天津银行
BANK OF TIANJIN

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 2020

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 2020 (the "**Reporting Period**"). The content of this results announcement has been prepared in accordance with applicable disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Listing Rules**") in relation to preliminary announcements of interim results. The interim financial statements of the Bank for the six months ended 30 June 2020 have been prepared in accordance with the International Accounting Standard 34-Interim Financial Reporting (the "**IAS 34**") and the Hong Kong Listing Rules and reviewed by Deloitte Touche Tohmatsu in accordance with International Standard on Review Engagements. Such interim results have also been reviewed and confirmed by the Board and the audit committee of the Board. Unless otherwise stated, financial data of the Bank and its subsidiaries are presented in Renminbi.

1. CORPORATE INFORMATION

1.1 Basic Information

Legal Chinese Name	天津銀行股份有限公司
Abbreviation in Chinese	天津銀行
Legal English Name	Bank of Tianjin Co., Ltd.
Abbreviation in English	Bank of Tianjin
Legal Representative	LI Zongtang[1]
Authorised Representatives	ZHANG Furong, NGAI Wai Fung
Listing Place of H shares	The Stock Exchange of Hong Kong Limited
Stock Name	Bank of Tianjin
Stock Code	1578

1 The Board of the Bank has elected Mr. SUN Liguo as the Chairman of the Bank. The qualification of Mr. SUN Liguo as the Chairman of the Bank has been approved by the CBIRC Tianjin Office on 27 August 2020. The Bank will register with the industrial and commercial registration authority for the change of its legal representative in a timely manner.

1.2 Contact Persons and Contact Details

Board Secretary	ZHANG Furong
Joint Company Secretaries	ZHANG Furong, NGAI Wai Fung
Registered Address and Headquarters Address	No. 15 Youyi Road, Hexi District, Tianjin, China
Principal Place of Business in Hong Kong	40/F, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong
Telephone	86-22-2840 5262
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Email	bangongshi@bankoftianjin.com
Website	www.bankoftianjin.com

2. SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

	For the six months ended 30 June		
	2020	2019	**Rate of change (%)**
	(Amounts in thousands of RMB unless otherwise stated)		
OPERATING RESULTS			
Interest income	**15,595,557**	15,953,879	(2.2)
Interest expense	**(9,193,092)**	(9,487,780)	(3.1)
NET INTEREST INCOME	**6,402,465**	6,466,099	(1.0)
Investment income	**857,315**	824,219	4.0
Fee and commission income	**1,386,214**	1,064,950	30.2
Fee and commission expense	**(38,635)**	(14,869)	159.8
NET FEE AND COMMISSION INCOME	**1,347,579**	1,050,081	28.3
Net trading (losses)/gains	**(1,590)**	358,873	(100.4)
Net gains arising from derecognition of financial assets measured at amortised cost	**69,353**	83,826	(17.3)
Other income, gains or losses	**16,282**	72,230	(77.5)
OPERATING INCOME	**8,691,404**	8,855,328	(1.9)
Operating expenses	**(1,813,842)**	(1,921,770)	(5.6)
Impairment losses under expected credit loss (ECL) model, net of reversals	**(3,744,702)**	(3,038,529)	23.2
Share of results of associates	**10,213**	8,051	26.9

	For the six months ended 30 June		
	2020	2019	**Rate of change (%)**
	(Amounts in thousands of RMB unless otherwise stated)		
PROFIT BEFORE TAX	**3,143,073**	3,903,080	(19.5)
Income tax expense	**(470,689)**	(759,842)	(38.1)
PROFIT FOR THE PERIOD	**2,672,384**	3,143,238	(15.0)
Profit for the period attributable to:			
Equity holders of the Bank	**2,653,604**	3,113,189	(14.8)
Non-controlling interests	**18,780**	30,049	(37.5)
	2,672,384	3,143,238	(15.0)
Earnings per share attributable to equity holders of the Bank (Expressed in RMB Yuan per share)			
—Basic	**0.44**	0.51	(13.7)

	As of 30 June 2020	As of 31 December 2019	**Rate of change (%)**
	(Amounts in thousands of RMB unless otherwise stated)		
MAJOR INDICATORS OF ASSETS/ LIABILITIES			
Total assets	**685,836,628**	669,401,117	2.5
Of which: loans and advances to customers	**291,652,458**	281,229,242	3.7
Total liabilities	**633,157,949**	618,224,334	2.4
Of which: due to customers	**368,251,178**	350,996,365	4.9
Share capital	**6,070,552**	6,070,552	–
Equity attributable to equity holders of the Bank	**51,877,961**	50,394,845	2.9
Total equity	**52,678,679**	51,176,783	2.9

	For the six months ended 30 June		
	2020	2019	**Change**
PROFITABILITY INDICATORS (%)			
Return on average total assets[(1)]	**0.79**	0.95	(0.16)
Return on average equity[(2)]	**10.29**	12.91	(2.62)
Net interest spread[(3)]	**1.84**	1.86	(0.02)
Net interest margin[(4)]	**2.16**	2.18	(0.02)
Net fee and commission income to operating income	**15.50**	11.86	3.64
Cost-to-income ratio[(5)]	**19.71**	20.54	(0.83)

	As of 30 June 2020	As of 31 December 2019	Change
ASSET QUALITY INDICATORS (%)			
Non-performing loan ratio[(6)]	**2.15**	1.98	0.17
Allowance coverage ratio[(7)]	**212.82**	220.58	(7.76)
Allowance to gross loan ratio[(8)]	**4.57**	4.36	0.21

	As of 30 June 2020	As of 31 December 2019	Change
CAPITAL ADEQUACY RATIO INDICATORS (%)			
Calculated based on Capital Administrative Measures			
Core tier-one capital adequacy ratio[(9)]	**10.87**	10.62	0.25
Tier-one capital adequacy ratio[(10)]	**10.88**	10.63	0.25
Capital adequacy ratio[(11)]	**15.47**	15.24	0.23
Total equity to total assets	**7.68**	7.65	0.03

	As of 30 June 2020	As of 31 December 2019	Change
OTHER INDICATORS (%)			
Loan-to-deposit ratio[12]	**84.00**	85.05	(1.05)
Liquidity ratio[13]	**56.73**	51.38	5.35
Percentage of loans to the single largest customer[14]	**4.08**	4.38	(0.30)
Percentage of loans to the top ten customers[15]	**31.72**	31.76	(0.04)

Notes:

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

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

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

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

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

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

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

(8) Calculated by dividing total allowance for impairment on loans to customers by gross loans (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 of as of 31 December 2019 and 30 June 2020 were calculated according to the Notice on Adjusting the Calculation of Loan-to-Deposit Ratio for Commercial Bank (《中國銀監會關於調整商業銀行存貸比計算口徑的通知》) issued by CBRC.

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

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

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

3. MANAGEMENT DISCUSSION AND ANALYSIS

3.1 Environment and Prospects

In the first half of 2020, the abrupt outbreak of COVID-19 had severely affected the international and domestic economic and social development. Due to the impact of COVID-19, the global economic decline increased, and most countries experienced negative economic growth, becoming the most serious economic recession in recent years. The Bank's business operations was faced with severe pressure and challenges. The COVID-19 epidemic has undermined the liquidity and financial position of certain corporate and retail customers, which may lead to weakened repayment ability of certain customers and impose greater pressure on the Bank's asset quality. Out of prudent and operation-based considerations, the Bank increased its provisions for loans. Meanwhile, various economic and financial policies were introduced in the PRC to encourage banks and financial institutions to provide more credit support to corporations and individuals for the benefits of small and micro enterprises by ways of providing loans with lower interest rates, reduction in handling fees, delay in the repayment of loans and providing credit support to small and micro enterprises. The above measures led to a decrease in net interest income and interest spread of the Bank, affecting the operating results to a certain extent.

To effectively respond to the impact brought by COVID-19, under the strong leadership of CPC Central Committee and the State Council and by fully implementing the instructions of President Xi Jinping, China holistically advanced various works concerning the prevention and control of COVID-19 as well as economic and social development. Due to the relatively good control of the epidemic, economic activities in China have entered a stable recovery stage from the second quarter. The resumption of work and production and the resumption of business and market were firmly promoted. While the "six stabilities" policy was in progress, the "six guarantees" policy has been introduced in a timely manner. Production demand has gradually picked up, and basic industry support was strong. Market expectations were generally stable. New momentum grew against the trend. With increased economic activity, the national economy has been fully restored, and the stability, compatibility and sustainability of economic development will continue to increase. The far-reaching impact of COVID-19 had not only resulted in tremendous changes in market economy, the production model of enterprises as well as people's consumption levels and patterns, but it also brought about new opportunities and challenges. We are now facing unprecedented huge changes in the century. In the second half of 2020, with the effective control of the global epidemic, new domestic infrastructure projects will drive investment growth, and the accelerated implementation of the "six stabilities" and "six guarantees" policies. The recovery of domestic economic production and activities will be accelerated, and the level of economic development will continue to improve. The fiscal policy will be more proactive and effective, focusing on the effectiveness. The monetary policy will be more flexible, moderate and precise. Money supply and social financing will maintain a reasonable rise and facilitate the reduction in comprehensive financing cost, and the new financing will be focused on manufacturing industries as well as small, medium and micro-sized enterprises. Efforts will be stepped up to stabilise market players, and industrial transformation and upgrading will be accelerated. The Bank will closely follow the policy of the central government, and keep a foothold in regional economic development. Focusing on "serving the real economy, preventing and controlling financial risks, and deepening the financial reform", we will provide diversified and differentiated financial services for the systematic project of the coordinated development of Beijing, Tianjin and Hebei. We will actively promote the transformation of momentum and development models in the Beijing-Tianjin-Hebei region to help private and small and micro enterprises resume work and production. We will persist in the "dual track" strategy of transformation and innovation to actively build core competitiveness and comprehensively improve the economic efficiency and overall strength of the Bank of Tianjin.

3.2 Corporate Strategies

The unexpected outbreak of COVID-19 pandemic has changed the way we live and work as well as our business targets. The fight against the pandemic has become the main theme of our work, which also tests the response capability and quality of Bank of Tianjin. In the face of the impact of the pandemic and the severe economic situation, the Bank has focused on studying the messages from and carrying out the instructions of President Xi Jinping, fully implemented central financial policies and a series of measures proposed by the municipal government of Tianjin to win the battle of epidemic prevention and to propel healthy economic growth. The Bank focused on the prevention and control of the epidemic while supporting the production resumption of enterprises, especially small, medium, micro-sized enterprises. It helped the real economy "win twice in two fights", took forward the work of "six stabilities", fully implemented "six guarantees", achieving the goal of "providing good service and achieving good performance while everyone and every place is safe". Firstly, the Bank made careful arrangement, strictly carried out various epidemic prevention and control measures, closely kept track of the development of the epidemic, and studied and deployed 17 measures for epidemic prevention and control. The Bank is well-prepared to strictly prevent the epidemic and has resolved to win the battle against the epidemic. Secondly, the Bank conscientiously formulated work plans, firmly promote the production resumption, implemented shift work by splitting staff into A and B groups as well as flexi-time work system, reasonably aligned the resources of bank outlets, so as to minimise the risk arising from the epidemic while continuously providing customers with financial services. The Bank fully leveraged the internet to move various works online in order to reduce gatherings and ensure continuity of management and operation. Thirdly, the Bank took initiative to become an "epidemic fighter" in the financial industry. After the outbreak of the epidemic, the Bank immediately made announcement to the public on our seven measures of assuring financial services to support the prevention and control of the epidemic, so as to meet the special financial needs of the public during this special period. The Bank set up a fast feedback mechanism to satisfy production capital needs for epidemic prevention materials, created a green review channel for approving loans, and cooperated with China Development Bank to provide RMB6 billion for emergency financing used to support enterprises producing epidemic prevention materials, which has been listed in the "21 measures for supporting enterprises (惠企21條)" in Tianjin. The Bank established a three-specialization mechanism including "specialised institution", "specialised team" and "specialised policies". In the first half of 2020, the Bank accumulated a total of approximately RMB30.9 billion through transaction banking business, which was spent on financing for epidemic prevention and control as well as production resumption of enterprises, and had invested and underwritten RMB3.31 billion on various bonds for epidemic prevention and production resumption. The Credit Risk Mitigation Warrants ("**CRMW**") launched by the Bank had become the first CRMW for epidemic prevention of the city commercial banks in China. Fourthly, the Bank actively fulfilled social responsibility, providing assistance to customers distressed by the epidemic. In the first half of 2020, the Bank had deferred principal and interest payment for 140 small, medium and micro-sized enterprises, 158 personal loans and 1,453 credit card customers. At the same time, the Bank established the "White Warrior Caring Fund" (白衣戰士關愛基金) with Red Cross Society of China Tianjin Branch and donated RMB5 million.

While supporting epidemic prevention and control, the Bank continued to implement the dual-track strategy of "transformation + innovation", complied with the financial policies implemented by CPC Central Committee, the State Council and banking regulatory authority, closely in the course of its own business development, actively innovated its financial products and met the various customers' financial needs with professional and precise services. Firstly, to serve the real economy, the Bank stepped up its efforts on loan business, especially the development of inclusive finance, by extending the user reach of "e-loans for taxpayers" (銀稅e貸) and "e-loans for supermarkets" (商超e貸) online and innovating and developing inclusive financial product "Tianhangyongbei" (天行用唄), so as to support all kinds of customers to resume operation. Loans granted to over 5,500 small and micro customers through above channels had accumulated to approximately RMB1.88 billion. As of the end of the Reporting Period, net loans and advances to customers increased by 3.7% from the end of 2019, of which our inclusive loans to small and micro enterprises amounted to RMB16,688.8 million, representing an increase of 39.8% as compared to the end of 2019. Secondly, the Bank upheld the operating principle of "taking deposits as the primary job of the Bank" (存款立行), continuously stepping up its marketing efforts for customers' deposit-taking business, with the balance of amount due to customers increased by 4.9% as compared to the end of 2019. The Bank constantly promoted "Four Tailor-made Approaches" corporate banking business, and the corporate deposits increased by 4.4% as compared to the end of 2019. Thirdly, the Bank continued to promote "ultra-unconventional development approach for retail business" with omni-channel coverage online and offline, so as to use internet channels to attract customers. In terms of liabilities, the Bank secured low-cost capital with the help of leading internet platforms into which deposits are channeled. In terms of assets, personal integrated financial assets amounted to RMB155.96 billion, representing an increase of 4.1% as compared to the beginning of the year. The number of credit cards newly issued increased by 132,300, representing an increase of 19.6 times as compared to the same period last year. Three types of smart outlets including "comprehensive outlet", "flagship outlet" and "light outlet" had been put into operation, and customers' experience and satisfaction have been greatly improved. Fourthly, for the financial market and investment banking businesses we insisted on the return to our origins, focused on improving services and supporting the real economy, stepped up efforts in standardized asset investment and underwriting, and aimed at enhancing the abilities of investment research and sales transactions. The Bank strengthened its initiative debt marketing and optimised its debt structure; it also stressed qualifications attained by new businesses and product innovation, put great efforts in building centres for innovation products and initiative debt as well as a channel platform between other banks and clients. In the first half of 2020, the bond transactions conducted by the Bank amounted to RMB3.36 trillion, representing an increase of 56% as compared to the same period last year. The Bank ranked 4th on the "Ranking for Trading Volume of Spot Bonds" of CCDC. The Bank had underwritten a total of RMB22.1 billion in non-finance corporate debt financing instruments and debt financing plan, representing an increase of 294.6% as compared to the same period last year, which facilitated the transformation of the Bank towards capital-light and asset-light businesses. Fifthly, the Bank continued to optimise and enhance the system of asset management products, and the proportion of existing net-value products increased from 50% in the beginning of the year to 70%. The Bank launched the wealth management products of enhanced fixed income, cyclical net worth products as well as a variety of wealth management products for exclusive customers. Sixthly, the Bank focused on both development and risk control, and steadily carried out the development of internet business. It adhered to the principle of "small-amount, short-term, high-efficiency and controllable risks" for loans and sticked to the concept of compliance development based on the multi-dimensional assessment result of the risks in loan of cooperation in terms of partners, cooperative loan operations, post-loan management and system management, to ensure that the loan of cooperation is operated in compliance with regulations. Meanwhile, the Bank strengthened the management and control of non-performing risks, effectively identified, assessed, monitored and controlled the internet loan risks, so as to ensure that internet business is in compliance with regulations. As of the first half of the year, personal cooperative loan on internet amounted to RMB195.08 billion and the balance of loan amounted to RMB90.80 billion, with a non-performing loan ratio by the five categories of 1.77% and the per-capital loan of RMB4,449. Seventhly, the development of information technology was steadily promoted. The Bank proactively promoted the two major lines of the building of active-active data center and IT Framework Planning Implementation Project (Phase II), continuously enhancing the standards of technology management and technology safety and security. In the meantime, through digitalisation and standardisation, the Bank had improved the quality of technology operation and maintenance as well as the efficiency of software development through the promotion of standard certifications of ISO 20000 and CMMI, thus continuously improving the level of refined technology management of the Bank.

