

KASIKORNBANK (China) Company Limited

ENGLISH TRANSLATION OF FINANCIAL STATEMENTS
FOR THE YEAR 1 JANUARY 2020 TO 31 DECEMBER 2020
IF THERE IS ANY CONFLICT BETWEEN THE CHINESE VERSION AND ITS ENGLISH
TRANSLATION, THE CHINESE VERSION WILL PREVAIL

AUDITOR'S REPORT

毕马威华振深审字第 2100162 号

The Board of Directors of KASIKORNBANK (China) Company Limited:

Opinion

We have audited the accompanying financial statements of KASIKORNBANK (China) Company Limited set out on pages 1 to 73, which comprise the balance sheet as at 31 December 2020, the income statement, the cash flow statement, the statement of changes in owners' equity for the year ended 31 December 2020, and notes to the financial statements.

In our opinion, the accompanying financial statements have been prepared, in all material respects, in accordance with the preparation basis as stated in Note 2 to the financial statements for the accrual of loan loss provisions and in other aspects in accordance with the requirements of Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China. The financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2020, and the financial performance and cash flows of the Bank for the year then ended in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China.

Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing for Certified Public Accountants ("CSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of KASIKORNBANK (China) Company Limited in accordance with the China Code of Ethics for Certified Public Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises all the information included in 2020 annual report of KASIKORNBANK (China) Company Limited, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

AUDITOR'S REPORT (continued)

毕马威华振深审字第 2100162 号

Other Information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for preparing these financial statements in accordance with the preparation basis as stated in Note 2 to the financial statements for the accrual of loan loss provisions and in other aspects in accordance with the requirements of Accounting Standards for Business Enterprises, and fairly presenting them, and for the design, implementation and maintenance of such internal control necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing KASIKORNBANK (China) Company Limited's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate KASIKORNBANK (China) Company Limited or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing KASIKORNBANK (China) Company Limited's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

AUDITOR'S REPORT (continued)

毕马威华振深审字第 2100162 号

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with CSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of KASIKORNBANK (China) Company Limited's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on KASIKORNBANK (China) Company Limited's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause KASIKORNBANK (China) Company Limited to cease to continue as a going concern.

AUDITOR'S REPORT (continued)

毕马威华振深审字第 2100162 号

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG Huazhen LLP
Shenzhen branch

Certified Public Accountants

GOH GUAN CHUA

Shenzhen, China

Liao Jin Na

KASIKORNBANK (China) Company Limited
Balance sheet
as at 31 December 2020
(Expressed in Renminbi Yuan)

	Note	31 December 2020	31 December 2019
Assets			
Cash and balances with central bank	6	305,551,724	245,306,473
Balances with banks and other financial institutions	7	544,014,137	872,504,878
Placements with banks and other financial institutions	8	4,405,650,605	2,347,848,280
Derivative financial assets	13	6,451,835	-
Interest receivable	9	NA	33,612,819
Loans and advances to customers	10	3,677,779,971	3,472,172,386
Financial investment			
- Debt investments	11	2,905,895,253	NA
- Other debt investments	12	1,888,714,853	NA
Available-for-sale financial assets	14	NA	275,509,910
Held-to-maturity investments	15	NA	3,555,024,230
Fixed assets	16	13,290,086	13,098,929
Construction in progress	17	3,759,626	2,214,438
Intangible assets	18	67,968,637	70,534,406
Long-term deferred expenses	19	2,861,566	2,959,111
Deferred tax assets	20	49,436,553	25,418,962
Other assets	21	351,570,567	13,837,731
Total assets		<u>14,222,945,413</u>	<u>10,930,042,553</u>

The notes on pages 10 to 73 form part of these financial statements.

