and administrative expenses	266.3	172.3	94.0	54.6
Office expenses	108.9	97.5	11.4	11.7
Rental and property management expenses	49.8	50.4	(0.6)	(1.2)
Depreciation and amortisation	409.8	389.5	20.3	5.2
Total operating expenses	2,048.2	1,987.4	60.8	3.1
Cost-to-income ratio⁽¹⁾	24.89%	20.96%	–	3.93

Note:

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

During the Reporting Period, our operating expenses amounted to RMB2,048.2 million, representing an increase of RMB60.8 million as compared to the same period last year, a year-on-year increase of 3.1%, with the scale basically stable.

Our cost-to-income ratio (excluding sundry taxes) was 20.96% and 24.89% for the same period of the previous year and the Reporting Period, respectively, representing a year-on-year increase of 3.93 percentage points.

Staff costs

Staff costs amounted to RMB1,116.0 million for the Reporting Period, representing a decrease of RMB56.2 million as compared to the same period last year, a year-on-year decrease of 4.8%, with the scale basically stable.

The following table sets forth the principal components of staff costs of the Bank for the periods indicated.

	For the six months ended 30 June			Rate of
	2022	2021	Change in	change
	<i>(Amounts in millions of RMB,</i>			<i>(%)</i>
	<i>except for percentages)</i>			
Salaries, bonuses and allowances	785.7	849.6	(63.9)	(7.5)
Social insurance	155.5	150.9	4.6	3.0
Housing funds	69.4	64.3	5.1	7.9
Staff welfare	22.6	26.7	(4.1)	(15.4)
Labour union fees and staff education expenses	16.6	18.3	(1.7)	(9.3)
Contribution to annuity funds	66.2	62.4	3.8	6.1
Total	<u>1,116.0</u>	<u>1,172.2</u>	<u>(56.2)</u>	<u>(4.8)</u>

Sundry taxes

During the Reporting Period, our sundry taxes amounted to RMB97.4 million, representing a decrease of RMB8.1 million as compared to the same period last year, or a year-on-year decrease of 7.7%, with the scale basically stable.

Office expenses and rental and property management expenses

During the Reporting Period, our office expenses and rental and property management expenses amounted to RMB158.7 million, representing an increase of RMB10.8 million as compared to the same period last year, or a year-on-year increase of 7.3%, with the scale basically stable.

Other general and administrative expenses

During the Reporting Period, our other general and administrative expenses amounted to RMB266.3 million, representing an increase of RMB94.0 million as compared to the same period last year, or a year-on-year increase of 54.6%, which was primarily due to the increase in fees as a result of factors such as the resumption of the collection of banking supervision fees, etc.

Depreciation and amortisation

During the Reporting Period, depreciation and amortisation of the Bank, including right-of-use assets, amounted to RMB409.8 million, representing an increase of RMB20.3 million as compared to the same period last year, or a year-on-year increase of 5.2%, with the scale basically stable.

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 six months ended 30 June			Rate of change (%)
	2022	2021	Change in amount	
	<i>(Amounts in millions of RMB, except for percentages)</i>			
Loans and advances to customers at amortised cost	2,243.0	3,268.9	(1,025.9)	(31.4)
Loans and advances to customers at FVOCI	15.9	7.1	8.8	123.9
Credit commitments	(45.7)	30.0	(75.7)	(252.3)
Debt instruments at amortised cost	42.3	554.3	(512.0)	(92.4)
Debt instruments at FVOCI	3.7	1.6	2.1	131.3
Deposits with banks and other financial institutions	–	(1.2)	1.2	(100.0)
Placements with banks and other financial institutions	1.7	(62.8)	64.5	(102.7)
Others	(12.8)	(2.2)	(10.6)	481.8
Total	2,248.1	3,795.7	(1,547.6)	(40.8)

During the Reporting Period, our impairment losses under ECL model, net of reversals amounted to RMB2,248.1 million, representing a decrease of RMB1,547.6 million as compared to the same period last year, or a year-on-year decrease of 40.8%, which was primarily due to the continued enhancement of credit risk management and disposal by the Bank and the year-on-year decrease in impairment losses.

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 six months ended 30 June			Rate of change (%)
	2022	2021	Change in amount	
	<i>(Amounts in millions of RMB, except for percentages)</i>			
Profit before tax	3,550.5	3,205.3	345.2	10.8
Tax calculated at the applicable statutory tax rate of 25%	887.6	801.3	86.3	10.8
Income tax at concessionary rate	(1.0)	(3.0)	2.0	(66.7)
Income tax adjustment for prior years	(14.3)	5.5	(19.8)	(360.0)
Tax effect of expenses not deductible for tax purpose	10.9	0.4	10.5	2,625.0
Tax effect of income not subject to tax ⁽¹⁾	(360.6)	(306.3)	(54.3)	17.7
Income tax expenses	<u>522.6</u>	<u>497.9</u>	<u>24.7</u>	<u>5.0</u>

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.

During the Reporting Period, our income tax amounted to RMB522.6 million, representing an increase of RMB24.7 million as compared to the same period last year, or a year-on-year increase of 5.0%. The increase was primarily due to the increase in profit before tax.

3.1.4 Analysis of the Statement of Financial Position

3.1.4.1 Assets

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

	As of 30 June 2022		As of 31 December 2021	
	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	348,486.8	46.4	337,019.8	46.8
Allowance for impairment losses	(12,153.5)	(1.6)	(12,412.4)	(1.7)
Loans and advances to customers, net	336,333.3	44.8	324,607.4	45.1
Investment securities and other financial assets, net	327,770.8	43.7	316,239.5	44.0
Financial assets held under resale agreements	600.2	0.1	600.2	0.1
Cash and balances with central bank	42,574.6	5.7	39,831.6	5.5
Deposits with banks and other financial institutions	3,278.8	0.4	5,286.5	0.7
Placements with banks and other financial institutions	26,773.4	3.6	19,063.0	2.6
Derivative financial assets	172.9	0.0	16.8	0.0
Other assets ⁽¹⁾	13,058.8	1.7	14,258.9	2.0
TOTAL ASSETS	750,562.8	100.0	719,903.9	100.0

Note:

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

As of the end of the Reporting Period, our total assets amounted to RMB750,562.8 million, representing an increase of RMB30,658.9 million as compared to the end of last year or an increase of 4.3%, which was primarily because the Bank adhered to its main responsibilities and business and increased its support to the real economy by increasing loan investment and standardised bond investment to stabilize the economy.

Loans and advances to customer

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

	As of 30 June 2022		As of 31 December 2021	
	Amount	% of the total (%)	Amount	% of the total (%)
	<i>(Amounts in millions of RMB, except for percentages)</i>			
Corporate loans	186,913.2	53.6	164,971.1	48.9
Personal loans	121,654.0	34.9	132,296.2	39.3
Finance lease receivables	1,259.9	0.4	1,651.9	0.5
Discounted bills	38,659.7	11.1	38,100.6	11.3
Total	348,486.8	100.0	337,019.8	100.0

Corporate loans

As of the end of the Reporting Period, our corporate loans amounted to RMB186,913.2 million, representing an increase of RMB21,942.1 million as compared to the end of last year or an increase of 13.3%.

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

	As of 30 June 2022		As of 31 December 2021	
	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)	64,134.0	34.3	62,047.3	37.6
Medium and long-term loans (over one year)	122,779.2	65.7	102,923.8	62.4
Total corporate loans	186,913.2	100.0	164,971.1	100.0

Short-term loans as a percentage of our corporate loan portfolio decreased from 37.6% at the end of last year to 34.3% at the end of the Reporting Period and our medium and long-term loans as a percentage of our corporate loan portfolio increased from 62.4% at the end of last year to 65.7% at the end of the Reporting Period. The loan structure was basically stable.