In the first half of 2020, under the impact brought by COVID-19, the Bank realised operating income of RMB8.69 billion, representing a slight decrease of 1.9% as compared to the same period last year. Profit before allowance slightly decreased by 0.8% to RMB6.89 billion as compared to the same period last year, both of which remained essentially stable. To offset the impact on our asset quality brought by the epidemic, impairment provisions amounted to RMB3.74 billion, representing an increase of 23.2% as compared to the same period last year. Total profit amounted to RMB3.14 billion, representing a decrease of 19.5% as compared to the same period last year. Net profit reached RMB2.67 billion, representing a decrease of 15.0%. The main operating businesses performed well and net interest income reached RMB6.40 billion, representing a slight decrease of 1.0% as compared to the same period last year. The Bank's investment income amounted to RMB860 million, representing an increase of 4.0% as compared to 2019. Net fee and commission income amounted to RMB1,350 million, representing an increase of 28.3% as compared to the same period last year. Capital adequacy ratio was 15.47%, 0.23 percentage point higher than as at the end of 2019. Tier-one capital adequacy ratio was 10.88%, and core tier-one capital adequacy ratio was 10.87%, 0.25 percentage point higher than as at the end of 2019. Allowance to gross loan ratio was 4.57%, 0.21 percentage point higher than as at the beginning of the year. The non-performing loan ratio was 2.15% and allowance coverage ratio amounted to 212.82%. All other major regulatory indicators were in compliance with relevant requirements.

In the second half of 2020, the Bank will adhere to normalisation management of epidemic prevention and control and strictly implemented various epidemic prevention measures, continue to insist on the new development concept of "putting quality first and giving priority to performance", maintain determination on strategic goals and historical patience, make every effort to promote the "transformation + innovation" dual-track strategy and Ten Major Projects (2.0)". At the same time, we will strengthen internal operation and management and enhance the "immunity" against financial risks; vigorously develop new business formats such as Internet finance and smart finance, and make every effort to promote financial reform and innovation to win the initiative for future development; further adjust and optimise the business structure, deepen, optimise and refine the financial business and strive for achieving new business performance; guide financial resources, financial policies, and financial services to converge in the real economy, endeavour to enhance the ability to support the real economy, realise its own development in services, and contribute to the coordinated development of Beijing, Tianjin and Hebei.

3.3 Analysis of the Income Statement

	For the six months ended 30 June		
	2020	2019	**Rate of change (%)**
	(Amounts in thousands of RMB unless otherwise stated)		
Interest income	**15,595,557**	15,953,879	(2.2)
Interest expense	**(9,193,092)**	(9,487,780)	(3.1)
NET INTEREST INCOME	**6,402,465**	6,466,099	(1.0)
Investment income	**857,315**	824,219	4.0
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NET FEE AND COMMISSION INCOME	**1,347,579**	1,050,081	28.3
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Net gains arising from derecognition of financial assets measured at amortised cost	**69,353**	83,826	(17.3)
Other income, gains or losses	**16,282**	72,230	(77.5)
OPERATING INCOME	**8,691,404**	8,855,328	(1.9)
Operating expenses	**(1,813,842)**	(1,921,770)	(5.6)
Impairment losses under ECL model, net of reversals	**(3,744,702)**	(3,038,529)	23.2
Share of results of associates	**10,213**	8,051	26.9
PROFIT BEFORE TAX	**3,143,073**	3,903,080	(19.5)
Income tax expense	**(470,689)**	(759,842)	(38.1)
PROFIT FOR THE PERIOD	**2,672,384**	3,143,238	(15.0)

For the six months ended 30 June 2020, the Bank's profit before tax decreased by 19.5% from RMB3,903.1 million for the six months ended 30 June 2019 to RMB3,143.1 million, and the profit for the same period decreased by 15.0% from RMB3,143.2 million for the six months ended 30 June 2019 to RMB2,672.4 million.

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

For the six months ended 30 June 2020, our net interest income amounted to RMB6,402.5 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 RMB857.3 million. The sum of two was RMB7,259.8 million, a decrease of 0.4% as compared to the figure as at 30 June 2019 measured in the same standard, which remained essentially stable. Our net interest spread decreased from 1.86% for the six months ended 30 June 2019 to 1.84% for the six months ended 30 June 2020, primarily due to the fact that the average yield of our interest-earning assets decreased by 15 basis points to 4.89% while the average cost of our interest-bearing liabilities decreased by 13 basis points to 3.05%. Our net interest margin decreased from 2.18% for the six months ended 30 June 2019 to 2.16% for the six months ended 30 June 2020, because our net interest income[1] decreased by 0.4% for the six months ended 30 June 2020, while the average balance of our interest-earning assets increased by 1.0% for the six months ended 30 June 2020.

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

The following tables set forth the average balance of our interest-earning assets and interest-bearing liabilities, interest income and expense from these assets and liabilities, and the average yield of these interest-earning assets and the average cost of these interest-bearing liabilities for the six months ended 30 June 2019 and 2020.

	For the six months ended 30 June					
	2020			2019		
	Average balance	**Interest income/ expense[7]**	**Average yield/ Average cost (%)**	Average balance	Interest income/ expense[7]	Average yield/ Average cost (%)
	(Amounts in millions of RMB, except percentages)					
Interest-earning assets						
Loans and advances to customers	**286,031.0**	**9,859.1**	**6.89**	300,996.7	9,703.3	6.45
Investment securities and other financial assets, including	**311,584.0**	**5,984.9**	**3.84**	289,881.7	6,237.3	4.30
－Trust beneficiary rights, funds, wealth management products and asset management plans	**141,754.5**	**2,928.9**	**4.13**	143,526.9	3,114.2	4.34
－Debt securities investment	**169,829.5**	**3,056.0**	**3.60**	146,354.8	3,123.1	4.27
Amounts due from banks and other financial institutions[1]	**25,209.3**	**299.1**	**2.37**	22,774.4	463.0	4.07
Deposits with banks and other financial institutions	**9,532.2**	**29.9**	**0.63**	6,946.8	46.2	1.33
Balances with central bank	**40,550.4**	**282.7**	**1.39**	45,776.4	332.0	1.45
Total interest-earning assets (include assets at FVTPL)	**672,906.9**	**16,455.7**	**4.89**	666,376.0	16,781.8	5.04
Allowance for impairment losses	**(17,017.8)**			(13,954.2)		
Non-interest earning assets[2]	**21,674.6**			17,987.9		
Total assets	**677,563.7**	**16,455.7**	**4.86**	670,409.7	16,781.8	5.01
Interest-bearing liabilities						
Due to customers	**344,499.7**	**5,224.9**	**3.03**	339,012.4	5,076.0	2.99
Deposits from banks and other financial institutions	**44,027.1**	**644.6**	**2.93**	31,158.8	482.7	3.10
Amounts due to banks and other financial institutions[3]	**61,313.3**	**602.1**	**1.96**	62,180.1	786.6	2.53
Debt securities issued	**111,189.0**	**2,025.8**	**3.64**	150,199.2	2,890.7	3.85
Lease liabilities	**1,195.7**	**26.1**	**4.37**	1,055.5	23.3	4.41
Borrowings from central bank	**41,507.5**	**672.4**	**3.24**	14,022.7	232.2	3.31
Total interest-bearing liabilities (include liabilities at FVTPL)	**603,732.3**	**9,195.9**	**3.05**	597,628.7	9,491.5	3.18

	For the six months ended 30 June					
	2020			2019		
	Average balance	**Interest income/ expense(7)**	**Average yield/ Average cost (%)**	Average balance	Interest income/ expense(7)	Average yield/ Average cost (%)
	(Amounts in millions of RMB, except percentages)					
Non-interest-bearing liabilities(4)	**19,495.2**			21,594.8		
Total liabilities	**623,227.5**	**9,195.9**	**2.95**	619,223.5	9,491.5	3.07
Net interest income		**7,259.8**			7,290.3	
Net interest spread(5)			**1.84**			1.86
Net interest margin(6)			**2.16**			2.18

Notes:

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

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

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

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

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

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

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

3.3.2 Interest Income

For the six months ended 30 June 2020, our interest income (includes interest income at FVTPL) decreased by 1.9% to RMB16,455.7 million from RMB16,781.8 million for the six months ended 30 June 2019, which was primarily attributable to the fact that despite the increase of 1.0% in the average balance of our interest-bearing assets from RMB666,376.0 million for the six months ended 30 June 2019 to RMB672,906.9 million for the six months ended 30 June 2020, the average yield of our interest-earning assets decreased by 15 basis points from 5.04% for the six months ended 30 June 2019 to 4.89% for the six months ended 30 June 2020.

Interest income from loans and advances to customers

For the six months ended 30 June 2020, interest income from loans and advances to customers increased by 1.6% from RMB9,703.3 million for the six months ended 30 June 2019 to RMB9,859.1 million for the six months ended 30 June 2020, primarily due to the increase of 44 basis points in the average yield of our loans and advances to customers from 6.45% for the six months ended 30 June 2019 to 6.89% for the six months ended 30 June 2020. The increase in the average yield of our loans and advances to customers was primarily due to the Bank's active adjustment in the loan structure, strengthened pricing management and the increase in loans income.

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

For the six months ended 30 June 2020, interest income from trust beneficiary rights, funds, wealth management products and asset management plans decreased by 6.0% from RMB3,114.2 million for the six months ended 30 June 2019 to RMB2,928.9 million for the six months ended 30 June 2020, primarily due to the fact that the average balance of our trust beneficiary rights, funds, wealth management products and asset management plans decreased by 1.2% from RMB143,526.9 million for the six months ended 30 June 2019 to RMB141,754.5 million for the six months ended 30 June 2020, and the average yield of our trust beneficiary rights, funds, wealth management products and asset management plans decreased by 21 basis points from 4.34% for the six months ended 30 June 2019 to 4.13% for the six months ended 30 June 2020. The decrease in average balance of trust beneficiary rights, funds, wealth management products and asset management plans was primarily due to our Bank's active adjustment in the asset structure and continuous reduction in the corresponding scale of assets. The decrease in average yield of trust beneficiary rights, funds, wealth management products and asset management plans was primarily due to the decrease in market interest rate.

Interest income from debt securities investment

Interest income from debt securities investment decreased by 2.1% from RMB3,123.1 million for the six months ended 30 June 2019 to RMB3,056.0 million for the six months ended 30 June 2020, principally due to the fact that the average yield of our debt securities investment decreased by 67 basis points from 4.27% for the six months ended 30 June 2019 to 3.60% for the six months ended 30 June 2020. The main reason for the decrease in the average yield of our debt securities investment was due to the decrease in market interest rate.

Interest income from amounts due from banks and other financial institutions

Interest income from amounts due from banks and other financial institutions decreased by 35.4% from RMB463.0 million for the six months ended 30 June 2019 to RMB299.1 million for the six months ended 30 June 2020, primarily due to the fact that the average yield of the amounts due from banks and other financial institutions decreased by 170 basis points from 4.07% for the six months ended 30 June 2019 to 2.37% for the six months ended 30 June 2020. The main reason for the decrease in the average yield of our amounts due from banks and other financial institutions was due to the decrease in market interest rate.

Interest income from deposits with banks and other financial institutions

Interest income from deposits with banks and other financial institutions decreased by 35.3% from RMB46.2 million for the six months ended 30 June 2019 to RMB29.9 million for the six months ended 30 June 2020, primarily due to the decrease of 70 basis points in the average yield of deposits with banks and other financial institutions from 1.33% for the six months ended 30 June 2019 to 0.63% for the six months ended 30 June 2020. The decrease in the average yield of our deposits with banks and other financial institutions was primarily due to the decrease in market interest rate.

Interest income from balances with central bank

Interest income from balances with central bank decreased by 14.8% from RMB332.0 million for the six months ended 30 June 2019 to RMB282.7 million for the six months ended 30 June 2020, primarily due to the decrease of 11.4% in the average balance of our balances with central bank from RMB45,776.4 million for the six months ended 30 June 2019 to RMB40,550.4 million for the six months ended 30 June 2020, and the decrease of 6 basis points in the average yield of our balances with central bank from 1.45% for the six months ended 30 June 2019 to 1.39% for the six months ended 30 June 2020.

3.3.3 Interest Expense

Our interest expense (including interest expense at FVTPL) decreased by 3.1% from RMB9,491.5 million for the six months ended 30 June 2019 to RMB9,195.9 million for the six months ended 30 June 2020, primarily due to the fact that despite the increase of 1.0% in the average balance of the interest-bearing liabilities from RMB597,628.7 million for the six months ended 30 June 2019 to RMB603,732.3 million for the six months ended 30 June 2020, the average cost of these interest-bearing liabilities decreased by 13 basis points from 3.18% for the six months ended 30 June 2019 to 3.05% for the six months ended 30 June 2020.

Interest expense on due to customers

Our interest expense on due to customers increased by 2.9% from RMB5,076.0 million for the six months ended 30 June 2019 to RMB5,224.9 million for the six months ended 30 June 2020, primarily due to the increase of 4 basis points in the average cost of due to customers from 2.99% for the six months ended 30 June 2019 to 3.03% for the six months ended 30 June 2020, and a 1.6% increase in the average balance of the total due to customers from RMB339,012.4 million for the six months ended 30 June 2019 to RMB344,499.7 million for the six months ended 30 June 2020. The average cost of due to customers remained essentially stable. The increase in the average balance of due to customers was primarily because the Bank stepped up its marketing efforts for deposit-taking business, innovated its deposit-taking products, obtained more stable liability sources while meeting its customers' needs.

Interest expense on deposits from banks and other financial institutions

Our interest expense on deposits from banks and other financial institutions increased by 33.5% from RMB482.7 million for the six months ended 30 June 2019 to RMB644.6 million for the six months ended 30 June 2020, primarily due to the fact that despite a decrease of 17 basis points in the cost of deposits from banks and other financial institutions from 3.10% for the six months ended 30 June 2019 to 2.93% for the six months ended 30 June 2020, the average balance of our deposits from banks and other financial institutions increased by 41.3% from RMB31,158.8 million for the six months ended 30 June 2019 to RMB44,027.1 million for the six months ended 30 June 2020. The increase in the average balance of our deposits from banks and other financial institutions primarily reflected our Bank's active adjustment of the liability structure and increase of the scale of deposits from banks and other financial institutions. The decrease in the average cost of our deposits from banks and other financial institutions was primarily due to the decline in market interest rate.

Interest expense on amounts due to banks and other financial institutions

Our interest expense on amounts due to banks and other financial institutions decreased by 23.5% from RMB786.6 million for the six months ended 30 June 2019 to RMB602.1 million for the six months ended 30 June 2020, primarily due to the decrease of 57 basis points in the average cost of our amounts due to banks and other financial institutions from 2.53% for the six months ended 30 June 2019 to 1.96% for the six months ended 30 June 2020. The decrease in the average cost of our amounts due to banks and other financial institutions was primarily due to the decrease in market interest rate.

Interest expense on debt securities issued

Our interest expense on debt securities issued decreased by 29.9% from RMB2,890.7 million for the six months ended 30 June 2019 to RMB2,025.8 million for the six months ended 30 June 2020, primarily due to the decrease of 21 basis points in the average cost of our debt securities issued from 3.85% for the six months ended 30 June 2019 to 3.64% for the six months ended 30 June 2020, and the decrease of 26.0% in the average balance of the debt securities issued from RMB150,199.2 million for the six months ended 30 June 2019 to RMB111,189.0 million for the six months ended 30 June 2020. The decrease in the average balance of our debt securities issued was primarily due to our Bank's extension to more financing channels to increase other liability sources. The decrease in the average cost of our debt securities issued was primarily due to the decline in market interest rate.

Interest expense on lease liabilities

For the six months ended 30 June 2020, our interest expense on lease liabilities amounted to RMB26.1 million, representing an increase of 12.0% from RMB23.3 million for the six months ended 30 June 2019, mainly due to the decrease of 4 basis points in the average cost of our lease liabilities from 4.41% for the six months ended 30 June 2019 to 4.37% for the six months ended 30 June 2020, and the increase of 13.3% in the average balance of the lease liabilities from RMB1,055.5 million for the six months ended 30 June 2019 to RMB1,195.7 million for the six months ended 30 June 2020.

Interest expense on borrowings from central bank

Our interest expense on borrowings from central bank increased by 189.6% from RMB232.2 million for the six months ended 30 June 2019 to RMB672.4 million for the six months ended 30 June 2020, primarily due to the increase of 196.0% in the average balance of borrowings from central bank from RMB14,022.7 million for the six months ended 30 June 2019 to RMB41,507.5 million for the six months ended 30 June 2020. The increase in the average balance of our borrowings from central bank was primarily due to a general increase in our borrowings from central bank.

3.3.4 Investment Income

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

Investment income represents gains from investment in financial instruments measured at fair value through profit or loss, mainly including debt securities investment, funds, trust beneficiary rights, wealth management products and asset management plans measured at fair value through profit or loss. Investment income for the six months ended 30 June 2020 was RMB857.3 million, representing an increase of 4.0% from the investment income of RMB824.2 million for the six months ended 30 June 2019, mainly due to an increase in the average daily investment measured at fair value through profit or loss.

3.3.5 Net Fee and Commission Income

The following table sets forth the principal components of our net fee and commission income for the six months ended 30 June 2019 and 2020.

	For the six months ended 30 June			
	2020	2019	**Change in amount**	**Rate of change (%)**
	(Amounts in millions of RMB, except percentages)			
Fee and commission income				
Settlement and clearing fees	**88.2**	96.8	(8.6)	(8.9)
Wealth management service fees	**816.6**	621.6	195.0	31.4
Acceptance and guarantee commitment fees	**31.3**	41.9	(10.6)	(25.3)
Agency commission and underwriting service fees	**303.9**	184.3	119.6	64.9
Bank card fees	**57.6**	30.0	27.6	92.0
Consultancy fees	**87.2**	89.0	(1.8)	(2.0)
Others	**1.4**	1.4	–	–
Subtotal	**1,386.2**	1,065.0	321.2	30.2
Fee and commission expense	**(38.6)**	(14.9)	(23.7)	159.1
Net Fee and Commission Income	**1,347.6**	1,050.1	297.5	28.3

Our net fee and commission income increased by 28.3% from RMB1,050.1 million for the six months ended 30 June 2019 to RMB1,347.6 million for the six months ended 30 June 2020. The increase was primarily due to the increase in wealth management service fees as well as agency commission and underwriting service fees.

3.3.6 Net Trading (Losses)/Gains

Net trading (losses)/gains arise from the realised and unrealised profit and loss of financial assets measured at fair value through profit or loss and the net disposal gains and losses of debt instruments measured at fair value through other comprehensive income. Our net trading (losses)/gains amounted to RMB(1.6) million for the six months ended 30 June 2020, while the Bank recorded net trading (losses)/gains of RMB358.9 million for the six months ended 30 June 2019. The main reason was because of a year-on-year decrease in the changes in fair value of financial assets which was mainly due to market fluctuation.

3.3.7 Operating Expenses

The following table sets forth the principal components of our operating expenses for the six months ended 30 June 2019 and 2020.

	For the six months ended 30 June			
	2020	2019	**Change in amount**	**Rate of change (%)**
	(Amounts in millions of RMB, except percentages)			
Operating expenses				
Staff costs	**1,114.2**	1,212.6	(98.4)	(8.1)
Sundry taxes	**100.9**	102.5	(1.6)	(1.6)
Other general and administrative expenses	**161.6**	152.3	9.3	6.1
Office expenses	**82.5**	112.0	(29.5)	(26.3)
Rental and property management expenses	**31.4**	86.1	(54.7)	(63.5)
Depreciation and amortisation	**323.2**	256.3	66.9	26.1
Total operating expenses	**1,813.8**	1,921.8	(108.0)	(5.6)
Cost-to-income ratio[(1)]	**19.7%**	20.5%	–	(0.8)

Notes:

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

Our operating expenses decreased by 5.6% from RMB1,921.8 million for the six months ended 30 June 2019 to RMB1,813.8 million for the six months ended 30 June 2020. The decrease was primarily due to a decrease in staff costs.

For the six months ended 30 June 2019 and 2020, our cost-to-income ratio (excluding sundry taxes) was 20.5% and 19.7%, respectively.

Staff costs

Staff costs are the largest component of our operating expenses, which amounted to RMB1,114.2 million for the six months ended 30 June 2020, representing a decrease of 8.1% from RMB1,212.6 million for the six months ended 30 June 2019. The following table sets forth the principal components of staff costs for the periods indicated.

	For the six months ended 30 June			
	2020	2019	**Change in amount**	**Rate of change (%)**
	(Amounts in millions of RMB, except percentages)			
Salaries, bonuses and allowances	**893.8**	928.2	(34.4)	(3.7)
Social insurance	**54.3**	132.8	(78.5)	(59.1)
Housing funds	**59.0**	59.4	(0.4)	(0.7)
Staff welfare	**22.9**	23.1	(0.2)	(0.9)
Labour union fees and staff education expenses	**17.9**	17.9	0.0	0.0
Contribution to annuity schemes	**66.3**	51.2	15.1	29.5
Total	**1,114.2**	1,212.6	(98.4)	(8.1)

Sundry taxes

Sundry taxes amounted to RMB100.9 million for the six months ended 30 June 2020, representing a decrease of 1.6% from RMB102.5 million for the six months ended 30 June 2019.

Office expenses and rental and property management expenses

The office expenses and rental and property management expenses amounted to RMB113.9 million for the six months ended 30 June 2020, representing a decrease of 42.5% from RMB198.1 million for the six months ended 30 June 2019.

Other general and administrative expenses

Our other general and administrative expenses amounted to RMB161.6 million for the six months ended 30 June 2020, representing an increase of 6.1% from RMB152.3 million for the six months ended 30 June 2019.

Depreciation and amortisation

Depreciation and amortisation, including right-of-use assets, amounted to RMB323.2 million for the six months ended 30 June 2020, representing an increase of 26.1% from RMB256.3 million for the six months ended 30 June 2019.

3.3.8 Impairment Losses Under ECL Model, Net of Reversals

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

	For the six months ended 30 June			
	2020	2019	**Change in amount**	**Rate of change (%)**
	(Amounts in millions of RMB, except percentages)			
Loans and advances to customers measured at amortised cost	**3,526.8**	3,031.9	494.9	16.3
Loans and advances to customers at fair value through other comprehensive income	**14.7**	0.9	13.8	1,533.3
Credit commitments	**(43.5)**	8.9	(52.4)	(588.8)
Debt instruments measured at amortised cost	**203.7**	(79.5)	283.2	(356.2)
Debt instruments measured at fair value through other comprehensive income	**(0.0)**	73.7	(73.7)	(100.0)
Deposits with banks and other financial institutions	**5.7**	2.4	3.3	137.5
Placements with banks and other financial institutions	**1.7**	(0.0)	1.7	–
Financial assets held under resale agreements	**(0.0)**	0.1	(0.1)	(100.0)
Other assets	**35.6**	0.1	35.5	35,500.0
Total	**3,744.7**	3,038.5	706.2	23.2

Our impairment losses under ECL model, net of reversals for the six months ended 30 June 2020 were RMB3,744.7 million, representing an increase of 23.2% from RMB3,038.5 million for the six months ended 30 June 2019, which was primarily due to the fact that the Bank strengthened the overall provision of its assets, and the more sufficient impairment provision reflected the prudence of our impairment provision.

3.3.9 Income Tax Expenses

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

	For the six months ended 30 June			
	2020	2019	**Change in amount**	**Rate of change (%)**
	(Amounts in millions of RMB, except percentages)			
Profit before tax	**3,143.1**	3,903.1	(760.0)	(19.5)
Tax calculated at applicable statutory tax rate of 25%	**785.8**	975.8	(190.0)	(19.5)
Income tax at concessionary rate	**(3.1)**	(6.1)	3.0	(49.2)
Underprovision/(Overprovision) of tax in prior years	**2.5**	(12.6)	15.1	(119.8)
Tax effect of expense not deductible for tax purposes	**10.2**	15.5	(5.3)	(34.2)
Tax effect of income not taxable for tax purposes[1]	**(324.7)**	(212.8)	(111.9)	52.6
Income tax expenses	**470.7**	759.8	(289.1)	(38.0)

Note:

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

Our income tax expenses for the six months ended 30 June 2020 were RMB470.7 million, representing a decrease of 38.0% from RMB759.8 million for the six months ended 30 June 2019. The decrease was mainly due to a decrease of our profit before tax and an increase of income not taxable.

3.4 Analysis of the Statement of Financial Position

3.4.1 Assets

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

	As of 30 June 2020		As of 31 December 2019	
	Amount	**% of the total (%)**	Amount	% of the total (%)
	(Amounts in millions of RMB, except percentages)			
ASSETS				
Gross loans and advances to customers	**305,473.4**	**44.5**	293,945.7	43.9
Allowance for impairment losses	**(13,820.9)**	**(2.0)**	(12,716.5)	(1.9)
Loans and advances to customers, net	**291,652.5**	**42.5**	281,229.2	42.0
Investment securities and other financial assets, net	**323,727.2**	**47.2**	296,512.8	44.3
Financial assets held under resale agreements	**2,957.8**	**0.4**	8,174.2	1.2
Cash and balances with central bank	**42,020.6**	**6.1**	59,303.1	8.9
Deposits with banks and other financial institutions	**6,738.0**	**1.0**	6,888.5	1.0
Placements with banks and other financial institutions	**6,944.9**	**1.0**	5,414.0	0.8
Derivative financial assets	**163.8**	**0.0**	167.3	0.0
Other assets[(1)]	**11,631.8**	**1.8**	11,712.0	1.8
TOTAL ASSETS	**685,836.6**	**100.0**	669,401.1	100.0

Note:

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

As of 30 June 2020, our total assets amounted to RMB685,836.6 million, representing an increase of 2.5% from RMB669,401.1 million for the year ended 31 December 2019. The increase was primarily due to the increase in investment securities and other financial assets as well as loans and advances to customers.

Loans and advances to customers

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

	As of 30 June 2020		As of 31 December 2019	
	Amount	**% of the total (%)**	Amount	% of the total (%)
	(Amounts in millions of RMB, except percentages)			
Corporate loans	**148,814.5**	**48.6**	148,463.7	50.5
Personal loans	**124,799.7**	**40.9**	127,142.3	43.3
Finance lease receivables	**3,595.2**	**1.2**	4,865.5	1.7
Discounted bills	**28,264.0**	**9.3**	13,474.2	4.5
Total	**305,473.4**	**100.0**	293,945.7	100.0

Corporate loans

Our corporate loans amounted to RMB148,814.5 million as of 30 June 2020, representing an increase of 0.2% compared to RMB148,463.7 million as of 31 December 2019.

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

	As of 30 June 2020		As of 31 December 2019	
	Amount	**% of the total (%)**	Amount	% of the total (%)
	(Amounts in millions of RMB, except percentages)			
Short-term loans (one year or less)	**48,303.6**	**32.5**	58,898.0	39.7
Medium and long-term loans (over one year)	**100,510.9**	**67.5**	89,565.7	60.3
Total corporate loans	**148,814.5**	**100.0**	148,463.7	100.0

Short-term loans as a percentage of our corporate loan portfolio decreased from 39.7% as of 31 December 2019 to 32.5% as of 30 June 2020 and our medium- and long-term loans as a percentage of our corporate loan portfolio increased from 60.3% as of 31 December 2019 to 67.5% as of 30 June 2020. The changes in the above percentages of our corporate loan portfolio were primarily due to the fact that the Bank further adjusted and optimised the credit structure.

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

	As of 30 June 2020		As of 31 December 2019	
	Amount	**% of the total (%)**	Amount	% of the total (%)
	(Amounts in millions of RMB, except percentages)			
Working capital loans	**77,669.7**	**52.2**	79,369.4	53.5
Fixed assets loans	**59,258.1**	**39.8**	55,467.6	37.4
Trade finance	**7,865.1**	**5.3**	8,509.7	5.7
Others[1]	**4,021.6**	**2.7**	5,117.0	3.4
Total corporate loans	**148,814.5**	**100.0**	148,463.7	100.0

Note:

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

Our working capital loans amounted to RMB77,669.7 million as of 30 June 2020, representing a decrease of 2.1% compared to RMB79,369.4 million as of 31 December 2019, remaining essentially stable.

Our fixed assets loans amounted to RMB59,258.1 million as of 30 June 2020, 6.8% higher than RMB55,467.6 million as of 31 December 2019, which was primarily due to the fact that the Bank further adjusted and optimised the credit structure.

Our trade finance amounted to RMB7,865.1 million as of 30 June 2020, representing a decrease of 7.6% compared to RMB8,509.7 million as of 31 December 2019, which was mainly because of the decrease in financing demands from customers due to the impact of COVID-19 epidemic.

Our other corporate loans amounted to RMB5,117.0 million and RMB4,021.6 million as of 31 December 2019 and 30 June 2020, respectively.

Personal loans

Our personal loans amounted to RMB124,799.7 million as of 30 June 2020, representing a decrease of 1.8% as compared to RMB127,142.3 million as of 31 December 2019. This decrease was mainly attributable to the Bank's adjustment to the credit structure.

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

	As of 30 June 2020		As of 31 December 2019	
	Amount	**% of the total (%)**	Amount	% of the total (%)
	(Amounts in millions of RMB, except percentages)			
Personal consumption loans	**86,223.0**	**69.1**	91,660.2	72.1
Residential mortgage loans	**22,686.7**	**18.2**	22,352.2	17.6
Personal business loans	**13,941.0**	**11.1**	11,382.9	8.9
Credit card overdrafts	**1,949.0**	**1.6**	1,747.0	1.4
Total personal loans	**124,799.7**	**100.0**	127,142.3	100.0

Our personal consumption loans amounted to RMB86,223.0 million as of 30 June 2020, representing a decrease of 5.9% compared to RMB91,660.2 million as of 31 December 2019. The decrease was primarily because personal consumption demand was suppressed to a certain extent due the impact of COVID-19 epidemic, the demand for consumption loans was therefore affected.

Our residential mortgage loans amounted to RMB22,686.7 million as of 30 June 2020, representing an increase of 1.5% compared to RMB22,352.2 million as of 31 December 2019. The increase in our residential mortgage loans was primarily due to the fact that since the beginning of this year, the Bank had stepped up the efforts in the marketing of the personal residential mortgage loan business, and at the same time, timely adjusted the residential loan policies for the interest rate pricing and the loan-to-value ratio on the basis of compliance with the regulatory requirements. The scale of personal residential loans has been steadily increased.

Our personal business loans amounted to RMB13,941.0 million as of 30 June 2020, representing an increase of 22.5% compared to RMB11,382.9 million as of 31 December 2019. The increase in our personal business loans was primarily due to our effective implementation of Central Government's policy to support for operation resumption of small and micro-sized enterprises and sole proprietors in 2020. Focusing on online loan products such as "e-loans for taxpayers" ("銀稅e貸") and "e-loans for supermarkets" ("商超e貸") targeting individuals, we continued to enhance the application and promotion of online "contactless" loan products. As such, our business scale and client base in this sector realised significant growth.

Our credit card overdrafts amounted to RMB1,747.0 million and RMB1,949.0 million as of 31 December 2019 and 30 June 2020, which was primarily due to the card issuance marketing model combining the online acquisition of customers on the Internet platform of the Meituan Joint Credit Card products with the offline QR code promotion at our business outlets, which led to a rapid increase in the scale of credit card issuance.

Finance lease receivables

As of 30 June 2020, we recorded a decrease of 26.1% in our finance lease receivables from RMB4,865.5 million as of 31 December 2019 to RMB3,595.2 million, which was primarily due to the impact of COVID-19 and a slowdown in the pace of the launch of finance lease projects.

Discounted bills

Our discounted bills increased by 109.8% from RMB13,474.2 million as of 31 December 2019 to RMB28,264.0 million as of 30 June 2020, primarily because under the influence of macro policy adjustment, in order to promote the resumption of work and production of enterprises, the central bank guided the downward trend of capital interest rates through open market operations and used rediscount tools to support corporate discount. In response to the policy requirements, the Bank proactively increased its bill assets and further optimized its asset structure.