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

	As of 30 June 2022		As of 31 December 2021	
	Amount	% of the total (%)	Amount	% of the total (%)
	<i>(Amounts in millions of RMB, except for percentages)</i>			
Working capital loans	89,952.2	48.1	77,794.0	47.2
Fixed asset loans	71,772.2	38.4	67,002.4	40.6
Trade finance	10,491.3	5.6	11,024.8	6.7
Others ⁽¹⁾	14,697.5	7.9	9,149.9	5.5
Total corporate loans	186,913.2	100.0	164,971.1	100.0

Note:

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

As of the end of the Reporting Period, our working capital loans amounted to RMB89,952.2 million, representing an increase of RMB12,158.2 million as compared to the end of last year or an increase of 15.6%, which was primarily because the Bank continuously increased its support for the real economy.

As of the end of the Reporting Period, our fixed assets loans amounted to RMB71,772.2 million, representing an increase of RMB4,769.8 million as compared to the end of last year or an increase of 7.1%, which was primarily because the Bank continuously increased its support for the real economy.

As of the end of the Reporting Period, our trade finance amounted to RMB10,491.3 million, representing a decrease of RMB533.5 million as compared to the end of last year or a decrease of 4.8%, with the scale basically stable.

As of the end of the Reporting Period, our other corporate loans amounted to RMB14,697.5 million, representing an increase of RMB5,547.6 million as compared to the end of last year or an increase of 60.6%, which was primarily due to the Bank's further increase in its support for the merger and acquisition loans business.

Personal loans

As of the end of the Reporting Period, our personal loans amounted to RMB121,654.0 million, representing a decrease of RMB10,642.2 million as compared to the end of last year or a decrease of 8.0%, which was primarily due to the decrease in the balance 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 30 June 2022		As of 31 December 2021	
	Amount	% of the total (%)	Amount	% of the total (%)
	<i>(Amounts in millions of RMB, except for percentages)</i>			
Personal loans for consumption	60,699.4	49.9	67,429.5	51.0
Personal loans for business purposes	29,474.9	24.2	32,953.0	24.9
Residential mortgage loans	28,951.1	23.8	29,403.7	22.2
Credit card overdrafts	2,528.6	2.1	2,510.0	1.9
Total personal loans	121,654.0	100.0	132,296.2	100.0

As of the end of the Reporting Period, our personal loans for consumption amounted to RMB60,699.4 million, representing a decrease of RMB6,730.1 million as compared to the end of last year or a decrease of 10.0%, which was primarily due to weakened personal consumption expectations and reduced consumption power as a result of the impact of the epidemic.

As of the end of the Reporting Period, our personal loans for business purposes amounted to RMB29,474.9 million, representing a decrease of RMB3,478.1 million as compared to the end of last year or a decrease of 10.6%, which was primarily due to the expected weakening of demand for personal loans as a result of the impact of the epidemic.

As of the end of the Reporting Period, our residential mortgage loans amounted to RMB28,951.1 million, representing a decrease of RMB452.6 million as compared to the end of last year or a decrease of 1.5%, which was primarily because the volume of transaction in the real estate market was sluggish due to the impact of the COVID-19 epidemic, resulting in a decline in the scale of personal residential mortgage loans.

As of the end of the Reporting Period, our credit card overdrafts amounted to RMB2,528.6 million, representing an increase of RMB18.6 million as compared to the end of last year or an increase of 0.7%, which was primarily because the Bank continued to carry out activities related to the rights and interests of credit card to promote the scales of credit card transaction business and overdraft business.

Finance lease receivables

As of the end of the Reporting Period, our finance lease receivables amounted to RMB1,259.9 million, representing a decrease of RMB392.0 million as compared to the end of last year or a decrease of 23.7%, which was primarily due to the fact that certain existing sale leaseback business has been settled successively.

Discounted bills

As of the end of the Reporting Period, our discounted bills amounted to RMB38,659.7 million, representing an increase of RMB559.1 million as compared to the end of last year or an increase of 1.5%, with the scale basically stable.

Investment securities and other financial assets

As of the end of the Reporting Period, the net of our investment securities and other financial assets amounted to RMB327,770.8 million, representing an increase of RMB11,531.3 million as compared to the end of last year or an increase of 3.6%, which was primarily because the Bank increased the standardised bond investment and supported the financing needs of the real economy.

The following table sets forth the components of our investment securities and other financial assets as of the end of last year and the end of the Reporting Period.

	As of 30 June 2022		As of 31 December 2021		Rate of change (%)
	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	142,195.1	43.4	149,344.0	47.3	(4.8)
Debt securities measured at FVOCI	70,907.4	21.6	50,017.0	15.8	41.8
Debt securities measured at FVTPL	10,617.8	3.3	10,575.0	3.3	0.4
Allowance for impairment losses	(854.1)	(0.3)	(786.1)	(0.2)	8.7
Subtotal	222,866.2	68.0	209,149.9	66.2	6.6
Public Funds	19,389.9	5.9	18,974.0	6.0	2.2
Wealth management products issued by other financial institutions	1,007.8	0.3	–	–	100.0
Asset management plans and trust plans and other debt financing products, net					
Asset management plans and trust plans	59,112.8	18.0	70,146.4	22.2	(15.7)
Other debt financing products	25,142.2	7.7	18,180.0	5.7	38.3
Allowance for impairment losses	(2,735.5)	(0.8)	(2,761.3)	(0.9)	(0.9)
Subtotal	81,519.5	24.9	85,565.1	27.0	(4.7)
Equity investments					
Equity investments measured at FVTPL	1,345.2	0.4	908.3	0.3	48.1
Equity investments measured at FVOCI	1,642.2	0.5	1,642.2	0.5	0.0
Subtotal	2,987.4	0.9	2,550.5	0.8	17.1
Total investment securities and other financial assets, net	327,770.8	100.0	316,239.5	100.0	3.6

Debt securities

The following table sets forth the components of our debt securities as of the end of last year and the end of the Reporting Period.

	As of 30 June 2022		As of 31 December 2021	
	Amount	% of the total (%)	Amount	% of the total (%)
	<i>(Amounts in millions of RMB, except for percentages)</i>			
PRC government bonds	77,784.7	34.8	73,684.9	35.1
Debt securities issued by PRC policy banks	71,556.8	32.0	63,194.0	30.1
Debt securities issued by PRC corporate issuers	43,908.0	19.6	40,920.5	19.5
Debt securities issued by PRC banks and other financial institutions	5,779.0	2.6	6,517.0	3.1
Asset-backed securities	24,691.8	11.0	25,619.7	12.2
Total	223,720.3	100.0	209,936.1	100.0

As of the end of the Reporting Period, our holding of debt securities issued by the PRC government amounted to RMB77,784.7 million, representing an increase of RMB4,099.8 million as compared to the end of last year or an increase of 5.6%, which was 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.

As of the end of the Reporting Period, our holding of debt securities issued by PRC policy banks amounted to RMB71,556.8 million, representing an increase of RMB8,362.8 million as compared to the end of last year or an increase of 13.2%, which was 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.

As of the end of the Reporting Period, our holding of debt securities issued by PRC corporate issuers amounted to RMB43,908.0 million, representing an increase of RMB2,987.5 million as compared to the end of last year or an increase of 7.3%, which was primarily because the Bank stepped up its efforts in financing entities based on its philosophy of returning to its origins, thus the scale of corporate bonds increased.

As of the end of the Reporting Period, our holding of debt securities issued by PRC banks and other financial institutions amounted to RMB5,779.0 million, representing a decrease of RMB738.0 million as compared to the end of last year or a decrease of 11.3%, which was primarily due to the Bank's proper adjustment in the asset structure, which decreased the deployment of investment in financial bonds.

As of the end of the Reporting Period, our holding of asset-backed securities amounted to RMB24,691.8 million, representing a decrease of RMB927.9 million as compared to the end of last year or a decrease of 3.6%, with the scale basically stable.

Distribution of investment securities and other financial assets by investment intention

The following table sets forth the distribution of our investment securities and other financial assets by our investment intention as of the end of last year and the end of the Reporting Period.