Investment securities and other financial assets

As of 30 June 2020, the balance of our investment securities and other financial assets amounted to RMB323,727.2 million, representing an increase of 9.2% compared to RMB296,512.8 million as of 31 December 2019. The increase was mainly due to the further adjustment in our asset portfolio which continuously reduced allocation to investment in assets management plans and other investment businesses of other financial institutions while increasing the business scales in debt securities that were highly liquid and standardized as well as publicly offered funds.

The following table sets forth the components of our investment securities and other financial assets as of 31 December 2019 and 30 June 2020.

	As of 30 June 2020		As of 31 December 2019	
	Amount	**% of the total (%)**	Amount	% of the total (%)
	(Amounts in millions of RMB, except percentages)			
Debt securities				
Debt securities measured at amortised cost	**136,524.2**	**42.4**	106,863.9	36.0
Debt securities measured at fair value through other comprehensive income	**45,938.4**	**14.2**	46,994.0	15.8
Debt securities measured at fair value through profit or loss	**4,578.1**	**1.4**	1,973.9	0.7
Allowance for impairment losses	**(242.3)**	**(0.1)**	(276.7)	(0.1)
Subtotal	**186,798.4**	**57.7**	155,555.1	52.4
Funds	**28,886.7**	**8.9**	23,306.2	7.9
Wealth management products issued by other financial institutions	**4,836.2**	**1.5**	–	–
Trust beneficiary rights and assets management plans, net				
Asset management plans	**56,075.3**	**17.3**	69,919.1	23.6
Trust beneficiary rights	**48,771.6**	**15.1**	49,437.3	16.7
Allowance for impairment losses	**(3,395.2)**	**(1.0)**	(3,157.1)	(1.1)
Subtotal	**101,451.7**	**31.4**	116,199.3	39.2
Equity investments				
Equity investments measured at fair value through profit or loss	**360.6**	**0.1**	58.6	0.0
Equity investments measured at fair value through other comprehensive income	**1,393.6**	**0.4**	1,393.6	0.5
Subtotal	**1,754.2**	**0.5**	1,452.2	0.5
Total investment securities and other financial assets, net	**323,727.2**	**100.0**	296,512.8	100.0

Debt securities

The following table sets forth the components of our debt securities as of 31 December 2019 and 30 June 2020.

	As of 30 June 2020		As of 31 December 2019	
	Amount	**% of the total (%)**	Amount	% of the total (%)
	(Amounts in millions of RMB, except percentages)			
PRC government bonds	**58,741.3**	**31.4**	48,770.4	31.3
Debt securities issued by PRC policy banks	**68,773.4**	**36.8**	52,342.6	33.6
Financial assets issued by PRC corporate issuers	**35,572.3**	**19.0**	30,659.1	19.7
Debt securities issued by PRC banks and other financial institutions	**1,813.4**	**1.0**	1,902.0	1.2
Asset-backed securities	**22,140.3**	**11.8**	22,157.7	14.2
Total	**187,040.7**	**100.0**	155,831.8	100.0

Our holding of debt securities issued by PRC government increased by 20.4% from RMB48,770.4 million as of 31 December 2019 to RMB58,741.3 million as of 30 June 2020. The increase was primarily due to the fact that the Bank properly adjusted the asset structure and increased the scale of deployment of such assets.

Our holding of debt securities issued by PRC policy banks increased by 31.4% from RMB52,342.6 million as of 31 December 2019 to RMB68,773.4 million as of 30 June 2020. The increase was primarily due to the fact that the Bank properly adjusted the asset structure and increased the scale of deployment of such assets.

Our holding of debt securities issued by PRC corporate issuers increased by 16.0% from RMB30,659.1 million as of 31 December 2019 to RMB35,572.3 million as of 30 June 2020, which was primarily due to the fact that the Bank properly adjusted the asset structure and increased the scale of deployment of such assets with higher revenue.

Our holding of debt securities issued by PRC banks and other financial institutions decreased by 4.7% from RMB1,902.0 million as of 31 December 2019 to RMB1,813.4 million as of 30 June 2020, which reflected the fact that the Bank properly adjusted the asset structure and decreased the scale of deployment of such assets.

Our holding of asset-backed securities decreased by 0.1% from RMB22,157.7 million as of 31 December 2019 to RMB22,140.3 million as of 30 June 2020, which remained stable overall.

Distribution of investment securities and other financial assets by items on condensed consolidated statement of financial position

The following table sets forth the distribution of our investment securities and other financial assets by items on condensed consolidated statement of financial position as of 31 December 2019 and 30 June 2020.

	As of 30 June 2020		As of 31 December 2019	
	Amount	**% of the total (%)**	Amount	% of the total (%)
	(Amounts in millions of RMB, except percentages)			
Debt instruments measured at amortised cost	**203,412.2**	**62.8**	188,580.6	63.6
Financial assets measured at fair value through other comprehensive income	**47,332.0**	**14.6**	48,387.6	16.3
Financial assets measured at fair value through profit or loss	**72,983.0**	**22.6**	59,544.6	20.1
Total	**323,727.2**	**100.0**	296,512.8	100.0

Financial assets held under resale agreements

The table below sets forth the distribution of our financial assets held under resale agreements by collateral type as of 31 December 2019 and 30 June 2020.

	As of 30 June 2020		As of 31 December 2019	
	Amount	**% of the total (%)**	Amount	% of the total (%)
	(Amounts in millions of RMB, except percentages)			
Analysed by collateral type:				
Bonds	**2,357.6**	**70.4**	7,574.0	88.4
Bills	**993.5**	**29.6**	993.5	11.6
Gross amount	**3,351.1**	**100.0**	8,567.5	100.0
Allowance for impairment losses	**(393.3)**		(393.3)	
Net amount	**2,957.8**		8,174.2	

Our financial assets held under resale agreements amounted to RMB2,957.8 million as of 30 June 2020, representing a decrease of 63.8% compared to RMB8,174.2 million as of 31 December 2019, primarily due to the fact that the Bank properly adjusted the asset structure and decreased the scale of deployment of such assets.

Other components of our assets

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

Our cash and balances with central bank amounted to RMB42,020.6 million as of 30 June 2020, representing a decrease of 29.1% compared to RMB59,303.1 million as of 31 December 2019.

Our deposits with banks and other financial institutions amounted to RMB6,738.0 million as of 30 June 2020, representing a decrease of 2.2% compared to RMB6,888.5 million as of 31 December 2019, which remained essentially stable.

Our placements with banks and other financial institutions amounted to RMB6,944.9 million as of 30 June 2020, representing an increase of 28.3% compared to RMB5,414.0 million as of 31 December 2019. The increase was primarily due to the fact that the Bank properly adjusted the asset structure and increased the scale of deployment of such assets.

Our derivative financial assets amounted to RMB163.8 million as of 30 June 2020, representing a decrease of 2.1% compared to RMB167.3 million as of 31 December 2019.

Our other assets consist primarily of property and equipment, right-of-use assets, deferred tax assets, repossessed assets, interests in associates, prepaid expenses, intangible assets and other receivables, etc. Our other assets decreased by 0.7% from RMB11,712.0 million as of 31 December 2019 to RMB11,631.8 million as of 30 June 2020, primarily due to the decrease in deferred tax assets.

Pledge of assets

As of 30 June 2020, the details of pledge of our assets are set out in note 7.16 to the condensed consolidated financial statements in this results announcement.

3.4.2 Liabilities

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

	As of 30 June 2020		As of 31 December 2019	
	Amount	**% of the total (%)**	Amount	% of the total (%)
	(Amounts in millions of RMB, except percentages)			
Due to customers	**368,251.2**	**58.2**	350,996.4	56.8
Debt securities issued	**109,035.3**	**17.2**	120,669.7	19.5
Deposits from banks and other financial institutions	**35,536.3**	**5.6**	45,385.1	7.3
Financial assets sold under repurchase agreements	**45,131.0**	**7.1**	32,994.0	5.3
Placements from banks and other financial institutions	**22,217.4**	**3.5**	21,198.6	3.4
Financial liabilities held for trading	**80.2**	**0.0**	412.2	0.1
Borrowings from central bank	**45,023.2**	**7.1**	36,629.4	5.9
Income tax payable	**646.6**	**0.1**	1,693.5	0.3
Derivative financial liabilities	**12.1**	**0.0**	39.8	0.0
Other liabilities[1]	**7,224.7**	**1.2**	8,205.6	1.4
TOTAL LIABILITIES	**633,158.0**	**100.0**	618,224.3	100.0

Note:

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

As of 30 June 2020, our total liabilities were RMB633,158.0 million, representing an increase of 2.4% compared to RMB618,224.3 million as of 31 December 2019.

Due to customers

As of 30 June 2020, our due to customers amounted to RMB368,251.2 million, representing an increase of 4.9% compared to RMB350,996.4 million as of 31 December 2019.

The following table sets forth our due to customers by product type and maturity profile of deposits as of 31 December 2019 and 30 June 2020.

	As of 30 June 2020		As of 31 December 2019	
	Amount	**% of the total (%)**	Amount	% of the total (%)
	(Amounts in millions of RMB, except percentages)			
Corporate deposits				
Demand	**185,825.3**	**50.4**	180,184.0	51.3
Time[1]	**85,683.9**	**23.3**	79,839.0	22.7
Subtotal	**271,509.2**	**73.7**	260,023.0	74.0
Personal deposits				
Demand	**19,791.4**	**5.4**	21,692.8	6.2
Time[1]	**60,790.2**	**16.5**	51,473.9	14.7
Subtotal	**80,581.6**	**21.9**	73,166.7	20.9
Others[2]	**16,160.4**	**4.4**	17,806.7	5.1
Total due to customers	**368,251.2**	**100.0**	350,996.4	100.0

Notes:

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

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

Our corporate deposits increased by 4.4% from RMB260,023.0 million as of 31 December 2019 to RMB271,509.2 million as of 30 June 2020. The increase in our corporate deposits was primarily due to enhancement of client acquisition capability and client loyalty of our Bank. By adhering to our "Four Tailor-made Approaches" and precision marketing tactics, we were more focused on acquiring corporate clients with an emphasis on account planning as well as enhanced quality and efficiency. Consequently, contribution from due to customers area was boosted.

Our personal deposits increased by 10.1% from RMB73,166.7 million as of 31 December 2019 to RMB80,581.6 million as of 30 June 2020. The increase in our personal deposits was primarily due to the Bank's continuous commitment to the innovation of retail financial products and the expansion of our scope of service based on modern information technology. We used differentiated product strategies and service strategies to provide customers with suitable deposit products to meet the diverse needs of individual financial users for financial products. Since the beginning of this year, the Bank has further focused on the stability and sustainable development of the traditional liability business. We effectively met customers' needs on time, enhanced integrated service abilities to respond to market changes and attracted customer funds through providing various asset allocation plans, which effectively promoted the growth of the size of personal deposits of the Bank.

Debt securities issued

As of 30 June 2020, our debt securities issued amounted to RMB109,035.3 million, representing a decrease of 9.6% from RMB120,669.7 million as of 31 December 2019. The decrease in our debt securities issued was primarily because we extended to more financing channels to increase other liability sources.

Deposits from banks and other financial institutions

As of 30 June 2020, our deposits from banks and other financial institutions amounted to RMB35,536.3 million, representing a decrease of 21.7% from RMB45,385.1 million as of 31 December 2019. The decrease in our deposits from banks and other financial institutions primarily reflected the fact that the Bank adjusted our liability structure and reduced the size of this business area.

Financial assets sold under repurchase agreements

As of 30 June 2020, our financial assets sold under repurchase agreements amounted to RMB45,131.0 million, representing an increase of 36.8% from RMB32,994.0 million as of 31 December 2019. The increase in our financial assets sold under repurchase agreements was primarily because the Bank adjusted our liability structure and increased the size of this business area.

Placements from banks and other financial institutions

As of 30 June 2020, our placements from banks and other financial institutions amounted to RMB22,217.4 million, representing an increase of 4.8% from RMB21,198.6 million as of 31 December 2019. The increase in our placements from banks and other financial institutions was primarily due to an increase in the size of this business area of the Bank because of the adjustment of our liability structure.

Financial liabilities held for trading

As of 30 June 2020, our financial liabilities held for trading amounted to RMB80.2 million, representing a decrease of 80.5% from RMB412.2 million as of 31 December 2019. The decrease in our financial liabilities held for trading was primarily because the Bank adjusted its liability structure and decreased the size of this business area.

Borrowings from central bank

As of 30 June 2020, our borrowings from central bank amounted to RMB45,023.2 million, representing an increase of 22.9% from RMB36,629.4 million as of 31 December 2019. The increase in our borrowings from central bank was primarily due to a general increase in our borrowings from central bank including refinancing and rediscounting.

Income tax payable

As of 30 June 2020, our income tax payable amounted to RMB646.6 million, representing a decrease of 61.8% from RMB1,693.5 million as of 31 December 2019.

Derivative financial liabilities

As of 30 June 2020, our derivative financial liabilities amounted to RMB12.1 million, representing a decrease of 69.6% from RMB39.8 million as of 31 December 2019.

Other liabilities

Our other liabilities mainly include lease liabilities, other payables, settlement payable, salaries and benefits payable, dividends payable and sundry taxes payable. Our other liabilities decreased by 12.0% from RMB8,205.6 million as of 31 December 2019 to RMB7,224.7 million as of 30 June 2020, which was primarily due to the decrease in other payables and settlement payables.

Contingent liabilities

As of 30 June 2020, details of the Bank's contingent liabilities are set out in note 7.15 to the condensed consolidated financial statements in this results announcement.

3.4.3 Equity

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

	As of 30 June 2020		As of 31 December 2019	
	Amount	**% of the total (%)**	Amount	% of the total (%)
	(Amounts in millions of RMB, except percentages)			
EQUITY				
Share capital	**6,070.6**	**11.5**	6,070.6	11.9
Capital reserve	**10,731.1**	**20.4**	10,731.1	21.0
Investment revaluation reserve	**10.8**	**0.0**	88.6	0.2
Surplus reserve	**3,352.5**	**6.4**	3,352.5	6.5
General reserve	**9,198.3**	**17.5**	9,198.3	18.0
Retained earnings	**22,514.6**	**42.7**	20,953.8	40.9
Equity attributable to equity holders of the Bank	**51,877.9**	**98.5**	50,394.9	98.5
Non-controlling interests	**800.7**	**1.5**	781.9	1.5
TOTAL EQUITY	**52,678.6**	**100.0**	51,176.8	100.0

As of 30 June 2020, our shareholders' equity amounted to RMB52,678.6 million, representing an increase of 2.9% compared to RMB51,176.8 million as of 31 December 2019. As of 30 June 2020, our equity attributable to equity holders of the Bank was RMB51,877.9 million, representing an increase of 2.9% compared to RMB50,394.9 million as of 31 December 2019. The increase in the shareholders' equity in the six months ended 30 June 2020 was mainly due to the increase in our retained earnings.

3.5 Analysis of Off-Balance Sheet Items

The following table sets forth the contractual amounts of our credit commitments as of 31 December 2019 and 30 June 2020.

	As of 30 June 2020	As of 31 December 2019
	(Amounts in millions of RMB)	
Acceptances	**30,317.6**	32,085.8
Letters of credit issued	**7,341.9**	8,642.5
Letters of guarantee	**1,107.2**	1,248.6
Undrawn corporate loans limit	**24,034.6**	23,471.6
Undrawn credit card limit	**8,547.7**	6,924.5
Total	**71,349.0**	72,373.0

3.6 Analysis

Distribution of loans by five-category loan classification

The following table sets forth the distribution of our loan portfolio by the five-category loan classification as of 31 December 2019 and 30 June 2020.

	As of 30 June 2020		As of 31 December 2019	
	Amount	**% of the total[1] (%)**	Amount	% of the total[1] (%)
	(Amounts in millions of RMB, except percentages)			
Normal	**282,296.3**	**92.41**	274,802.4	93.49
Special mention	**16,682.9**	**5.46**	13,378.2	4.55
Subtotal	**298,979.2**	**97.87**	288,180.6	98.04
Substandard	**4,052.4**	**1.33**	3,130.8	1.07
Doubtful	**1,870.9**	**0.61**	2,071.1	0.70
Loss	**570.9**	**0.19**	563.2	0.19
Subtotal	**6,494.2**	**2.13**	5,765.1	1.96
Total loans and advances to customers	**305,473.4**	**100.0**	293,945.7	100.0

As of 30 June 2020, according to the five-category classification, the normal loans amounted to RMB282,296.3 million, representing an increase of RMB7,493.9 million compared to that as of 31 December 2019. The normal loans accounted for 92.41% of all the loans of the Bank as of 30 June 2020. Loans classified as special mention were RMB16,682.9 million, representing an increase of RMB3,304.7 million compared to that as of 31 December 2019. The loans classified as special mention accounted for 5.46% of all loans. The non-performing loans were RMB6,494.2 million, representing an increase of RMB729.1 million compared to that as of 31 December 2019 with a non-performing loan ratio[1] of 2.13%, representing an increase of 0.17 percentage point compared to that as of 31 December 2019, primarily due to the weakened repayment ability of individual corporate customers and individual customers of the Bank.

Note:

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

Distribution of corporate loans by industry

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

	As of 30 June 2020		As of 31 December 2019	
	Amount	**% of the total (%)**	Amount	% of the total (%)
	(Amounts in millions of RMB, except percentages)			
Real estate	**32,963.0**	**21.7**	35,254.4	23.1
Manufacturing	**25,976.4**	**17.0**	26,373.2	17.2
Wholesale and retail	**24,076.8**	**15.8**	23,834.4	15.5
Leasing and business services	**23,565.8**	**15.5**	22,454.9	14.6
Construction	**19,002.5**	**12.5**	17,205.7	11.2
Water, environment and public facilities management	**13,320.1**	**8.8**	13,145.1	8.6
Transportation, storage and postal services	**3,424.3**	**2.3**	3,608.9	2.4
Electricity, heat, gas and water production and supply	**2,836.4**	**1.9**	2,952.5	1.9
Finance	**1,669.2**	**1.1**	2,662.6	1.7
Resident services, repair and other services	**1,138.3**	**0.7**	1,822.0	1.2
Cultural, sports and entertainment	**913.0**	**0.6**	671.4	0.4
Accommodation and catering	**814.5**	**0.5**	742.7	0.5
Agriculture, forestry, animal husbandry and fishery	**681.7**	**0.4**	610.5	0.4
Information transmission, software and information technology services	**651.1**	**0.4**	609.3	0.4
Mining	**567.5**	**0.4**	657.8	0.4
Scientific research and technical services	**369.4**	**0.2**	272.7	0.2
Health and social services	**364.6**	**0.2**	257.3	0.2
Education	**75.1**	**0.0**	40.4	0.0
Public administration, social security and social organisation	**–**	**–**	153.4	0.1
Total corporate loans(1)	**152,409.7**	**100.0**	153,329.2	100.0

Note:

(1) Consist of finance lease receivables.

In the first half of 2020, the Bank actively supported the development of the real economy with its loans structure further optimised. As of 30 June 2020, loans provided to customers in the industries of (i) real estate, (ii) manufacturing, (iii) wholesale and retail, (iv) leasing and business services, and (v) construction represented the top five largest components of the Bank's corporate loans. As of 30 June 2020 and 31 December 2019, the balance of loans provided to the corporate customers in these five industries were RMB125,584.5 million and RMB125,122.6 million, respectively, accounting for 82.5% and 81.6% of the total corporate loans issued by the Bank, respectively.

Distribution of Non-Performing Corporate Loans by Industry

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

	As of 30 June 2020			As of 31 December 2019		
	Amount	**% of the total (%)**	**NPL ratio [(1)] (%)**	Amount	% of the total (%)	NPL ratio [(1)] (%)
	(Amounts in millions of RMB, except percentages)					
Manufacturing	**1,783.0**	**41.9**	**6.86**	1,834.3	42.5	6.96
Wholesale and retail	**1,729.5**	**40.5**	**7.18**	1,768.1	41.0	7.42
Construction	**307.2**	**7.2**	**1.62**	251.6	5.8	1.46
Mining	**169.9**	**4.0**	**29.94**	209.9	4.9	31.91
Accommodation and catering	**74.5**	**1.7**	**9.15**	74.5	1.7	10.03
Real estate	**61.2**	**1.4**	**0.19**	61.2	1.4	0.17
Information transmission, software and information technology services	**46.9**	**1.1**	**7.20**	46.9	1.1	7.70
Transportation, storage and postal services	**45.8**	**1.1**	**1.34**	47.8	1.1	1.32
Agriculture, forestry, animal husbandry and fishery	**38.2**	**0.9**	**5.60**	10.7	0.2	1.75
Scientific research and technical services	**6.0**	**0.1**	**1.62**	12.0	0.3	4.40
Leasing and business services	**3.0**	**0.1**	**0.01**	–	–	–
Total non-performing corporate loans[(2)]	**4,265.2**	**100.0**	**2.80**	4,317.0	100.0	2.82

Notes:

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

(2) Consist of finance lease receivables.

Our non-performing corporate loans consist primarily of non-performing loans to corporate borrowers in the manufacturing industry and wholesale and retail industry. The non-performing loan ratio for our corporate loans in the manufacturing industry were 6.96% and 6.86% as of 31 December 2019 and 30 June 2020, respectively. As of 31 December 2019 and 30 June 2020, non-performing corporate loans to borrowers in this industry accounted for 42.5% and 41.9% of our total non-performing corporate loans, respectively. The decrease in the non-performing loan ratio for our corporate loans to borrowers in the manufacturing industry was primarily because the Bank strengthened the collection and resolution of non-performing loans.

The non-performing loan ratios for our corporate loans in the wholesale and retail industry were 7.42% and 7.18% as of 31 December 2019 and 30 June 2020, respectively. As of 31 December 2019 and 30 June 2020, non-performing corporate loans to borrowers in this industry accounted for 41.0% and 40.5% of our total non-performing corporate loans, respectively. The decrease in our non-performing loan ratio for our corporate loans to borrowers in the wholesale and retail industry was primarily because the Bank strengthened the collection and resolution of non-performing loans.

The non-performing loan ratios for our corporate loans in the construction industry were 1.46% and 1.62% as of 31 December 2019 and 30 June 2020, respectively. As of 31 December 2019 and 30 June 2020, non-performing corporate loans to borrowers in this industry accounted for 5.8% and 7.2% of our total non-performing corporate loans, respectively. The increase in our non-performing loan ratio for our corporate loans to borrowers in the construction industry was primarily due to the weakened repayment ability of individual customers in the industry.

The non-performing loan ratios for our corporate loans in the mining industry were 31.91% and 29.94% as of 31 December 2019 and 30 June 2020, respectively. As of 31 December 2019 and 30 June 2020, non-performing corporate loans to borrowers in this industry accounted for 4.9% and 4.0% of our total non-performing corporate loans, respectively. The decrease in our non-performing loan ratio for our corporate loans to borrowers in this industry primarily reflected the Bank's increased efforts in the collection and resolution of non-performing loans.

The non-performing loan ratios for our corporate loans in the accommodation and catering industry were 10.03% and 9.15% as of 31 December 2019 and 30 June 2020, respectively. As of 31 December 2019 and 30 June 2020, non-performing corporate loans to borrowers in this industry accounted for 1.7% of our total non-performing corporate loans. The decrease in our non-performing loan ratio for our corporate loans to borrowers in the accommodation and catering industry was primarily due to the increase in the industry's balance of loans.

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 2020			As of 31 December 2019		
	Amount	**% of the total (%)**	**NPL ratio[1] (%)**	Amount	% of the total (%)	NPL ratio[1] (%)
	(Amounts in millions of RMB, except percentages)					
Corporate loans[2]						
Working capital loans	**3,816.1**	**58.8**	**4.91**	3,903.7	67.7	4.92
Fixed asset loans	**62.5**	**1.0**	**0.11**	62.5	1.1	0.11
Trade finance	**22.4**	**0.3**	**0.28**	22.9	0.4	0.27
Others[3]	**364.2**	**5.6**	**9.06**	327.9	5.7	6.41
Subtotal	**4,265.2**	**65.7**	**2.80**	4,317.0	74.9	2.82
Discounted bills	**–**	**–**	**–**	28.6	0.5	0.21
Subtotal	**–**	**–**	**–**	28.6	0.5	0.21
Personal loans						
Personal business loans	**573.0**	**8.8**	**4.11**	448.7	7.8	3.94
Personal consumption loans	**1,536.5**	**23.6**	**1.78**	885.3	15.3	0.97
Residential mortgage loans	**70.0**	**1.1**	**0.31**	55.7	1.0	0.25
Credit card overdrafts	**49.5**	**0.8**	**2.55**	29.8	0.5	1.72
Subtotal	**2,229.0**	**34.3**	**1.79**	1,419.5	24.6	1.12
Total non-performing loans	**6,494.2**	**100.0**	**2.13**	5,765.1	100.0	1.96

Notes:

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

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

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

The non-performing loan ratio for our corporate loans decreased from 2.82% as of 31 December 2019 to 2.80% as of 30 June 2020, with a 1.2% decrease in our non-performing corporate loans from RMB4,317.0 million to RMB4,265.2 million. The decrease in our non-performing corporate loans was primarily because the Bank strengthened the collection and resolution of non-performing loans.

The non-performing loan ratio for our personal loans increased from 1.12% as of 31 December 2019 to 1.79% as of 30 June 2020, with a 57.0% increase in our non-performing personal loans from RMB1,419.5 million as of 31 December 2019 to RMB2,229.0 million as of 30 June 2020. The increase in the non-performing loan ratio for our personal loans was primarily due to the weakened repayment ability of individual customers of the Bank.

The non-performing loan ratio for our discounted bills was 0.21% as of 31 December 2019 and our non-performing loans for discounted bills amounted to RMB28.6 million as of the same date. There was no non-performing loans for our discounted bills as of 30 June 2020. The decrease in the non-performing loan ratio for our discounted bills was primarily because the Bank strengthened the collection and resolution of non-performing loans.

Distribution of non-performing loans by geographical region

The following table sets forth the distribution of our non-performing loans by geographical region as of 31 December 2019 and 30 June 2020.

	As of 30 June 2020			As of 31 December 2019		
	Amount	**% of the total (%)**	**NPL ratio[1] (%)**	Amount	% of the total (%)	NPL ratio[1] (%)
	(Amounts in millions of RMB, except percentages)					
Tianjin	**1,573.7**	**24.3**	**1.23**	1,585.5	27.4	1.36
Beijing	**655.6**	**10.1**	**3.68**	397.0	6.9	1.60
Shandong Province	**893.3**	**13.8**	**2.57**	891.0	15.5	2.61
Shanghai	**1,457.5**	**22.4**	**1.84**	1,039.1	18.0	1.44
Hebei Province	**1,644.8**	**25.3**	**7.02**	1,663.5	28.9	7.20
Sichuan Province	**249.9**	**3.8**	**1.16**	178.2	3.1	0.81
Ningxia	**19.4**	**0.3**	**2.11**	10.8	0.2	1.17
Total non-performing loans	**6,494.2**	**100.0**	**2.13**	5,765.1	100.0	1.96

Note:

(1) Calculated by dividing non-performing loans of each region by the gross loans (interests included) of that region.

Distribution of loans by collateral

The following table sets forth the distribution of our loans and advances to customers by type of collateral as of 31 December 2019 and 30 June 2020.

	As of 30 June 2020		As of 31 December 2019	
	Amount	**% of the total (%)**	Amount	% of the total (%)
	(Amounts in millions of RMB, except percentages)			
Unsecured loan	**107,877.9**	**35.3**	109,527.3	37.3
Guaranteed loan	**106,272.3**	**34.8**	97,674.7	33.2
Collateralised loans[(1)]	**67,171.0**	**22.0**	68,449.1	23.3
Pledged loans[(1)]	**24,152.2**	**7.9**	18,294.6	6.2
Total loans and advances to customers	**305,473.4**	**100.0**	293,945.7	100.0

Note:

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

Borrowers concentration

As of 30 June 2020, the Bank's total loans to its largest single borrower accounted for 4.08% of its regulatory capital while total loans to its top ten customers accounted for 31.72% of its regulatory capital, which were in compliance with regulatory requirements.

a. *Indicators of concentration*

Major regulatory indicators	**Regulatory standard**	**As of 30 June 2020**	As of 31 December 2019
Loan concentration ratio for the largest single customer (%)	<=10	**4.08**	4.38
Loan concentration ratio for the top ten customers (%)	<=50	**31.72**	31.76

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

b. Loans to top ten single borrowers

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

		As of 30 June 2020			
	Industry	Amount	% of total loans (%)	% of regulatory capital[1] (%)	Classification
		(Amounts in millions of RMB, except percentages)			
Borrower A	Construction	**2,998.5**	**0.99**	**4.08**	Normal
Borrower B	Leasing and business services	**2,820.0**	**0.92**	**3.84**	Normal
Borrower C	Manufacturing	**2,486.3**	**0.81**	**3.38**	Normal
Borrower D	Manufacturing	**2,477.3**	**0.81**	**3.37**	Normal
Borrower E	Manufacturing	**2,336.2**	**0.76**	**3.18**	Normal
Borrower F	Construction	**2,282.5**	**0.75**	**3.11**	Normal
Borrower G	Real estate	**2,135.0**	**0.70**	**2.90**	Normal
Borrower H	Real estate	**2,086.0**	**0.68**	**2.84**	Normal
Borrower I	Leasing and business services	**1,895.0**	**0.62**	**2.58**	Normal
Borrower J	Wholesale and retail	**1,797.0**	**0.59**	**2.44**	Normal
Total		**23,313.8**	**7.63**	**31.72**	

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 30 June 2020, balance of loans to the largest single borrower of the Bank was RMB2,998.5 million, accounting for 0.99% of the total amount of loans of the Bank, and the total amount of loans to the top ten single borrowers was RMB23,313.8 million, representing 7.63% of the total amount of loans of the Bank.

Aging schedule of loans past due

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

Past Due	**As of 30 June 2020** Amount	**As of 30 June 2020** % of the total loans and advances to customers (%)	As of 31 December 2019 Amount	As of 31 December 2019 % of the total loans and advances to customers (%)
	(Amounts in thousands of RMB, except percentages)			
Past due 1 to 90 days	**4,694,832**	**1.53**	3,689,078	1.25
Past due 90 days to 1 year	**2,557,125**	**0.84**	1,902,002	0.65
Past due 1 to 3 years	**2,078,386**	**0.68**	2,018,500	0.69
Past due more than 3 years	**1,853,316**	**0.61**	1,767,617	0.60
Total	**11,183,659**	**3.66**	9,377,197	3.19

Changes to allowance for impairment losses of loans

The allowance for impairment losses of loans increased by 8.7% to RMB13,820.9 million as of 30 June 2020 from RMB12,716.4 million as of 1 January 2020. The increase was mainly due to the general increase in the Bank's provision for assets.

	As of 30 June 2020 Amount	**As of 30 June 2020** NPL ratio(2) (%)	As of 31 December 2019 Amount	As of 31 December 2019 NPL Ratio(2) (%)
	(Amounts in millions of RMB, except percentages)			
Beginning of the period	**12,716.4**	**1.96**	11,845.7	1.64
Net provisions for the period(1)	**3,526.8**		5,083.1	
Reversal interest revenue	**(63.5)**		(111.3)	
Write-off and transfers	**(2,441.6)**		(4,172.0)	
Recovery	**82.8**		70.9	
End of the period	**13,820.9**	**2.13**	12,716.4	1.96

Notes:

(1) Represent the net amount of allowance for impairment losses recognised in the profit or loss statement.

(2) Calculated by dividing the total amount of non-performing loans by total amount of loans (interests included).

3.7 Segment Report

Geographical Segment Report

In presenting information on the basis of geographical regions, operating income is gathered according to the locations of the branches or subsidiaries that generated the income. For the purpose of presentation, we categorise such information by geographical regions. The following table sets forth the total operating income of each of the geographical regions for the periods indicated.

	For the six months ended 30 June			
	2020		2019	
	Amount	**% of the total (%)**	Amount	% of the total (%)
	(Amounts in millions of RMB, except percentages)			
Tianjin	**4,619.0**	**53.1**	4,944.5	55.8
Shandong Province	**679.8**	**7.8**	623.5	7.0
Shanghai	**1,508.8**	**17.4**	1,443.3	16.3
Sichuan Province	**718.2**	**8.3**	651.5	7.4
Beijing	**790.8**	**9.1**	892.1	10.1
Hebei Province	**337.2**	**3.9**	247.9	2.8
Ningxia	**37.6**	**0.4**	52.5	0.6
Total	**8,691.4**	**100.0**	8,855.3	100.0

Business Segment Report

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

	For the six months ended 30 June			
	2020		2019	
	Amount	**% of the total (%)**	Amount	% of the total (%)
	(Amounts in millions of RMB, except percentages)			
Corporate banking	**2,940.0**	**33.8**	3,716.9	42.0
Personal banking	**3,135.2**	**36.1**	2,762.3	31.1
Treasury operations	**2,585.2**	**29.7**	2,360.5	26.7
Others[(1)]	**31.0**	**0.4**	15.6	0.2
Total	**8,691.4**	**100.0**	8,855.3	100.0

Note:

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

3.8 Analysis on Capital Adequacy Ratio

As of 30 June 2020, capital adequacy ratio was 15.47%, 0.23 percentage point higher than that at the end of 2019, while tier-one capital adequacy ratio and core tier-one capital adequacy ratio were 10.88% and 10.87%, respectively, 0.25 percentage point higher than those at the end of 2019.