	As of 30 June 2022		As of 31 December 2021	
	Amount	% of the total (%)	Amount	% of the total (%)
	<i>(Amounts in millions of RMB, except for percentages)</i>			
Debt instruments at amortised costs	182,015.3	55.5	190,702.0	60.3
Financial assets measured at FVOCI	72,635.1	22.2	51,796.9	16.4
Financial assets measured at FVTPL	73,120.4	22.3	73,740.6	23.3
Total	327,770.8	100.0	316,239.5	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 the end of last year and the end of Reporting Period.

	As of 30 June 2022		As of 31 December 2021	
	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
Allowance for impairment losses	(393.3)		(393.3)	
Net amount	600.2		600.2	

As of the end of the Reporting Period, our financial assets held under resale agreements amounted to RMB600.2 million, which was the same as compared to that of the end of last year.

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.

As of the end of the Reporting Period, our cash and balances with central bank amounted to RMB42,574.6 million, representing an increase of RMB2,743.0 million as compared to the end of last year or an increase of 6.9%.

As of the end of the Reporting Period, our deposits with banks and other financial institutions amounted to RMB3,278.8 million, representing a decrease of RMB2,007.7 million as compared to the end of last year or a decrease of 38.0%, which was 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.

As of the end of the Reporting Period, our placements with banks and other financial institutions amounted to RMB26,773.4 million, representing an increase of RMB7,710.4 million as compared to the end of last year or an increase of 40.4%, which was primarily due to the Bank's active adjustment of asset structure and proper increase in the asset scale of placements.

As of the end of the Reporting Period, our derivative financial assets amounted to RMB172.9 million, representing an increase of RMB156.1 million as compared to the end of last year or an increase of 929.2%, which was primarily due to the 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. As of the end of the Reporting Period, our other assets amounted to RMB13,058.8 million, representing a decrease of RMB1,200.1 million as compared to the end of last year or a decrease of 8.4%, which was primarily due to the decrease in other receivables.

Pledge of assets

As of the end of the Reporting Period, the details of pledge of our assets are set out in note 2.5.19 to the condensed consolidated financial statements in this results announcement.

3.1.4.2 Liabilities

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

	As of 30 June 2022		As of 31 December 2021	
	Amount	% of the total (%)	Amount	% of the total (%)
	<i>(Amounts in millions of RMB, except for percentages)</i>			
Due to customers	394,565.0	57.2	382,478.9	57.7
Debt securities issued	99,490.6	14.4	98,511.1	14.9
Deposits from banks and other financial institutions	43,876.4	6.4	41,412.8	6.3
Financial assets sold under repurchase agreements	62,264.5	9.0	59,110.7	8.9
Placements from banks and other financial institutions	20,505.4	3.0	21,409.8	3.2
Financial liabilities held for trading	–	–	519.1	0.1
Borrowings from central bank	63,648.1	9.2	53,070.3	8.0
Income tax payable	447.7	0.0	15.6	0.0
Derivative financial liabilities	12.7	0.0	156.7	0.0
Other liabilities ⁽¹⁾	5,289.5	0.8	5,678.1	0.9
TOTAL LIABILITIES	690,099.9	100.0	662,363.1	100.0

Note:

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

As of the end of the Reporting Period, our total liabilities amounted to RMB690,099.9 million, representing an increase of RMB27,736.8 million as compared to the end of last year or an increase of 4.2%.

Due to customers

As of the end of the Reporting Period, our due to customers amounted to RMB394,565.0 million, representing an increase of RMB12,086.1 million as compared to that as of the end of last year or an increase of 3.2%, mainly due to the increase in the scale of the personal deposits.

The following table sets forth our due to customers by product type and maturity profile of deposits as of the dates indicated.

	As of 30 June 2022		As of 31 December 2021		Rate of change (%)
	Amount	% of the total (%)	Amount	% of the total (%)	
	<i>(Amounts in millions of RMB, except for percentages)</i>				
Corporate deposits					
Demand	178,969.1	45.4	175,494.9	45.9	2.0
Time	76,677.7	19.4	80,556.1	21.1	(4.8)
Subtotal	255,646.8	64.8	256,051.0	67.0	(0.2)
Personal deposits					
Demand	22,478.7	5.7	19,811.2	5.2	13.5
Time	100,301.8	25.4	87,308.2	22.8	14.9
Subtotal	122,780.5	31.1	107,119.4	28.0	14.6
Others⁽¹⁾	16,137.7	4.1	19,308.5	5.0	(16.4)
Total due to customers	394,565.0	100.0	382,478.9	100.0	3.2

Note:

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

As of the end of the Reporting Period, our corporate deposits amounted to RMB255,646.8 million, representing a decrease of RMB404.2 million as compared to that as of the end of last year or a decrease of 0.2%, with the scale basically stable.

As of the end of the Reporting Period, our personal deposits amounted to RMB122,780.5 million, representing an increase of RMB15,661.1 million as compared to that as of the end of last year or an increase of 14.6%, mainly 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 AUM.

Debt securities issued

As of the end of the Reporting Period, our debt securities issued amounted to RMB99,490.6 million, representing an increase of RMB979.5 million as compared to that as of the end of last year or an increase of 1.0%, with the scale basically stable.

Deposits from banks and other financial institutions

As of the end of the Reporting Period, our deposits from banks and other financial institutions amounted to RMB43,876.4 million, representing an increase of RMB2,463.6 million as compared to that as of the end of last year or an increase of 5.9%, with the scale basically stable.

Financial assets sold under repurchase agreements

As of the end of the Reporting Period, our financial assets sold under repurchase agreements amounted to RMB62,264.5 million, representing an increase of RMB3,153.8 million as compared to that as of the end of last year or an increase of 5.3%, with the scale basically stable.

Placements from banks and other financial institutions

As of the end of the Reporting Period, our placements from banks and other financial institutions amounted to RMB20,505.4 million, representing a decrease of RMB904.4 million or a decrease of 4.2% as compared to that as of the end of last year, and the scale basically remained stable.

Borrowings from central bank

As of the end of the Reporting Period, our borrowings from central bank amounted to RMB63,648.1 million, representing an increase of RMB10,577.8 million or an increase of 19.9% as compared to that as of the end of last year, mainly due to the Bank's active application of the central bank's re-lending policy to support small and micro enterprises, as well as the application of medium-term lending facility to optimise liquidity and stabilise sources of liabilities.

Income tax payable

As of the end of the Reporting Period, our income tax payable amounted to RMB447.7 million, representing an increase of RMB432.1 million or an increase of 2,769.9% as compared to that as of the end of last year.

Derivative financial liabilities

As of the end of the Reporting Period, our derivative financial liabilities amounted to RMB12.7 million, representing a decrease of RMB144.0 million or a decrease of 91.9% as compared to that as of the end of last year, mainly due to the impact of market fluctuations, and the increase in gains and losses through fair value changes which led to the decrease in the size of corresponding liabilities.

Other liabilities

Our other liabilities mainly include lease liabilities, other payables, settlement payable, salaries and benefits payable, dividends payable, provision related to litigations and sundry taxes payable, etc.. As of the end of the Reporting Period, our other liabilities amounted to RMB5,289.5 million, representing a decrease of RMB388.6 million or a decrease of 6.8% as compared to that as of the end of last year, mainly due to the decrease in other payables.

Contingent liabilities

As of the end of the Reporting Period, details of the Bank's contingent liabilities are set out in note 2.5.18 to the condensed consolidated financial statements in this results announcement.

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 30 June 2022		As of 31 December 2021	
	Amount	% of the total (%)	Amount	% of the total (%)
	<i>(Amounts in millions of RMB, except for percentages)</i>			
EQUITY				
Share capital	6,070.6	10.0	6,070.6	10.6
Capital reserve	10,731.1	17.7	10,731.1	18.6
Investment revaluation reserve	(118.1)	(0.2)	(12.3)	0.0
Surplus reserve	3,352.5	5.5	3,352.5	5.8
General reserve	9,216.7	15.2	9,216.7	16.0
Retained earnings	30,369.8	50.2	27,346.2	47.5
Equity attributable to equity holders of the Bank	59,622.6	98.6	56,704.8	98.5
Non-controlling interests	840.3	1.4	836.0	1.5
TOTAL EQUITY	60,462.9	100.0	57,540.8	100.0

As of the end of the Reporting Period, our shareholders' equity amounted to RMB60,462.9 million, representing an increase of RMB2,922.1 million as compared to that as of the end of last year or an increase of 5.1%. Our equity attributable to equity holders of the Bank was RMB59,622.6 million, representing an increase of RMB2,917.8 million or an increase of 5.1% as compared to that as of the end of last year. The increase in the shareholders' equity was primarily because the Bank increased the reserve of retained profits, thus our retained earnings were increased.

3.1.5 Analysis of Off-balance Sheet Items

The following table sets forth the contractual amounts of our credit commitments as of the dates indicated.

	As of 30 June 2022	As of 31 December 2021
	<i>(Amounts in millions of RMB)</i>	
Acceptances	35,920.7	30,581.0
Undrawn corporate loans limit	19,439.1	19,343.7
Undrawn credit card limit	16,511.4	14,812.0
Letters of credit	11,965.7	13,759.1
Letters of guarantee	2,894.0	1,924.4
Total	86,730.9	80,420.2

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 the dates indicated.

	As of 30 June 2022		As of 31 December 2021	
	Amount	% of total ⁽¹⁾ (%)	Amount	% of total ⁽¹⁾ (%)
	<i>(Amounts in millions of RMB, except for percentages)</i>			
Normal	321,669.0	92.30	312,735.1	92.79
Special mention	18,974.9	5.45	16,238.5	4.82
Subtotal	340,643.9	97.75	328,973.6	97.61
Substandard	5,344.1	1.53	6,026.1	1.79
Doubtful	1,450.0	0.42	1,221.7	0.36
Loss	1,048.8	0.30	798.4	0.24
Subtotal	7,842.9	2.25	8,046.2	2.39
Gross loans and advances to customers	348,486.8	100.0	337,019.8	100.0

As of the end of the Reporting Period, according to the five-category loan classification, the normal loans amounted to RMB321,669.0 million, accounted for 92.30% of all the loans of the Bank, representing an increase of RMB8,933.9 million as compared to that as of the end of last year. Loans classified as special mention were RMB18,974.9 million, accounted for 5.45% of all loans of the Bank, representing an increase of RMB2,736.4 million as compared to that as of the end of last year. The non-performing loans were RMB7,842.9 million, representing a decrease of RMB203.3 million as compared to that as of the end of last year with a non-performing loan ratio⁽¹⁾ of 2.25%, representing a decrease of 0.14 percentage point as compared to that as of the end of last year, primarily due to the Bank's continuous strength of the collection and resolution of 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 30 June 2022		As of 31 December 2021		Rate of change (%)
	Amount	% of the total (%)	Amount	% of the total (%)	
	<i>(Amounts in millions of RMB, except for percentages)</i>				
Leasing and business services	45,798.3	24.3	37,788.6	22.7	21.2
Real estate	28,768.7	15.3	30,891.9	18.5	(6.9)
Construction	26,608.2	14.1	20,772.4	12.5	28.1
Manufacturing	26,406.3	14.0	24,625.5	14.8	7.2
Water, environment and public facilities management	17,551.2	9.3	17,538.5	10.5	0.1
Wholesale and retail	16,843.0	9.0	15,212.0	9.1	10.7
Finance	7,896.1	4.2	4,210.3	2.5	87.5
Transportation, storage and postal services	4,721.1	2.5	3,782.8	2.3	24.8
Production and supply of electricity, heat, gas and water	4,690.5	2.5	3,907.1	2.3	20.1
Culture, sports and entertainment	2,568.4	1.4	2,632.2	1.6	(2.4)
Scientific research and technical services	1,573.9	0.8	398.6	0.3	294.9
Resident services, repair and other services	1,259.7	0.7	1,228.4	0.7	2.5
Agriculture, forestry, animal husbandry and fishery	780.4	0.4	730.4	0.4	6.8
Mining	736.9	0.4	670.5	0.4	9.9
Accommodation and catering	620.8	0.3	625.6	0.4	(0.8)
Information transmission, software and information technology services	599.4	0.3	630.9	0.4	(5.0)
Health and social services	464.0	0.3	479.5	0.3	(3.2)
Education	286.2	0.2	497.8	0.3	(42.5)
Total corporate loans⁽¹⁾	188,173.1	100.0	166,623.0	100.0	12.9

Note:

(1) Consist of finance lease receivables.

In 2022, the Bank actively supported the development of the real economy with its loans structure further optimised. As of the end of the Reporting Period, loans were provided to customers in the industries of (i) leasing and business services, (ii) real estate, (iii) construction, (iv) manufacturing, and (v) water, environment and public facilities management, respectively, representing the top five largest components of the Bank's corporate loans. As of the end of the Reporting Period and the end of last year, the balance of loans provided to the corporate customers in these five industries were RMB145,132.7 million and RMB131,616.9 million, respectively, accounting for 77.0% and 79.0% of the total corporate loans and advances, respectively. Among which, loan sizes of leasing and business services, construction, manufacturing and water, environment and public facilities management increased by 21.2%, 28.1%, 7.2% and 0.1%, respectively, as compared with the end of the previous year, further enhancing its ability to serve the real economy; the loan size of real estate industry decreased by 6.9% as compared with the end of the previous year.

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 30 June 2022			As of 31 December 2021		
	Amount	% of the total (%)	NPL ratio ⁽¹⁾ (%)	Amount	% of the total (%)	NPL ratio ⁽¹⁾ (%)
	<i>(Amounts in millions of RMB, except for percentages)</i>					
Real estate	1,606.0	33.2	5.58	1,603.3	28.9	5.19
Manufacturing	1,306.0	27.0	4.95	1,918.9	34.6	7.79
Wholesale and retail	1,051.5	21.8	6.24	1,191.9	21.5	7.84
Leasing and business services	282.5	5.8	0.62	282.5	5.1	0.75
Construction	126.7	2.6	0.48	113.0	2.0	0.54
Water, environment and public facilities management	116.5	2.4	0.66	114.2	2.1	0.65
Accommodation and catering	74.5	1.5	12.00	74.5	1.3	11.91
Transportation, storage and postal services	60.0	1.2	1.27	60.3	1.1	1.59
Culture, sports and entertainment	60.0	1.2	2.34	60.0	1.1	2.28
Agriculture, forestry, animal husbandry and fishery	46.3	1.0	5.93	76.2	1.4	10.43
Resident services, repair and other services	44.0	0.9	3.49	–	–	–
Scientific research and technical services	35.8	0.7	2.27	5.9	0.1	1.48
Information transmission, software and information technology services	20.3	0.7	3.39	49.9	0.8	7.91
Total non-performing corporate loans⁽²⁾	4,830.1	100.0	2.57	5,550.6	100.0	3.33

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.

As of the end of the Reporting Period, the balance of non-performing loans to corporate clients of the Bank was RMB4,830.1 million, representing a decrease of RMB720.5 million or 13.0% as compared with the end of the previous year. Our non-performing loans to corporate customers consist primarily of non-performing loans to corporate borrowers in the real estate industry and manufacturing industry. As of the end of the prior year and the end of the Reporting Period, our non-performing loan ratio for our corporate loans in the real estate industry were 5.19% and 5.58% respectively, non-performing loans to corporate customers from borrowers in this industry accounted for 28.9% and 33.2% of our total non-performing loans to corporate customers, respectively. The increase in the non-performing loan ratio for our corporate loans to borrowers in the real estate industry was primarily because the repayment ability of the Bank's individual corporate customers in individual regions weakened.

As of the end of the prior year and the end of the Reporting Period, our non-performing loans in the manufacturing industry amounted to RMB1,918.9 million and RMB1,306.0 million, representing a decrease of 31.9%; the non-performing loan ratio were 7.79% and 4.95%, respectively. Non-performing loans to corporate customers to borrowers in this industry accounted for 34.6% and 27.0% of our total non-performing loans to corporate customers, respectively. The decrease in our non-performing loan ratio for our corporate loans to borrowers in the manufacturing industry was primarily due to the Bank strengthened the collection and resolution of non-performing loans.