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

	As of 30 June 2020	As of 31 December 2019
	(Amounts in millions of RMB, except percentages)	
Core capital		
– Share capital	**6,070.6**	6,070.6
– Capital reserve and investment revaluation reserve	**10,741.9**	10,819.7
– Surplus reserve	**3,352.5**	3,352.5
– General reserve	**9,198.3**	9,198.3
– Retained earnings	**22,514.6**	20,953.8
– Non-controlling interests that may be included	**161.9**	206.9
Total Core Capital	**52,039.8**	50,601.8
Core tier-one capital	**52,039.8**	50,601.8
Core tier-one capital deductible items	**(400.8)**	(396.5)
Net core tier-one capital	**51,639.0**	50,205.3
Net tier-one capital	**51,660.7**	50,232.9
Tier-two capital		
– Net tier-two capital instruments and related premiums	**16,260.0**	16,260.0
– Surplus allowance for impairment losses on loans	**5,540.1**	5,516.5
– Non-controlling interests that may be included	**43.2**	55.2
Total tier-two capital	**21,843.3**	21,831.7
Net capital	**73,504.0**	72,064.6
Total risk-weighted assets	**475,033.0**	472,772.3
Core tier-one capital adequacy ratio (expressed in percentage)	**10.87**	10.62
Tier-one capital adequacy ratio (expressed in percentage)	**10.88**	10.63
Capital adequacy ratio (expressed in percentage)	**15.47**	15.24

As of 30 June 2020, the Bank's leverage ratio was 7.18%.

	As of 30 June 2020	As of 31 December 2019
Leverage ratio	**7.18%**	7.12%

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

3.9 Risk Management

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

Credit risk

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

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

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

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

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

Operational risk

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

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

Market risk

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

Our Board undertakes the ultimate responsibility for monitoring on market risk management to ensure that the Bank effectively identifies, measures, monitors and controls the various market risks assumed by various businesses. Our senior management is responsible for formulating, regularly reviewing and supervising the implementation of policies, procedures and specific operation procedures for market risk management, keeping abreast of the level of market risk and its management and ensuring the Bank has sufficient human resources, materials, and appropriate organisation structure, management information system and technical level to effectively identify, measure, monitor and control the various market risks assumed by various businesses.

The Bank, through the improvement of market risk governance structure, management tool, system construction, effective measurement of market risk, controls negative effects of adverse movements in market price on the financial instrument position and relevant businesses within the reasonable range the Bank can tolerate, so as to ensure that various market risk indicators meet the regulatory requirements and operation needs.

Liquidity risk management

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

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

Information technology risk management

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

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

Our Bank has formulated IT Risk Management Policies of Bank of Tianjin Co., Ltd. (《天津銀行股份有限公司信息科技風險管理政策》), Administrative Measures for IT Risk Management of Bank of Tianjin (《天津銀行信息科技風險管理辦法》), IT Risk Management Strategies of Bank of Tianjin (《天津銀行信息科技風險管理策略》), Administrative Measures for Risk Management of Sub-contracting IT Work of Bank of Tianjin (《天津銀行信息科技外包風險管理辦法》) and Administrative Measures for IT Risk Monitoring Evaluation of Bank of Tianjin (《天津銀行信息科技風險監測評估管理辦法》). Meanwhile, since the outbreak of the epidemic this year, 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.

3.10 Business Review

Corporate Banking Business

In the first half of 2020, our corporate banking business focused on its main businesses and centered around adhering to the operation philosophy of "returning to the origin", with focus of operation on supporting development of the real economy, mainly on giving support to national and regional key construction projects, to enterprises in combating the epidemic and resuming work and production, and to stabilise enterprises for ensuring employment. With increased release of loans, optimised corporate business structure, enlarged customer base and developed core customer base, the Bank achieved the business objectives of improving quality and efficiency while stabilising the source of liabilities.

For the six months ended 30 June 2020, our operating income from corporate banking business amounted to RMB2,940.0 million, accounting for 33.8% of the total operating income over the same period, representing a decrease of 20.9% as compared to the same period last year.

As of 30 June 2020, balance of our corporate loans (excluding discounted bills and finance lease receivables) amounted to RMB148,814.5 million, representing an increase of 0.2% as compared to that on 31 December 2019. As of 30 June 2020, our total corporate deposits amounted to RMB271,509.2 million, representing an increase of 4.4% as compared to that on 31 December 2019.

In line with the development trend and in response to the national policy requirement of green development, the Bank integrated the philosophy of low carbon and environmental protection into the Company's operation and daily management, actively built green financial system for internal management. By providing excellent green financial products and services, we underpinned the sustainable development of the society, economy and environment. As of the end of the Reporting Period, our balance on energy saving and green projects and service loans reached RMB8.31 billion.

In the first half of 2020, the Bank's transaction banking business took our development strategic planning as the blueprint with "light capital, integration and online" as the direction to further integrate our transaction banking products, reduce risky assets occupation and increase the level of intermediate business incomes; through the focus on key industries, we enhanced comprehensive solutions for products and built a platform for transaction banking services; we promoted business going online, pushed forward the building of business platforms such as the electronic certificate system and online supply chain etc.; we accelerated business innovation and development in the free trade zones, and created free trade business with our own characteristics. For the six months ended 30 June 2020, income from intermediary business of our transaction banking business amounted to RMB123.55 million.

Personal Banking Business

In the first half of 2020, we further implemented the "boundless connections" business development strategy in our personal finance business, used internet channel to attract customers, steadily developed online businesses, and solidly implemented important measures of "1+2+1" for the personal finance business, that is, "1" for consolidating the superior wealth management business, "2" for consolidating the basic personal deposit and loan business, and "1" for strengthening the work requirements of product innovation business. Our Bank efficiently pushed forward various work measures, with major operating indicators showing high-quality and ultra-unconventional development.

To fully streamline business processing procedures and enhance business process efficiency, the Bank, adhering to the principle of continuously improving customers' experiences, promoted the construction of "intelligent outlets standardisation" to reach a new level. The three types of smart model outlets, which are "light", "comprehensive" and "flagship-type", have been launched, and outlet images have been further enhanced. In addition, the Bank deeply developed local markets, continuously strengthened the cooperation with Tianjin Social Security Bureau, diversified the functions and rights attached to social security cards, proactively promoted the use of social security cards to issue social insurance benefits, thus significantly increasing the deposits in current saving accounts of the social security cards. At the same time, to narrow the gap between advanced peers and us, the Bank strengthened its investment in financial product innovation, tapped into customers' financial and non-financial demand in various scenarios, sought financial innovations that serve and are closely relevant to the lives of the general public, offering comprehensive and all-rounded services to individual financial customers.

For the six months ended 30 June 2020, the operating income from our personal banking business amounted to RMB3,135.2 million, accounting for 36.1% of our total operating income over the same period and representing an increase of 13.5% as compared to the same period of last year.

As of 30 June 2020, balance of our personal loans reached RMB124,799.7 million, accounting for 40.9% of our total loans to customers. As of 30 June 2020, our personal consumption loans, residential mortgage loans, personal business loans and credit card overdrafts amounted to RMB86,223.0 million, RMB22,686.7 million, RMB13,941.0 million and RMB1,949.0 million, respectively, accounting for 69.1%, 18.2%, 11.1% and 1.6%, respectively of our total personal loans. As of the same date, our total personal deposits amounted to RMB80,581.6 million, representing an increase of 10.1% as compared to that on 31 December 2019.

For the six months ended 30 June 2020, in respect of our credit card business, due to the card issuance marketing model including the online attraction of customers on the Internet platform of Meituan's Joint Credit Card Product together with the offline QR code promotion at our business outlets as well as the card-using activities such as "Order takeaway, save 6 yuan everyday (訂外賣，天天減6元)", "Enjoy cuisine, 50% off on top of discount every week (吃美食，周周折上5折)" and "Swipe card every day, draw red packets every case (天天刷，筆筆抽紅包)", which led to rapidly increased card issuance. As of 30 June 2020, the number of credit cards newly issued was 132,300 this year, representing an increase 1,956% as compared to the same period last year. Among them, the issuance of Meituan's Joint Credit Card accounted for 99.2%. As of 30 June 2020, the Bank has issued 711,595 credit cards.

Small and Micro Financial Services

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

Our Bank has established a comprehensive small and micro inclusive financial services system. In terms of organisational system, special committees under the Board of Directors and senior management at the head office level have been set up to be responsible for the establishment, development and management of the small and micro inclusive financial services system, while branches at all levels are responsible for devoting to small and micro inclusive financial services and building a long-term mechanism for small and micro inclusive financial services at multiple levels through special policy support, building special teams and improving professional ability. In the first half of 2020, our Bank continued to implement the "dual-track" strategy for online and offline businesses and empower the small and micro inclusive finance areas with technology which focused on small and micro inclusive financial customers, using big data technologies and relevant electronic channels and the help of online loan products such as "e-Loan for taxpayers" (銀稅e貸) and "e-Loan for supermarkets" (商超e貸) to quickly and efficiently release credit funds to realise full access to long-tail, first loan and inclusive customer groups, providing small and micro customer groups with "precise dripping and irrigation" of financial running water, hence effectively helping their recovery and resume work and production of the real economy. As of 30 June 2020, our inclusive loans to small and micro enterprises amounted to RMB16,688.8 million, representing an increase of 39.8% as compared to that as at 31 December 2019. Number of clients for inclusive loans to small and micro enterprises grew by 3.8% to 412,024. In the first half of 2020, the weighted average interest rate of newly released inclusive loans to small and micro enterprises was 8.59%, representing a decrease of 1.34 percentage points over the same period in 2019.

In addition, the Bank developed the financial leasing business through establishing Bank of Tianjin Financial Leasing Co., Ltd., which commenced business operation in October 2016. For the six months ended 30 June 2020, total assets and net profit of Bank of Tianjin Financial Leasing Co., Ltd. amounted to RMB5,042.3 million and RMB32.9 million, respectively.

Furthermore, the Bank earnestly implemented the State's policies and requirements for supporting "agriculture, rural areas and farmers", actively performed our responsibilities for inclusive finance and continuously improved rural financial services and layout of branches in rural areas. As of 30 June 2020, our Bank established a total of 8 county banks in poor counties with small economic size and inadequate financial services in Xinjiang and Ningxia, and Jizhou District, Tianjin as well. Among them, Ningxia Yuanzhou Village Bank (寧夏原州村鎮銀行), our consolidated subsidiary, recorded operating income of RMB17.9 million and net profit of RMB4.0 million in the first half of 2020. Ningxia Tongxin Village Bank (寧夏同心村鎮銀行), our another consolidated subsidiary, recorded operating income of RMB19.7 million and net profit of RMB11.4 million in the first half of 2020. As of 30 June 2020, our inclusive agriculture-related loan balance was RMB2,126.4 million, among which the inclusive agriculture-related loan balance in Tianjin reached RMB966.1 million, representing an increase of 33.6% as compared to that of 31 December 2019.

Treasury Operations

In the first half of 2020, with focus on better serving and supporting the real economy, we continued to optimise our asset structure by enhancing investment in standardised, high-yield, light-capital and assets with high-liquidity assets and enhanced comprehensive contribution for business; strengthening marketing of initiative debts to optimise the debt structure; actively engaging in self-operation and trading on behalf of clients of bonds, foreign exchange, derivatives and precious metals, and further improving the FICC (Fixed income, Currency & Commodity) product business system that integrates investment and financing and trading business to promote the high quality development of financial market business.

For the six months ended 30 June 2020, our operating income in treasury operations business was RMB2,585.2 million, accounting for 29.7% of our Bank's total operating income, representing an increase of 9.5% as compared to the same period last year.

As of 30 June 2020, our Bank possessed business qualifications such as a member of Ministry of Finance book-entry treasury bond underwriting syndicates; local bond underwriting syndicates in Tianjin, Shanghai, Hebei and Shandong; financial debt underwriting syndicates of the three major policy banks (China Development Bank, China Export-Import Bank and Agricultural Development Bank of China); A-class lead underwriting qualification for debt financing instruments of non-financial enterprise in the inter-bank market; the license for hedging derivatives trading; qualifications of core dealer of CRMW instruments; issuing institution of CRMW and issuing institution of credit-linked notes, business qualifications for interbank gold price asking transactions through the Shanghai Gold Exchange; as well as business qualifications including qualification for interest rate swaps and standard bond forward business, online interbank depository participant, and membership of China Foreign Exchange Trade System for inter-bank forex trading in Shanghai Free-Trade Zone (上海自貿區).

In the first half of 2020, our Bank was one of the first batch of institutions trading interest rate swap options and interest rate collar options in the inter-bank market, and obtained the qualification to undertake real-time interest rate swap transactions, further improving the layout of our derivatives. In the first half of 2020, the Bank acquired the business qualification as trustee for debt financing instruments of non-financial enterprise in the inter-bank market and became one of the 30 entrusted management banks approved by National Association of Financial Market Institutional Investors, laying a solid foundation for exploration into and development of our new business.

In the first half of 2020, our Bank ranked fourth in the "Ranking for Trading Volume of Spot Bonds" by CCDC, was awarded "the Award for Member with the Greatest Improvement in Foreign Exchange Market" (外幣貨幣市場最大進步會員獎) granted by China Foreign Exchange Trade System. The Bank was listed among the list of "Active Dealers of X-Repo" from April to June 2020, and was awarded "X-Lending Active Institutions" in the first quarter of 2020 and from April to June 2020, during which the Bank ranked first in the list of X-Lending Active Institutions in May. Our brand image in the market was further enhanced.

Money Market Transaction

For the six months ended 30 June 2020, by expanding our aggregate transaction scale in the money market, our Bank responded to the changing money market while maintaining our liquidity and enhancing our influence in the money market.

Firstly, we strengthened money market transactions. In 2020, our transaction volume in the local currency money market was RMB4.37 trillion, representing a year-on-year increase of 82%, and our transaction volume in the foreign currency money market was US$73.79 billion, representing a year-on-year increase of 10%; in the first half of 2020, our transaction volume in the bill market amounted to RMB44.091 billion, representing a year-on-year increase of 298.3%. While meeting our liquidity needs, our activities in the market increased significantly.

Secondly, we broadened our liability channels. On the one hand, we flexibly utilised various traditional money market tools to obtain financial support and reduced finance costs while ensuring liquidity security; on the other hand, we actively developed business methods such as rediscounting and refinancing through the People's Bank of China to implement the State's rediscounting financial policy with high quality and effectively support resumption of work and production of entities while further enriching our source of funds.

Fixed Income Business

As of 30 June 2020, our Bank further strengthened research and analysis on the financial market and policy environment, and proactively adapted to new market changes.

Firstly, we continued to actively develop bond underwriting and distribution business through the model of joint action of primary and secondary markets as well as cross action of innovative business such as bond lending. The Bank continuously leveraged on the strength and customer resources of members of treasury bond underwriting syndicates, the three major policy banks' financial debt underwriting syndicates and local bond underwriting syndicates in Tianjin, Shanghai, Hebei, Shandong and other regions. In the first half of 2020, the accumulated underwriting amount of treasury bonds, local government bonds and policy bank bonds amounted to RMB78.7 billion. The Bank also actively participated in interest rate bond bidding of epidemic prevention while actively fulfilling its social responsibilities, which has further expanded our Bank's source of non-interests income.

Secondly, we engaged further in bond transactions, strengthened market analysis, grasped opportunities of market fluctuations to carry out bond transactions while achieving higher gains. In the first half of 2020, our scale in spot trading amounted to RMB3.36 trillion, an increase of 56% year-on-year; our transaction volume of bond lending was RMB117.08 billion, a year-on-year increase of nearly 28 times, and the participation in the market further increased.