As of the end of the prior year and the end of the Reporting Period, our non-performing loans for our corporate loans in the wholesale and retail industry amounted to RMB1,191.9 million and RMB1,051.5 million, respectively, representing a decrease of 11.8%; our non-performing loan ratios were 7.84% and 6.24%, respectively; non-performing loans to corporate customers to borrowers in this industry accounted for 21.5% and 21.8% of our total non-performing loans to corporate customers, respectively. The decrease in our non-performing loan ratio for our corporate loans to borrowers in the wholesale and retail industry was primarily due to the Bank strengthened the collection and resolution of non-performing loans.

The non-performing loan ratios for our corporate loans in the leasing and business services were 0.75% and 0.62% as of the end of last year and the end of the Reporting Period, respectively. Non-performing loans to corporate customers to borrowers in this industry accounted for 5.1% and 5.8% of our total non-performing loans to corporate customers, respectively. The decrease in our non-performing loan ratio for our corporate loans to borrowers in the leasing and business services industry was primarily because the Bank strengthened its support for the real economy and the amount of overall loans for leasing and business services was increased.

The non-performing loan ratios for our corporate loans in the construction industry were 0.54% and 0.48% as of the end of last year and the end of the Reporting Period, respectively. Non-performing loans to corporate customers to borrowers in this industry accounted for 2.0% and 2.6% of our total non-performing loans to corporate customers, respectively. The decrease in our non-performing loan ratio for our corporate loans to borrowers in the construction industry was primarily because the Bank strengthened its support for the real economy and the amount of overall loans for construction was increased.

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 30 June 2022			As of 31 December 2021		
	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	3,296.8	42.0	3.67	4,010.5	49.8	5.16
Fixed asset loans	1,290.1	16.4	1.80	1,276.9	15.9	1.91
Finance lease receivables	172.5	2.2	13.69	170.2	2.1	10.30
Others ⁽³⁾	70.7	1.0	0.28	93.0	1.2	0.46
Subtotal	4,830.1	61.6	2.57	5,550.6	69.0	3.33
Personal loans						
Personal loans for consumption	1,530.8	19.5	2.52	1,340.4	16.7	1.99
Personal loans for business purposes	1,247.4	15.9	4.23	937.0	11.6	2.84
Residential mortgage loans	131.9	1.7	0.46	124.5	1.5	0.42
Credit card overdrafts	102.7	1.3	4.06	93.7	1.2	3.73
Subtotal	3,012.8	38.4	2.48	2,495.6	31.0	1.89
Total non-performing loans	7,842.9	100.0	2.25	8,046.2	100.0	2.39

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 was 2.57% at of the end of the Reporting Period, representing a decrease of 0.76 percentage point as compared to that as of the end of last year. Our non-performing loans to corporate customers were RMB4,830.1 million, representing a decrease of 13.0% as compared to that as of the end of last year. The decrease in our non-performing loans to corporate customers and non-performing loan ratio was primarily due to the Bank strengthened the collection and resolution of non-performing loans.

The non-performing loan ratio for our personal loans was 2.48% as of the end of the Reporting Period, representing an increase of 0.59 percentage point as compared to that as of the end of last year. Our non-performing personal loans was RMB3,012.8 million, representing an increase of 20.7% as compared to that as of the end of last year. The increase in the scale of our non-performing loans and the non-performing loan ratio for our personal loans was primarily due to the weakened repayment ability of individual personal customers under the impact of the outbreak of the epidemic.

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 the dates indicated.

	As of 30 June 2022			As of 31 December 2021		
	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	1,420.5	18.1	0.85	1,549.7	19.3	1.04
Beijing	322.9	4.1	1.64	395.1	4.9	2.28
Shandong Province	968.1	12.3	2.73	1,122.9	14.0	3.11
Shanghai	1,671.9	21.3	2.43	1,538.0	19.1	1.92
Hebei Province	2,940.0	37.5	9.99	2,810.9	34.9	9.95
Sichuan Province	512.2	6.5	1.93	618.5	7.7	2.48
Others	7.3	0.2	0.81	11.0	0.1	1.18
Total non-performing loans	7,842.9	100.0	2.25	8,046.2	100.0	2.39

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 the dates indicated.

	As of 30 June 2022		As of 31 December 2021	
	Amount	% of the total (%)	Amount	% of the total (%)
	<i>(Amounts in millions of RMB, except for percentages)</i>			
Unsecured loans	158,875.2	45.6	157,750.0	46.8
Guaranteed loans	85,086.3	24.4	81,270.3	24.1
Collateralised loans ⁽¹⁾	77,232.3	22.2	78,158.6	23.2
Pledged loans ⁽¹⁾	27,293.0	7.8	19,840.9	5.9
Gross loans and advances to customers	<u>348,486.8</u>	<u>100.0</u>	<u>337,019.8</u>	<u>100.0</u>

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 the end of the Reporting Period, the Bank's total loans to its largest single borrower accounted for 6.77% of its regulatory capital while total loans to its top ten customers accounted for 43.36% of its regulatory capital, which were in compliance with regulatory requirements.

a. Indicators of concentration

Major regulatory indicators	Regulatory standard	As of 30 June 2022	As of 31 December 2021
Loan concentration ratio for the largest single customer (%)	<=10	6.77	5.49
Loan concentration ratio for the top ten customers (%)	<=50	43.36	39.26

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.

	Industry	Amount	As of 30 June 2022		Classification
			% of the total loans (%)	% of regulatory capital ⁽¹⁾ (%)	
		<i>(Amounts in millions of RMB, except for percentages)</i>			
Borrower A	Construction	4,990.0	1.43	6.77	Normal
Borrower B	Manufacturing	3,355.7	0.96	4.55	Normal
Borrower C	Leasing and business services	3,178.4	0.91	4.31	Normal
Borrower D	Water, environment and public facilities management	3,148.0	0.90	4.27	Normal
Borrower E	Finance	3,006.1	0.86	4.08	Normal
Borrower F	Construction	2,998.5	0.86	4.07	Normal
Borrower G	Construction	2,926.3	0.84	3.97	Normal
Borrower H	Leasing and business services	2,883.0	0.83	3.91	Normal
Borrower I	Leasing and business services	2,823.7	0.81	3.83	Normal
Borrower J	Real estate	2,651.0	0.77	3.60	Normal
Total		31,960.7	9.17	43.36	

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 the end of the Reporting Period, the loan balance of the largest single borrower of the Bank was RMB4,990.0 million, accounting for 1.43% of our total amount of loans, and the total amount of loans of the top ten single borrowers was RMB31,960.7 million, representing 9.17% 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.

Past due	As of 30 June 2022		As of 31 December 2021	
	Amount	As a percentage of gross loans and advances to customers (%)	Amount	As a percentage of gross loans and advances to customers (%)
	<i>(Amounts in thousands of RMB, except percentages)</i>			
Past due 1 to 90 days	4,102,457	1.18	4,483,913	1.33
Past due 90 days to 1 year	4,688,858	1.34	4,800,869	1.42
Past due 1 to 3 years	3,019,381	0.87	2,626,806	0.78
Past due more than 3 years	693,346	0.20	664,889	0.20
Total	12,504,042	3.59	12,576,477	3.73

Changes to allowance for impairment losses of loans

As of the end of the Reporting Period, the Bank's allowance for impairment losses of loans amounted to RMB12,153.5 million, representing a decrease of RMB258.9 million over the end of the previous year or a decrease of 2.1%, with the scale basically stable.