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

Forex and Precious Metal Transactions

In the first half of 2020, the Bank continuously consolidated and enhanced the capabilities and standards of our foreign exchange and precious metal business, laying the foundation for practically promoting financial market business transformation and innovation. Our Bank further accelerated the building of relationship among counterparties in financial derivatives transactions, consolidated the foundation for inter-bank cooperation, and continued to expand the scale of business transactions such as foreign exchange derivatives and precious metals. In the first half of 2020, our total volume of foreign exchange transactions amounted to approximately US$16.4 billion, a year-on-year increase of 122%; we steadily carried out lending and swap business of 185,000 ounces of London gold, an increase of 17.5 times over last year

We actively carried out foreign currency repurchase innovation business and successfully launched the first foreign currency repurchase business with domestic bonds as collateral; as of the end of June 2020, foreign currency repurchase business amounted to US$3.13 billion. The scale of the transactions is at the forefront of the market, providing the liquidity of our bonds under custody in Shanghai Clearing House and improving its efficiency.

Treasury Business Conducted on Behalf of Customers

For the six months ended 30 June 2020, the wealth management business of our Bank continued to grow steadily, which further accelerated the product transformation towards the net worth type, innovated new products, optimised asset allocation, adjusted its customer base, and consequently enhanced its profitability.

Firstly, we accelerated the product transformation towards the net worth type. In the first half of 2020, our Bank strictly followed the new regulatory requirements on asset management business and contributed to the net worth type transformation of wealth management business in the industry. On the basis of continuous improvement in the net worth product system, our Bank successively launched various types of net worth products such as the "Hong Ding Wealth-a enhanced fixed income product with 6 phases in half year (鴻鼎財富－半年6期固收增強類) and Guan Hai Wealth-a cyclical wealth management product of 90 days which is available everyday (觀海財富90天隨享)". By the end of the first half of 2020, the size of our existing net worth wealth management products reached RMB71,817.8 million, representing an increase in its proportion to the overall figure to 70% from 50% at the beginning of the year.

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

Thirdly, we sought for optimisation of customer profile. Based on the regulatory guideline for asset management business, i.e. "restoring to real economy", and our Bank's strategic positioning of ultra-unconventional development approach for retail business, we strive to be a leading city commercial bank by seeking for optimisation of customer profile in wealth management business. As of 30 June 2020, the proportion of our basic core wealth management customers increased to 88% from 81% at the beginning of the year. In particular, the size of our existing wealth management business for individuals reached RMB84,441.0 million and its proportion to the overall figure also increased to 83% from 78% at the beginning of the year.

As of 30 June 2020, the total outstanding amount of wealth management products issued by us was RMB102,328.2 million, representing a decrease of 7% as compared to the beginning of the year. For the six months ended 30 June 2020, the net fee and commission income from the wealth management products issued by us amounted to RMB816.6 million, representing an increase of 31% year-on-year.

Investment Banking Business

In the first half of 2020, our Bank's investment banking business continued to focus on our main responsible business, adhering to the direction of returning to the origins of finance and fulfilling our original intention of serving the real economy by closely following the guidance on strategic planning and ongoing strengthening support for the real economy. During the first half of the year, the Bank had underwritten and distributed a variety of direct financing products such as non-finance corporate debt financing instruments and debt financing plan of RMB22.1 billion, among which, the lead underwriting business involves bonds for COVID-19 prevention and control of RMB1.52 billion. The Bank successfully issued its first CRMW, which is also the first CRMW for COVID-19 prevention and control issued by a city commercial bank in China and the first CRMW issued by a corporate financial institution in Tianjin. In addition, the Bank has issued the first batch of interbank credit bonds for COVID-19 prevention and control for private finance lease companies in China. The above achievements have together supported the Bank's transformation into a low capital-intensive and light-asset business model.

International Business

For the six months ended 30 June 2020, our Bank's international settlement volume amounted to US$3,027.5 million.

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

During the Reporting Period, the Bank was not engaged in any material investment, material acquisition, disposal of assets or business merger.

5. OTHER INFORMATION

5.1 Corporate Governance Code

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

Our Bank has established a relatively comprehensive corporate governance structure in accordance with the requirements of the Hong Kong Listing Rules. The compositions of the Board and the special committees of the Board are in compliance with the requirements of the Hong Kong Listing Rules.

Our Bank 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 during the Reporting Period.

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

5.2 Directors, Supervisors and Senior Management of the Bank

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

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

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

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

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

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

On 20 March 2020, due to work adjustment, Mr. XIAO Jingxi tendered his resignation to the Board to resign from the position of non-executive director of the Bank and member of the audit committee under the Board. The resignation of Mr. XIAO Jingxi will cause the number of Board members of the Bank to be lower than the minimum number stipulated in our Articles of Association. According to the relevant provisions of the Company Law and our Articles of Association, the Bank will convene a shareholders general meeting to elect a director to fill the vacancy. To ensure the normal operation of the Board, Mr. XIAO Jingxi will continue to perform his duties as a director until the regulatory authority has approved the qualifications of the new director. On 30 June 2020, the qualifications of the new directors were approved by the regulatory authorities. Therefore, Mr. XIAO Jingxi's resignation took effect on 30 June 2020. For details please refer to the announcement of the Bank headed "Change of Non-Executive Director" dated 20 March 2020, the announcements headed "(I) Poll Results of the 2019 Annual General Meeting held on Tuesday, May 12, 2020 and (II) Payment of the Final Dividend" dated 12 May 2020 and the announcement headed "Announcement on Approval of the Qualification of Directorship by the Regulatory Body" dated 30 June 2020.

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

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

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

On 28 July 2020, by reasons of his age, Mr. LI Zongtang has tendered his resignation as the chairman of the Bank, an executive director, the chairman of the Strategic Development Committee, a member of the Nomination and Remuneration Committee and a member of the Inclusive Finance Development and Consumer Rights Protection Committee (former Consumer Rights Protection Committee). Mr. LI Zongtang's resignation took effect on 28 July 2020. On the same date, the Bank convened a Board meeting, and elected Mr. SUN Liguo as the Chairman of the Bank, the chairman of the Strategic Development Committee and a member of the Nomination and Remuneration Committee. The Board approved that Mr. SUN Liguo will perform the duties of the chairman before the approval of his qualification as the chairman is obtained. The qualification of Mr. SUN Liguo as the chairman of the Bank has been approved by Tianjin Bureau of CBIRC on 27 August 2020. For details, please refer to the announcement of the Bank headed "Change of Chairman" published on 28 July 2020 and the announcement of the Bank headed "Announcement on Approval of the Qualification of Chairman" published on 27 August 2020.

On 27 August 2020, Mr. SUN Liguo resigned as the President due to his re-designation. Mr. SUN Liguo's resignation took effect on 27 August 2020. At the same date, as approved by the Board, Mr. SUN Liguo will serve as Acting President before the appointment of the new President. For details, please refer to the announcement of the Bank headed "Announcement on Approval of the Qualification of Chairman" published on 27 August 2020.

5.4 Securities Transactions by Directors, Supervisors and Relevant Employees

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

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

5.5 Profits and Dividends

The Bank's revenue for the six months ended 30 June 2020 and the Bank's financial position as of the same date are set out in the section headed "Interim Financial Statements" of this interim results announcement.

The profit distribution plan for 2019 of the Bank was considered and approved by our shareholders at the Bank's 2019 annual general meeting held on 12 May 2020. A final dividend of RMB1.8 (tax inclusive) per ten shares for the year of 2019, amounting to a total dividend of RMB1,092.7 million (tax inclusive) was distributed to holders of H shares and domestic shares on 30 June 2020.

The Bank will not distribute any interim dividend for the first six months of 2020 or convert any capital reserve into share capital.

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

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

5.7 Review of the Interim Results

The interim financial statements disclosed in this interim results announcement have not been audited. The interim financial statements for the six months ended 30 June 2020 prepared by the Bank in accordance with the IAS 34 promulgated by the International Accounting Standards Board and the Hong Kong Listing Rules have been reviewed by Deloitte Touche Tohmatsu in accordance with the International Standard on Review Engagements.

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

5.8 Use of Proceeds

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

5.9 Subsequent Events

Change of Chairman and President

For details, please refer to "5.3 Changes in Directors, Supervisors and Senior Management during the Reporting Period".

Redemption of tier-two capital bonds

On 25 August 2020, the Bank has exercised the redemption rights to redeem the tier-two capital bonds of Bank of Tianjin Co., Ltd. of 2015 in full with an amount of RMB5 billion.

Save as foregoing, no other significant events occurred to the Bank and its subsidiaries after the Reporting Period.

6. INTERIM FINANCIAL STATEMENT

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

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Interest income	**15,595,557**	15,953,879
Interest expense	**(9,193,092)**	(9,487,780)
Net interest income	**6,402,465**	6,466,099
Investment income	**857,315**	824,219
Fee and commission income	**1,386,214**	1,064,950
Fee and commission expense	**(38,635)**	(14,869)
Net fee and commission income	**1,347,579**	1,050,081
Net trading (losses)/gains	**(1,590)**	358,873
Net gains arising from derecognition of financial assets measured at amortised cost	**69,353**	83,826
Other income, gains or losses	**16,282**	72,230
Operating income	**8,691,404**	8,855,328
Operating expenses	**(1,813,842)**	(1,921,770)
Impairment losses under expected credit loss model, net of reversals	**(3,744,702)**	(3,038,529)
Share of results of associates	**10,213**	8,051
Profit before tax	**3,143,073**	3,903,080
Income tax expense	**(470,689)**	(759,842)
Profit for the period	**2,672,384**	3,143,238

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

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Other comprehensive expense:		
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	**188,006**	(79,599)
Amount reclassified to profit or loss upon disposal of:		
– financial assets measured at fair value through other comprehensive income	**(306,510)**	(100,797)
Cumulative impairment loss recognised on:		
– financial assets measured at fair value through other comprehensive income	**14,786**	74,556
Income tax relating to items that may be reclassified to profit or loss	**25,929**	26,460
Other comprehensive expense for the period, net of tax	**(77,789)**	(79,380)
Total comprehensive income for the period	**2,594,595**	3,063,858
Profit for the period attributable to:		
Equity holders of the Bank	**2,653,604**	3,113,189
Non-controlling interests	**18,780**	30,049
	2,672,384	3,143,238
Total comprehensive income for the period attributable to:		
Equity holders of the Bank	**2,575,815**	3,033,809
Non-controlling interests	**18,780**	30,049
	2,594,595	3,063,858
Earnings per share (Expressed in RMB Yuan per share)		
– Basic	**0.44**	0.51

6.2 CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
ASSETS		
Cash and balances with central bank	**42,020,557**	59,303,119
Deposits with banks and other financial institutions	**6,737,963**	6,888,466
Placements with banks and other financial institutions	**6,944,874**	5,413,990
Derivative financial assets	**163,786**	167,291
Financial assets held under resale agreements	**2,957,846**	8,174,228
Financial assets at fair value through profit or loss	**72,982,981**	59,544,603
Debt instruments at fair value through other comprehensive income	**45,938,365**	46,994,040
Loans and advances to customers	**291,652,458**	281,229,242
Debt instruments at amortised cost	**203,412,235**	188,580,627
Equity instruments at fair value through other comprehensive income	**1,393,601**	1,393,601
Deferred tax assets	**4,619,446**	4,797,646
Other assets	**3,397,471**	3,298,900
Property and equipment	**2,281,594**	2,288,830
Right-of-use assets	**1,112,836**	1,116,131
Interests in associates	**220,615**	210,403
Total assets	**685,836,628**	669,401,117

6.2 CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 30 JUNE 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
LIABILITIES		
Borrowings from central bank	**45,023,167**	36,629,447
Deposits from banks and other financial institutions	**35,536,316**	45,385,064
Placements from banks and other financial institutions	**22,217,447**	21,198,612
Financial liabilities held for trading	**80,197**	412,186
Derivative financial liabilities	**12,066**	39,787
Financial assets sold under repurchase agreements	**45,131,014**	32,993,996
Income tax payable	**646,632**	1,693,467
Other liabilities	**6,141,816**	7,138,432
Lease liabilities	**1,082,769**	1,067,299
Due to customers	**368,251,178**	350,996,365
Debt securities issued	**109,035,347**	120,669,679
Total liabilities	**633,157,949**	618,224,334
EQUITY		
Share capital	**6,070,552**	6,070,552
Capital reserve	**10,731,130**	10,731,130
Investment revaluation reserve	**10,842**	88,631
Surplus reserve	**3,352,480**	3,352,480
General reserve	**9,198,347**	9,198,347
Retained earnings	**22,514,610**	20,953,705
Equity attributable to equity holders of the Bank	**51,877,961**	50,394,845
Non-controlling interests	**800,718**	781,938
Total equity	**52,678,679**	51,176,783
Total equity and liabilities	**685,836,628**	669,401,117

6.3 CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

	Attributable to equity holders of the Bank								
	Share capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Subtotal	Non-controlling interests	Total
As at 31 December 2019 (Audited)	6,070,552	10,731,130	88,631	3,352,480	9,198,347	20,953,705	50,394,845	781,938	51,176,783
Profit for the period	–	–	–	–	–	2,653,604	2,653,604	18,780	2,672,384
Other comprehensive expense for the period	–	–	(77,789)	–	–	–	(77,789)	–	(77,789)
Total comprehensive income for the period	–	–	(77,789)	–	–	2,653,604	2,575,815	18,780	2,594,595
Dividend distribution	–	–	–	–	–	(1,092,699)	(1,092,699)	–	(1,092,699)
As at 30 June 2020 (Unaudited)	6,070,552	10,731,130	10,842	3,352,480	9,198,347	22,514,610	51,877,961	800,718	52,678,679
As at 31 December 2018 (Audited)	6,070,552	10,731,130	148,547	3,352,480	9,133,134	17,563,646	46,999,489	721,248	47,720,737
Profit for the period	–	–	–	–	–	3,113,189	3,113,189	30,049	3,143,238
Other comprehensive expense for the period	–	–	(79,380)	–	–	–	(79,380)	–	(79,380)
Total comprehensive income for the period	–	–	(79,380)	–	–	3,113,189	3,033,809	30,049	3,063,858
Dividend distribution	–	–	–	–	–	(1,092,699)	(1,092,699)	–	(1,092,699)
Appropriation to general reserve	–	–	–	–	63,615	(63,615)	–	–	–
As at 30 June 2019 (Unaudited)	6,070,552	10,731,130	69,167	3,352,480	9,196,749	19,520,521	48,940,599	751,297	49,691,896

6.4 CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES		
Profit before tax	**3,143,073**	3,903,080
Adjustments for:		
Depreciation and amortisation	**323,256**	256,296
Impairment losses under expected credit loss model, net of reversals	**3,744,702**	3,038,529
Share of results of associates	**(10,213)**	(8,051)
Interest income arising from debt instruments at FVTOCI and at amortised costs	**(5,124,718)**	(5,409,411)
Interest income arising from impaired financial assets	**(63,467)**	(36,598)
Interest expense arising from debt securities issued	**2,025,754**	2,890,700
Interest expense arising from leases liabilities	**26,113**	23,286
Investment income	**(857,315)**	(824,219)
Net trading (losses)/gains	**1,590**	(358,873)
Net gains arising from derecognition of financial assets measured at amortised cost	**(69,353)**	(83,826)
Other income, gains or losses	**110**	(145,844)
Operating cash flows before movements in working capital	**3,139,532**	3,245,069
Decrease in balances with central bank and deposits with banks and other financial institutions	**3,884,585**	4,375,595
Increase in placements with banks and other financial institutions	**(1,559,404)**	(980,944)
Decrease/(increase) in financial assets held for trading and derivative financial assets	**109,003**	(2,182,927)
Increase in loans and advances to customers	**(13,059,978)**	(27,358,212)
Increase in borrowings from central bank	**8,090,930**	2,985,000
Decrease in deposits from banks and other financial institutions	**(10,036,811)**	(5,992,628)
Increase in placements from banks and other financial institutions	**1,124,215**	12,033,718
(Decrease)/increase in financial liabilities held for trading and derivative financial liabilities	**(319,910)**	1,396,811
Increase in financial assets sold under repurchase agreements	**12,182,625**	4,806,028
Increase in due to customers	**16,959,317**	15,778,299
Increase in other operating assets	**(1,070,435)**	1,236,594
Decrease in other operating liabilities	**(324,866)**	1,218,233
Cash generated by operating activities	**19,118,803**	5,650,992
Income tax paid	**(1,313,395)**	(1,328,105)
Net cash generated by operating activities	**17,805,408**	4,322,887

6.4 CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
INVESTING ACTIVITIES		
Cash received from disposal and redemption of investment securities	**104,643,211**	123,507,916
Cash received from disposal of property and equipment and other assets	**2,793**	1,529
Cash paid for purchases of investment securities	**(132,205,801)**	(109,137,477)
Cash paid for purchase of property and equipment and other assets	**(182,095)**	(340,141)
Interest and investment income received from investment securities	**5,913,834**	7,411,488
Net cash (used in)/generated by investing activities	**(21,828,058)**	21,443,315
FINANCING ACTIVITIES		
Cash received from debt securities issued	**68,207,055**	87,469,449
Repayment of debt securities issued	**(79,680,000)**	(113,910,000)
Repayment of lease liabilities	**(158,718)**	(125,703)
Interest paid on financing activities	**(2,187,142)**	(3,233,380)
Dividends paid	**(919,063)**	(322,005)
Net cash used in financing activities	**(14,737,868)**	(30,121,639)
Net decrease in cash and cash equivalents	**(18,760,518)**	(4,355,437)
Cash and cash equivalents at beginning of the period	**40,210,874**	26,851,195
Effect of foreign exchange rate changes	**20,877**	1,762
Cash and cash equivalents at end of the period	**21,471,233**	22,497,520
Net cash generated by operating activities include:		
Interest received	**11,653,939**	11,961,124
Interest paid	**(6,668,651)**	(6,858,776)
Net interest received from operating activities	**4,985,288**	5,102,348

7. NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7.1 BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 ("IAS 34") *Interim Financial Reporting* issued by the International Accounting Standards Board ("IASB") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2019.