	As of 30 June 2022		As of 31 December 2021	
	Amount	NPL ratio⁽²⁾ (%)	Amount	NPL ratio⁽²⁾ (%)
	<i>(Amounts in millions of RMB, except for percentages)</i>			
Beginning of the year	12,412.4	2.39	12,070.1	2.14
Net provisions for the Reporting Period ⁽¹⁾	2,243.0		10,023.1	
Write-off and transfers	(2,770.1)		(9,981.4)	
Recovery	268.2		440.4	
Other changes	-		(139.8)	
End of the Reporting Period	12,153.5	2.25	12,412.4	2.39

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 periods indicated, the operating income of each of our principal segments.

	Six months ended 30 June			
	2022		2021	
	Amount	% of the Total (%)	Amount	% of the Total (%)
Corporate Banking Business	2,775.9	35.4	2,858.2	31.8
Personal Banking Business	2,799.6	35.7	3,485.5	38.8
Treasury Operations				
Business	2,246.3	28.7	2,607.2	29.0
Others ⁽¹⁾	15.9	0.2	28.9	0.4
Total	7,837.7	100.0	8,979.8	100.0

Note:

(1) Consist primarily of income that are not directly attributable to a certain segment.

3.2.1.1 Corporate Banking Business

During the Reporting Period, 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. The Bank 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.

During the Reporting Period, our operating income from corporate banking business amounted to RMB2,775.9 million, accounting for 35.4% of the total operating income over the same period.

As of the end of the Reporting Period, the balance of our corporate loans (excluding discounted bills and finance leases receivables) amounted to RMB186,913.2 million, representing an increase of 13.3% as compared with that as at the end of the previous year; our total corporate deposits amounted to RMB255,646.8 million, representing a decrease of 0.2% as compared with that as at the end of the previous year.

The Bank actively adhered to and implemented the concept of green development, focused on and supported the development of green finance. The Bank has determined the strategic objectives and implementation way of green finance, established a green finance cross-department working group at the head office, and set up a green finance business management team under the head office department, and continued to improve the green finance management mechanism. The Bank incorporated the development of green credit services into the comprehensive performance assessment and management system of the operating entities, and implemented the differentiated capital measurement plan and pricing subsidy policy to fully utilize the guidance and motivation of project resources and focus on the promotion of financial support and investment in green economy. The Bank continued to explore the innovative products and service models for green finance, successfully launched the first carbon quota pledge loan issued by the corporate bank in Tianjin and the first carbon performance-linked loan in Tianjin, applied financial innovation means to serve the development of green industries, and supported the transformation toward green, low-carbon and sustainable economic and social activities, and contributed to achieving the national “dual carbon” goals. As of the end of the Reporting Period, our balance of green loans reached RMB13.437 billion, representing an increase of RMB1.368 billion or 11.33% compared with that at the beginning of the year.

During the Reporting Period, 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. The business achieved positive growth over the same period, with an accumulated business volume of RMB51,914 million, representing a year-on-year increase of 2.21%; depending on its core enterprises, the Bank promoted the overall marketing to the upstream suppliers and downstream distributors of its core enterprises, increased the depth and breadth of cooperation to provide comprehensive financial services. The supply chain business invested RMB4.119 billion, representing a year-on-year increase of 99.27%.

3.2.1.2 Personal Banking Business

During the Reporting Period, our Bank's retail business actively implemented the strategic plan and major work arrangements of "14th Five-Year Plan", and efficiently promoted the implementation of various work measures based on the business strategy of "highlighting strategic priorities and strengthening customer base management". Firstly, we have launched the peak season marketing activities "Lucky Tigers Produce Wealth and Good Fortune(福虎生財祥瑞臨門)", personal deposits and special marketing activities for key products to ensure the uninterrupted marketing competition and create a good competition atmosphere. Secondly, we continued to strengthen the process management of the branches and establish a refined process management mechanism of "daily notification, biweekly supervision and monthly summary and analysis". Thirdly, through the selection of the "sales star" for key consigned products, sharing and advertising the advanced experience, we form our competitiveness. Fourthly, we insisted on target-oriented and focused on key products. We allocated financial resources scientifically for personal deposits, mortgage loans and key consigned products, and stimulated the subjective initiative of our branches, made some achievements in phases and achieved the steady development of our retail business.

During the Reporting Period, the operating income from our personal banking business amounted to RMB2,799.6 million, accounting for 35.7% of our total operating income over the same period.

As of the end of the Reporting Period, the balance of our personal loans reached RMB121,654.0 million, accounting for 34.9% of our total loans to customers. Our personal loans for consumption, residential mortgage loans, personal loans for business purpose and credit card overdrafts amounted to RMB60,699.4 million, RMB28,951.1 million, RMB29,474.9 million and RMB2,528.6 million, respectively, and accounted for 49.9%, 23.8%, 24.2% and 2.1%, respectively, of our total personal loans. Our total personal deposits amounted to RMB122,780.5 million, representing an increase of 14.6% as compared with that as at the end of the previous year.

During the Reporting Period, 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, fully integrate the “one card” policy of benefiting the people and farmers, use “multi-card integration” (多卡合一) as a business expansion tool, strengthen public-private collaboration, and continued to promote the activities of “entering community, industrial park, enterprises, business area and government organs”, and achieve bulk customer expansion through the integration of scenarios. 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. The Bank also sought cooperation with brands with market influence in the areas of clothing, food, housing, transportation, medical care, education and entertainment to deepen the Bank’s “Daily Benefits” (天天惠) brand image through activities such as “money off, consumer vouchers and digital RMB red packet”, and thus further strengthened its local market position as a “Citizens’ Bank” (市民銀行), providing customers with comprehensive three-dimensional services.

Adhering to the concept of building a “Citizens’ Bank”, the Bank continued to develop the “Smart Xiao Er (智慧小二)” scenario ecosystem, focused on small and medium-sized merchants, by adhering to the philosophy of “supporting small and medium-sized merchants, promoting inclusive finance, returning to our origins and serving entities”, and empowered small and medium-sized merchants in all aspects. Through innovative financial product design, active credit granting, and linkage with refinancing and credit loan support schemes and any other initiatives, the Bank provided convenient, efficient and sustainable financial support to small and micro customers; helped small and micro-sized enterprises improve their operational efficiency through fee reduction and data empowerment; strengthened government-enterprise cooperation through data monitoring, special training and consumer linkage, and smoothed the communication channels between government and enterprises to promote collaborative development between government and businesses. As at the end of the Reporting Period, “Smart Xiao Er” has been connected to all administrative districts in Tianjin and the branch offices of the Bank in Hebei, Beijing, Shanghai, Chengdu and Jinan for cooperation, among which nearly 260,000 merchants are registered in Tianjin, accounting for 37% of the individual entrepreneurs in Tianjin, and serving 2.5 million consumers with nearly 3.5 million purchases per day.

During the Reporting Period, the Bank continued to expand its credit card product portfolio, by issuing “Bank of Tianjin – China Resources Pass Co-branded Credit Card” (天津銀行華潤通聯名信用卡) and “Bank of Tianjin Rural Prospering Theme Credit Card” (天津銀行鄉村振興主題信用卡), further expanded the living and consumption scenarios of the general public to meet the new needs of citizen clientele for payment and instalment of living and consumption products. At the same time, the Bank continued to carry out preferential card activities such as credit card daily benefits and money off activities on famous shopping platforms based on the needs of the public for “clothing, food, housing and transportation”, and by the co-branded card of Meituan offered “saving RMB6 every day” (天天減 6 元) and “getting a red packet for every pay” (筆筆抽紅包) and launched the activities like the first swiping gift for the JD co-branded card and the first bundling discount for JD Pay, to build a credit card spending ecosystem to help boost the real economy in the consumer sector. As at the end of the Reporting Period, the credit card activation rate increased by 1.08 percentage points from the beginning of the year; credit card transaction amount increased by 10% year-on-year.

3.2.1.3 Small and Micro Inclusive Financial Services

During the Reporting Period, the Bank continued thoroughly implementing the work arrangement of the Central Committee of the CPC, the State Council and regulatory agencies at different levels regarding the enhancement of financial support to small and micro enterprises and strengthened the service connection for small and micro enterprises to actively realise the spirit of financial support policies. By increasing the proportion of inclusive loans for small and micro enterprises, and maintaining low interest rates of the loans for small and micro enterprises, the Bank enriched the service system of small and micro products, strengthened the regulation of internet lending business and optimized the credit structure to support the development of supply chain financing for technology-based enterprises, small private businesses and small and micro enterprises as well as provide more accurate and efficient financial services for small and micro enterprises and small private businesses, further improving the quality and efficiency of small and micro financial services.

The Bank has established a comprehensive small and micro inclusive financial services system. In terms of organisational system, special committees under the Board 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. During the Reporting Period, our Bank actively connected to relevant authorities, implemented a series of central financial policies including re-lending facilities, and deferment of repayment of the principal and interest, continued to expand the coverage of the refinancing policy, and took multiple measures to increase the provision of inclusive loans for small and micro

enterprises. The Bank has also formulated and issued implementation rules for the policy of deferred repayment of principal and interest, opened up offline green channels, realised real-time approval process, and increased the publicity of policy to ensure the loans “extended as much as possible” and further enriched the small and micro online product supply. By fully utilising financial technologies, our Bank set the small and micro online self-operated loan targeting individuals as the driving force for inclusive small and micro business, and leveraging on exclusive financial products such as “e-Loan for taxpayers (銀稅e貸)”, “e-Loan for supermarkets (商超e貸)”, “e-Loan for house mortgage (宅抵e貸)”, “Smart Xiao Er-Tianhangyongbei (智慧小二•天行用唄)”, “Smart Xiao Er-Tianhangzujindai (智慧小二•天行租金貸)”, the Bank solved the financing difficulties for small and micro business owners and small private businesses. The Bank continued to optimize and iterate and increased the volume of the financial products, broadened the range of entities benefiting from such services, and launched the “e-Loan for enterprise taxpayers (銀稅e企貸)” online loan for small and micro enterprises, providing a larger amount of loan support. The richer product line provides small and micro customers with more financing channels and product offerings to meet customer needs and promote scale growth. As of the end of the Reporting Period, loans of the Bank (excluding subsidiaries) to small and micro enterprises measured in according with the standards of an individual lending amount of RMB10 million or less amounted to RMB27,590.03 million, representing an increase of 11.75% as compared to that at the end of the prior year, number of clients for loans to small and micro enterprises with an individual lending amount of RMB10 million or less increased by 5.73% to 538.8 thousand. In the Reporting Period, as the weighted average interest rate of newly released loans to small and micro enterprises with an individual lending amount of RMB10 million or less was 6.30%, representing a decrease of 0.28 percentage point over the same period in 2021, the Bank achieved high-quality completion of the “double increases”(兩增) and “double controls”(兩控) regulatory requirements.

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 promotion of the “Farmer Loan Program” product, supported the development of the characteristic cluster industries of folk homestays, and strengthened the cooperation between the bank and the government to contribute to the continuous growth of agriculture-related loans. As of the end of the Reporting Period, agriculture-related loan balance of the Bank (excluding subsidiaries) measured in according with the standards of an individual lending amount of RMB10 million or less amounted to RMB3,855.6 million, representing an increase of 17.51% as compared with that as at the end of the previous year, among which, the loan balance in Tianjin reached RMB2,124.1 million, representing an increase of 38.8% as compared with that as at the end of the previous year.

3.2.1.4 Treasury Operations Business

During the Reporting Period, the 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, inclusive finance and technology innovation. 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. The 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.

During the Reporting Period, our operating income in treasury operations business was RMB2,246.3 million, accounting for 28.7% of our total operating income.

As of the end of Reporting Period, the Bank possessed business qualifications such as member of Ministry of Finance book-entry treasury bond underwriting syndicates; qualification of lead underwriter of Tianjin government bonds, member of local government bond underwriting syndicates in 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); and qualification of market maker in the inter-bank bonds market. The Bank also possessed A-class lead underwriting qualification 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 qualifications for securitisation of credit assets and interest rate swaps; qualification to undertake real-time interest rate swap transactions and standard bond forward business; 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; membership of China Foreign Exchange Trade System for inter-bank forex trading in Shanghai Free-Trade Zone; gold inquiry business in the Shanghai Gold Exchange and qualification as type A member of the Shanghai Gold Exchange international business. And the Bank obtained the qualification of lead participant of online interbank depository of China Foreign Exchange Trading System.

During the Reporting Period, in terms of financial market business, the Bank was awarded the “Best Foreign Currency Lending Membership” and “Best Foreign Currency Repurchase Member” in the Interbank Foreign Exchange Market of 2021 and the Bank was awarded the title of monthly “X-Lending Active Institutions (X-Lending 活躍機構)” by China Foreign Exchange Trade System for six times, and was awarded the “Innovative and Active Dealer in Repurchasing (回購創新活躍交易商)” for six times. Meanwhile, with its remarkable performance in green bond investments, the Bank ranked the second in the ranking list of investors by the National Association of Financial Market Institutional Investors in green debt financing instruments for urban and agricultural banks in the first half of 2022, up one position from 2021. In terms of wealth management business, the Bank was awarded the “Outstanding Asset Management Award for City Commercial Bank (卓越資產管理城市商業銀行獎)” by Pystandard in the “Golden Honour Award of the 2nd China’s Assets Management Industry in 2022”, and our “Gang Wan Wealth” series wealth products were awarded the “Excellent Fixed-Income Banking Wealth Management Product”.

Money Market Transactions

During the Reporting Period, the 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 the monetary policy tools of the People’s Bank of China 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

During the Reporting Period, the 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, implemented its ESG management philosophy, and effectively improved its profitability and ability to serve the entity.

Firstly, we analysed the market trend in advance, effectively enhanced trading capabilities, took opportunities arisen from market fluctuations, further increased spot trading activities, and thus achieved a significant year-on-year increase in price differences in spot trading. Meanwhile, during the Reporting Period, 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, trading of foreign exchange and note trading that were traded on behalf of clients as well as intermediary business. We actively implemented the responsibility as a bond underwriter, effectively fulfilled social responsibility, and expanded income sources of the intermediary business. During the Reporting Period, the Bank underwrote RMB64,024 million in aggregate of national bonds.

Thirdly, we continued to optimise our investment portfolio, enhanced the quality of investment in assets and improved the comprehensive contribution to business. During the Reporting Period, the Bank continues to enhance its investment in assets of interest rate bonds such as government bonds, financial bonds of policy banks and local government bonds, and moderately invests in standardised high-grade credit bonds, asset-backed securities and other assets, while makes proactive efforts regarding decreasing investments in non-standardised debt assets such as asset management plans and trust plans.

Fourthly, we implemented the ESG operation principle and served the major national strategic deployment. We actively participated in the underwriting of special theme bonds, focusing on supporting the financing needs in the areas of green and low-carbon, rural revitalization, technological innovation, inclusive development, and the coordination of Beijing, Tianjin and Hebei. As the only leading underwriter selected by local corporate entities in Tianjin, the Bank underwrote the "Bond Connect" green financial bonds under the theme of the "Low-Carbon Transportation System (低碳交通運輸體系建設)" and the "Bond Connect" green financial bonds under the theme of the "the Manufacturing of Clean Energy Equipment (清潔能源裝備製造)" issued by China Development Bank (CDB), and underwrote a series of CDB's special financial bonds for the first special financial bond for industrialization of major scientific and technological achievements and rural revitalization, and participated in the underwriting of financial bonds under the themes of "spring ploughing and ploughing preparation" and "vegetable basket" to stabilize production and supplication and financial bonds under the themes of "common prosperity", "integrated development" issued by the Agricultural Development Bank and the Export-Import Bank to practically support the issuance work of the ESG-related bonds of policy banks.

Fifthly, the Bank and China Bond Financial Pricing Center jointly released the first ESG-related Beijing-Tianjin-Hebei regional credit bond index in China—"China Bond – Tianjin Bank's Beijing-Tianjin-Hebei ESG – related Selective Credit Bond Index", which aims to actively develop innovative ideas by upholding the ESG operation philosophy to serve the real economic development and better boosts Beijing-Tianjin-Hebei coordinated development.