7.2 SIGNIFICANT EVENT IN THE CURRENT INTERIM PERIOD

During the six months ended 30 June 2020, as a result of Covid-19, the global economic downturn accelerated. Certain countries exhibited negative economic growth and it marked the most severe economic recession in recent years. The Bank's operations also faces increasing pressure and challenges. Covid-19 impaired liquidity and financial positions of certain corporate and personal clients, as a consequence, their abilities to repay were reduced and it exerted pressures of the asset quality of the Bank. The Bank increased its impairment on loans and advances to customers during this financial period. At the same time, certain new economic measures were instigated to encourage banks and financial institutions to provide credit support to corporate and individuals. These measures includes lower lending rates, rescheduling of repayment terms and to provide credit support to small corporate customers in order to return certain profit to small enterprises. These measures reduced the Bank's net interest income and net interest margin, and to certain extent impacts the operating result of the whole year.

7.3 PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting polices resulting from application of amendments to International Financial Reporting Standards ("IFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2019.

Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

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

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

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

7.3 PRINCIPAL ACCOUNTING POLICIES – CONTINUED

7.3.1 Impacts and accounting policies on early application of Amendment to IFRS 16 "Covid-19-Related Rent Concessions"

7.3.1.1 Accounting policies

Leases

Covid-19-related rent concessions

Rent concessions relating to lease contracts that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS 16 "Leases" if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

7.3.1.2 Transition and summary of effects

The Group has early applied the amendment in the current interim period. The application has no impact to the opening retained profits at 1 January 2020. The amount of the Group recognised changes in lease payments that resulted from rent concessions in the profit or loss for the current interim period is immaterial.

7.4 SEGMENT ANALYSIS

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

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

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

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

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

Operating Segments

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

Corporate banking

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

Personal banking

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

Operating Segments – continued

Treasury operations

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

Others

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

7.4 SEGMENT ANALYSIS – CONTINUED

Operating Segments – continued

	Corporate banking	Personal banking	Treasury operations	Others	Total
Six months ended 30 June 2020					
External interest income	4,759,808	4,926,889	5,908,860	–	15,595,557
External interest expense	(3,909,171)	(958,033)	(4,325,888)	–	(9,193,092)
Inter-segment interest income/(expense)	1,485,998	(1,255,507)	(230,491)	–	–
Net interest income	2,336,635	2,713,349	1,352,481	–	6,402,465
Investment income	–	–	857,315	–	857,315
Fee and commission income	612,251	440,317	333,646	–	1,386,214
Fee and commission expense	(8,872)	(18,508)	(11,255)	–	(38,635)
Net fee and commission income	603,379	421,809	322,391	–	1,347,579
Net trading (losses)/gains	–	–	(1,590)	–	(1,590)
Net gains arising from the derecognition of financial assets measured at amortised cost	–	–	69,353	–	69,353
Other income, gains or losses	–	–	(14,764)	31,046	16,282
Operating income	2,940,014	3,135,158	2,585,186	31,046	8,691,404
Operating expenses	(617,544)	(776,015)	(420,283)	–	(1,813,842)
Impairment losses under expected credit loss model, net of reversals	(1,355,356)	(2,151,111)	(238,235)	–	(3,744,702)
Share of results of associates	–	–	–	10,213	10,213
Profit before tax	967,114	208,032	1,926,668	41,259	3,143,073
Income tax expense					(470,689)
Profit for the period					2,672,384
Depreciation and amortisation	(109,173)	(118,086)	(95,997)	–	(323,256)
Capital expenditure	(55,202)	(71,100)	(20,318)	(35,475)	(182,095)
As at 30 June 2020					
Segment assets	188,448,782	122,933,434	373,116,192	1,338,220	685,836,628
Segment liabilities	(279,422,649)	(76,022,589)	(276,819,983)	(892,728)	(633,157,949)
Supplementary information					
Credit commitments	62,801,240	8,547,780	–	–	71,349,020

7.4 SEGMENT ANALYSIS – CONTINUED

Operating Segments – continued

	Corporate banking	Personal banking	Treasury operations	Others	Total
Six months ended 30 June 2019					
External interest income	5,059,407	4,600,595	6,293,877	–	15,953,879
External interest expense	(4,108,384)	(988,429)	(4,390,967)	–	(9,487,780)
Inter-segment interest income/(expense)	2,044,702	(1,141,573)	(903,129)	–	–
Net interest income	2,995,725	2,470,593	999,781	–	6,466,099
Investment income	–	–	824,219	–	824,219
Fee and commission income	587,659	293,971	183,320	–	1,064,950
Fee and commission expense	(12,125)	(2,213)	(531)	–	(14,869)
Net fee and commission income	575,534	291,758	182,789	–	1,050,081
Net trading (losses)/gains	–	–	358,873	–	358,873
Net gains arising from the derecognition of financial assets measured at amortised cost	–	–	83,826	–	83,826
Other income, gains or losses	145,600	–	(88,958)	15,588	72,230
Operating income	3,716,859	2,762,351	2,360,530	15,588	8,855,328
Operating expenses	(699,182)	(887,152)	(335,436)	–	(1,921,770)
Impairment losses under expected credit loss model, net of reversals	(2,411,925)	(629,093)	2,489	–	(3,038,529)
Share of results of associates	–	–	–	8,051	8,051
Profit before tax	605,752	1,246,106	2,027,583	23,639	3,903,080
Income tax expense					(759,842)
Profit for the period					3,143,238
Depreciation and amortisation	(104,840)	(82,160)	(69,296)	–	(256,296)
Capital expenditure	(97,134)	(122,971)	(19,009)	(101,027)	(340,141)
As at 30 June 2019					
Segment assets	171,413,494	127,530,913	365,263,429	1,646,114	665,853,950
Segment liabilities	(290,787,928)	(74,497,824)	(249,258,726)	(1,617,576)	(616,162,054)
Supplementary information					
Credit commitments	75,890,201	2,307,159	–	–	78,197,360

7.5 NET INTEREST INCOME

	Six months ended 30 June	
	2020	2019
Interest income:		
Loans and advances to customers, including:		
Corporate loans and advances	**4,587,747**	4,892,085
Personal loans and advances	**4,926,889**	4,600,595
Discounted bills	**188,307**	46,046
Finance lease	**156,249**	164,582
Balances with central bank	**282,676**	331,972
Deposits with banks and other financial institutions	**29,874**	46,230
Placements with banks and other financial institutions	**172,907**	376,639
Financial assets held under resale agreements	**126,190**	86,319
Investments, including:		
Debt instruments at FVTOCI	**802,912**	935,054
Debt instruments at amortised cost	**4,321,806**	4,474,357
Subtotal	**15,595,557**	15,953,879
Interest expense:		
Borrowings from central bank	**(672,445)**	(232,196)
Deposits from banks and other financial institutions	**(644,637)**	(482,705)
Placements from banks and other financial institutions	**(307,973)**	(373,121)
Financial assets sold under repurchase agreements	**(291,282)**	(409,751)
Due to customers	**(5,224,888)**	(5,076,021)
Debt securities issued	**(2,025,754)**	(2,890,700)
Lease liabilities	**(26,113)**	(23,286)
Subtotal	**(9,193,092)**	(9,487,780)
Net interest income	**6,402,465**	6,466,099

7.6 INVESTMENT INCOME

	Six months ended 30 June	
	2020	2019
Investment income from financial assets and financial liabilities at fair value through profit or loss	**857,315**	824,219

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

7.7 FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2020	2019
Fee and commission income		
Wealth management service fees	**816,622**	621,648
Consultancy fees	**87,212**	89,040
Acceptance and guarantee commitment fees	**31,337**	41,894
Agency commission and underwriting service fees	**303,944**	184,315
Settlement and clearing fees	**88,212**	96,752
Bank card fees	**57,631**	30,016
Others	**1,256**	1,285
Total	**1,386,214**	1,064,950

7.8 NET TRADING (LOSSES)/GAINS

	Six months ended 30 June	
	2020	2019
Realised and unrealised (losses)/gains from financial assets at fair value through profit or loss	**(308,100)**	258,076
Net gains on disposal of debt instruments at fair value through other comprehensive income	**306,510**	100,797
Total	**(1,590)**	358,873

7.9 OTHER INCOME, GAINS OR LOSSES

	Six months ended 30 June	
	2020	2019
Government subsidies	**16,190**	10,538
Exchange differences	**(29,906)**	(88,958)
Reversal of provision related to litigation	**–**	145,600
Rental income	**18,337**	16,508
Others	**11,661**	(11,458)
Total	**16,282**	72,230

7.10 OPERATING EXPENSES

		Six months ended 30 June	
	Note	**2020**	2019
Staff costs	*(1)*	**1,114,205**	1,212,623
Office expenses		**82,471**	111,986
Rental and property management expenses		**31,378**	86,070
Other general and administrative expenses		**161,593**	152,267
Sundry taxes		**100,939**	102,528
Depreciation of fixed assets		**112,481**	85,071
Depreciation of right-of-use assets		**152,535**	116,287
Amortisation		**58,240**	54,938
Total		**1,813,842**	1,921,770

Note:

(1) Staff costs

	Six months ended 30 June	
	2020	2019
Salaries, bonuses and allowances	**893,813**	928,248
Social insurance	**54,322**	132,774
Housing funds	**58,964**	59,431
Staff welfare	**22,903**	23,120
Labor union fees and staff education expenses	**17,860**	17,859
Contribution to annuity schemes	**66,343**	51,191
Total	**1,114,205**	1,212,623

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

	Six months ended 30 June	
	2020	2019
Deposits with banks and other financial institutions	**5,743**	2,386
Placements with banks and other financial institutions	**1,670**	(22)
Financial assets held under resale agreements	**(39)**	109
Debt instruments at fair value through other comprehensive income	**42**	73,638
Loans and advances to customers at amortised cost	**3,526,798**	3,031,875
Loans and advances to customers at fair value through other comprehensive income	**14,744**	918
Debt instruments at amortised cost	**203,704**	(79,517)
Credit commitments	**(43,536)**	8,881
Others	**35,576**	261
Total	**3,744,702**	3,038,529

7.12 INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
Income tax expense comprises:		
Current income tax	**266,560**	1,165,667
Deferred tax	**204,129**	(405,825)
Total	**470,689**	759,842

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

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

	Six months ended 30 June	
	2020	2019
Profit before tax	**3,143,073**	3,903,080
Tax calculated at applicable statutory tax rate of 25%	**785,768**	975,770
Income tax at concessionary rate	**(3,145)**	(6,052)
Underprovision/(Overprovision) of tax in prior years	**2,462**	(12,637)
Tax effect of expenses not deductible for tax purpose	**10,347**	15,475
Tax effect of income not taxable for tax purpose (i)	**(324,743)**	(212,714)
Income tax expense	**470,689**	759,842

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

7.13 EARNINGS PER SHARE

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

	Six months ended 30 June	
	2020	2019
Earnings:		
Profit for the period attributable to equity holders of the Bank for the purpose of basic earnings per share	**2,653,604**	3,113,189
Numbers of shares:		
Weighted average number of shares in issue for the purpose of basic earnings per share (in thousand)	**6,070,552**	6,070,552
Basic earnings per share (RMB Yuan)	**0.44**	0.51

No diluted earnings per share has been presented for the six month ended 30 June 2020 and 2019 as the Group had no potential ordinary shares in issue during the periods.

7.14 DIVIDENDS

		Six months ended 30 June	
	Notes	**2020**	2019
2019 Final Dividend	*(1)*	**1,092,699**	–
2018 Final Dividend	*(2)*	**–**	1,092,699

Notes:

(1) A final dividend of RMB18 cents per share (tax inclusive) in respect of the year ended December 31, 2019 amounting in a total of RMB1,093 million was proposed by the board of directors and approved by the 2019 annual general meeting on 12 May, 2020.

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

7.15 CONTINGENT LIABILITIES AND COMMITMENTS

Legal proceedings

The Bank and its subsidiaries, as defendants, are involved in certain lawsuits arising from its normal business operations. As at 30 June 2020, the Group has assessed and measured the impact of those pending lawsuits, and no provision related to these lawsuits has been recognised.

Capital commitments

	As at 30 June 2020	As at 31 December 2019
Contracted but not provided for – commitments for the acquisition of property and equipment	**766,196**	498,018

Credit commitments

	As at 30 June 2020	As at 31 December 2019
Acceptances	**30,317,593**	32,085,773
Letters of credit issued	**7,341,860**	8,642,521
Letters of guarantee	**1,107,158**	1,248,572
Undrawn corporate loans limit	**24,034,629**	23,471,584
Undrawn credit card limit	**8,547,780**	6,924,578
Total	**71,349,020**	72,373,028

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

Redemption commitments of government bond

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

As at 30 June 2020, the principal balance of certificate government bonds which the Bank had an obligation to pay in advance amounted to RMB2,393 million (31 December 2019: RMB2,657 million), and the principal balance of e-saving bonds amounted to RMB2,408 million (31 December 2019: RMB2,800 million). The original term of these bonds is from 1 to 5 years.

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

7.16 TRANSFER OF FINANCIAL ASSETS

Repurchase agreement

The Group entered into repurchase agreements with certain counterparties to sell bonds or bills of carrying amount of RMB47,225 million as at 30 June 2020 (31 December 2019, RMB34,275 million) which are subject to the simultaneous agreements with commitments to repurchase at specified future dates and prices. The proceeds from selling such bonds or bills totaling RMB45,131 million (31 December 2019: RMB32,994 million) is presented as 'financial assets sold under repurchase agreements' as at the end of the period.

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

Asset securitisation

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

During the period, the Group did not transfer any loans to any special purpose vehicles. During the year ended 31 December 2019, the Group transferred loans amounting to RMB3,000 million to these special purpose vehicles. A balance of RMB2,360 million was derecognised accordingly. However, a balance of RMB640 million did not meet the derecognition criteria on the dates of transfer as the Group retained an interests in subordinate tranches of these special purposes vehicles. No gain or loss was recognised by these transfers of financial assets, the Group acted as service agent and charged service fee amounting to RMB4 million for the six months ended 30 June 2020 (For the year ended 31 December 2019: RMB1 million). The carrying amount of these retained interests was RMB426 million as at 30 June 2020 (31 December 2019: RMB595 million) and it represented the Group's maximum exposure.

8. PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement was published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Bank (www.bankoftianjin.com). The 2020 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 Liguo
Chairman

Tianjin, China
27 August 2020

As at the date of this announcement, the board of directors of the Bank comprises Mr. SUN Liguo and Ms. ZHANG Furong, as executive directors; Ms. SUN Jingyu, Ms. DONG Guangpei, Mr. Alistair Marshall Bulloch, Mr. ZHAO Wei, Mr. WANG Shunlong and Ms. LI Jun as non-executive directors; Mr. FENG Heping, Mr. LAW Yee Kwan, Quinn, Mr. JIN Qingjun, Mr. HUA Yaogang and Mr. HE Jia as independent non-executive directors.

* *Bank of Tianjin Co., Ltd. is not an authorised institution within the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorised to carry on banking/deposit-taking business in Hong Kong.*