Forex and Precious Metal Transactions

During the Reporting Period, the Bank 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 Reporting Period, our total volume of foreign currency lending, foreign exchange transactions including repurchase, spot, forward and swap, as well as precious metal transactions amounted achieved a significant year-on-year increase.

Treasury Business Conducted on Behalf of Customers

During the Reporting Period, 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 "Han Yu Wealth" closed net-worth and fixed-income and regular-accessible products products such as "Xun Hang Wealth" FOF. We have also issued exclusive financial products such as private equity and new citizens for different customer groups. As of the end of the Reporting Period, the holding amount of net-worth management products reached RMB91,826.78 million. 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

During the Reporting Period, 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 leading underwriter, underwrote the first Beijing-Tianjin-Hebei Science and Technology Innovation Asset-Backed Notes (high-growth bonds) in the nationwide, the first "bond financing supporting tools for private enterprises+ innovation notes" (the first innovation notes in Tianjin) in the nationwide, and municipal stated-owned enterprise bonds, precisely promoted the development of the real economy.

During the Reporting Period, our volume of lead underwriting of bonds for investment banking business reached RMB56.779 billion, of which volume of lead underwriting of notes for Assets-Backed Notes was RMB6.896 billion, ranking 2nd among city commercial banks.

3.2.1.5 International business

During the Reporting Period, the Bank continued to enrich its product portfolio, and for the cross-border financing segment, it achieved the investment in standby letters of credit in the amount of US\$130 million, and for the free trade business segment, it achieved the cross-institutional factoring financing business of RMB277 million. The Bank also achieved the international settlement volume of US\$4,820.65 million, representing a year-on-year growth of 37.74%, and further increased the support of its financial services to foreign trade.

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 the regions 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. (which was restructured to Bank of Tianjin Financial Leasing Co., Ltd. as a joint stock company in 2017), 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.

During the Reporting Period, 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.

During the Reporting Period, total operating income of Bank of Tianjin Financial Leasing Co., Ltd. amounted to RMB157.0 million. Ningxia Yuanzhou Jinhui Rural Bank (寧夏原州津匯村鎮銀行), our consolidated subsidiary, recorded operating income of RMB7.2 million. Ningxia Tongxin Jinhui Rural Bank (寧夏同心津匯村鎮銀行), our another consolidated subsidiary, recorded operating income of RMB27.0 million.

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.

	Six months ended 30 June			
	2022		2021	
	Amount	% of the total (%)	Amount	% of the total (%)
	<i>(Amounts in millions of RMB, except for percentages)</i>			
Tianjin	4,546.2	58.0	5,281.7	58.8
Shanghai	1,468.6	18.7	1,573.3	17.5
Sichuan Province	639.7	8.2	580.7	6.5
Shandong Province	563.8	7.2	752.1	8.4
Beijing	302.2	3.9	336.9	3.8
Hebei Province	283.0	3.6	416.8	4.6
Others	34.2	0.4	38.3	0.4
Total	7,837.7	100.0	8,979.8	100.0

3.3 Analysis on Capital Adequacy Ratio

Our Bank calculated and disclosed the capital adequacy ratios according to the Administrative Measures for the Capital of Commercial Banks (Provisional) (effective since 1 January 2013) promulgated by the China Banking and Insurance Regulatory Commission. As of the end of the Reporting Period, our Bank's capital adequacy ratio met the regulatory requirements under such regulations, with the capital adequacy ratio was 13.00%, which decreased by 0.49 percentage point as compared with that as at the end of the pervious year. Both tier-one capital adequacy ratio and core tier-one capital adequacy ratio were 10.46%, which decreased by 0.28 percentage point and 0.27 percentage point respectively as compared with that as at the end of the pervious year. The decrease in our capital adequacy ratio was primarily because we further increased our support to the real economy, and increased the scale of the Bank's asset and the 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 30 June 2022	As of 31 December 2021
Core capital		
– Share capital	6,070.6	6,070.6
– Capital reserve and investment revaluation reserve	10,613.0	10,718.8
– Surplus reserve	3,352.5	3,352.5
– General reserve	9,216.7	9,216.7
– Retained earnings	30,369.8	27,346.2
– Non-controlling interests that may be included	294.0	268.8
Total core capital	59,916.6	56,973.6
Core tier-one capital	59,916.6	56,973.6
Core tier-one capital deductible items	(643.0)	(643.7)
Net core tier-one capital	59,273.6	56,329.9
Net tier-one capital	59,312.8	56,365.7
Tier-two capital		
– Net tier-two capital instruments and related premiums	10,000.0	10,000.0
– Surplus allowance for impairment losses on loans	4,310.6	4,366.2
– Non-controlling interests that may be included	78.4	71.7
Total tier-two capital	14,389.0	14,437.9
Net capital	73,701.8	70,803.6
Total risk-weighted assets	566,788.9	525,028.2
Core tier-one capital adequacy ratio <i>(expressed in percentage)</i>	10.46	10.73
Tier-one capital adequacy ratio <i>(expressed in percentage)</i>	10.46	10.74
Capital adequacy ratio <i>(expressed in percentage)</i>	13.00	13.49

As of the end of the Reporting Period, the Bank's leverage ratio was 7.47%.

	As of 30 June 2022	As of 31 December 2021
Leverage ratio	7.47%	7.44%

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. During the Reporting Period, 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 officers are 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 spread 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, 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 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 continuously complied with the requirements of the code provisions set out in the Code in Part 2 of 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 Officers of the Bank

As at the date of this announcement, the composition of directors, supervisors and other senior management officers of the Bank are as follows:

The Bank comprised a total of fifteen directors, including four executive directors, namely Mr. SUN Liguó (Chairman), Mr. WU Hongtao (President), Mr. ZHENG Ke (Vice President) and Ms. DONG Xiaodong (Secretary to the Board); 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. JIN Qingjun, Mr. HUA Yaogang, Mr. HE Jia, Mr. ZENG Jianhua and Mr. LU Jianzhong.

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. LIU Baorui and Mr. LAW Yee Kwan, Quinn.

The Bank comprised a total of three other senior management officers, namely Mr. JIANG Hua, Mr. LIU Gangling and Mr. XIA Zhenwu.

4.3 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.

4.4 Profits and Dividends

The Bank’s revenue for the Reporting Period and the Bank’s financial position at the end of the Reporting Period are set out in the section headed “Financial Statements” of this interim results announcement.

The profit distribution plan for 2021 of the Bank was considered and approved by the Shareholders of the Bank at the 2021 annual general meeting of the Bank held on 18 May 2022. The Bank did not distribute any final dividend for the year of 2021.

The Bank will not distribute any interim dividend for the first six months of 2022 or convert any capital reserve into share capital.

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

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

4.6 Significant Investment, Acquisition and Disposal of Assets and Business Merger

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

4.7 Review of the Interim Results

The interim financial statements disclosed in this interim results announcement have not been audited. The interim financial statements for the six months ended 30 June 2022 prepared by the Bank in accordance with the IAS 34 promulgated by the International Accounting Standards Board and the Hong Kong Listing Rules have been reviewed by PricewaterhouseCoopers in accordance with the International Standard on Review Engagements 2410.

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

4.8 Subsequent Events

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

5. PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement was published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Bank (www.bankoftianjin.com). The 2022 interim report prepared in accordance with the IAS 34 and the Hong Kong Listing Rules will be published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Bank (www.bankoftianjin.com), and will be despatched to the holders of H shares of the Bank in due course.

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

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

Tianjin, China
31 August 2022

As at the date of this announcement, the board of directors of the Bank comprises Mr. SUN Ligu, Mr. WU Hongtao, Mr. ZHENG Ke and Ms. DONG Xiaodong 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. JIN Qingjun, Mr. HUA Yaogang, Mr. HE Jia, Mr. ZENG Jianhua and Mr. LU Jianzhong 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.*