KASIKORNBANK (China) Company Limited
Balance sheet
as at 31 December 2020 (continued)
(Expressed in Renminbi Yuan)

	Note	31 December 2020	31 December 2019
Liabilities and owners' equity			
Liabilities			
Balances with banks and other financial institutions	22	304,026,049	14,838,864
Placements from banks and other financial institutions	23	7,434,163,829	5,073,047,000
Deposits from customers	24	3,190,392,398	2,725,889,953
Financial assets sold under repurchase agreements	25	155,264,291	NA
Derivative financial liabilities	13	54,307,640	NA
Interest payable	26	NA	43,341,144
Employee benefits payable	27	25,047,332	20,860,252
Provisions	28	674,865	-
Taxes payable	5(c)	3,178,400	3,087,027
Other liabilities	29	12,732,698	7,866,094
Total liabilities		<u>11,179,787,502</u>	<u>7,888,930,334</u>

The notes on pages 10 to 73 form part of these financial statements.

KASIKORNBANK (China) Company Limited
Balance sheet
as at 31 December 2020(continued)
(Expressed in Renminbi Yuan)

	Note	31 December 2020	31 December 2019
Liabilities and owners' equity (continued)			
Owner's equity			
Paid-in capital	30	3,000,000,000	3,000,000,000
Other comprehensive income	31	(2,996,082)	454,775
Surplus reserve	32	4,560,432	4,010,777
Retained earnings		41,593,561	36,646,667
Total owners' equity		<u>3,043,157,911</u>	<u>3,041,112,219</u>
Total liabilities and owners' equity		<u>14,222,945,413</u>	<u>10,930,042,553</u>

These financial statements were approved by the Board of Directors of KASIKORNBANK (China) Company Limited on 23 April 2021.

Wang Congbao
President

Tan Zhuojun
Finance Division
Head

Chen Yanjun
Financial
Accounting and
Planning
Department
Senior Team
Manager

(Company stamp)

The notes on pages 10 to 73 form part of these financial statements.

KASIKORNBANK (China) Company Limited
Income statement
for the year ended 31 December 2020
(Expressed in Renminbi Yuan)

	Note	2020	2019
Operating income			
Interest income	34	416,712,710	259,449,140
Interest expense	35	<u>(212,977,273)</u>	<u>(87,246,480)</u>
Net interest income		<u>203,735,437</u>	<u>172,202,660</u>
Fee and commission income		7,197,866	4,464,964
Fee and commission expense		<u>(19,880,661)</u>	<u>(3,670,889)</u>
Net fee and commission (expense)/income	36	<u>(12,682,795)</u>	<u>794,075</u>
Net gains from exchange differences	37	38,039,283	11,447,693
(Loss)/profit from arising from fair value changes	38	(48,169,921)	-
Other operating income	39	1,410,396	2,412,979
Government grants	40	7,702,996	4,021,414
Investment income	41	<u>1,381,360</u>	<u>-</u>
Other net income		<u>364,114</u>	<u>17,882,086</u>
Total operating income		<u>191,416,756</u>	<u>190,878,821</u>
Taxes and surcharges	42	(1,147,855)	(652,098)
General and administrative expenses	43	(183,584,139)	(172,143,689)
Credit losses	44	(24,095,529)	NA
Assets impairment losses	45	<u>-</u>	<u>(12,715,463)</u>
Operating expenses		<u>(208,827,523)</u>	<u>(185,511,250)</u>
Operating (loss)/profit		<u>(17,410,767)</u>	<u>5,367,571</u>

The notes on pages 10 to 73 form part of these financial statements.

KASIKORNBANK (China) Company Limited
Income statement
for the year ended 31 December 2020 (continued)
(Expressed in Renminbi Yuan)

	Note	2020	2019
Operating (loss)/profit		(17,410,767)	5,367,571
Add: Non-operating Income		81,213	40,240
Less: Non-operating expenses		<u>(63,109)</u>	<u>(215,475)</u>
(Loss)/profit before income tax		(17,392,663)	5,192,336
Less: Income tax expenses	46	<u>22,889,212</u>	<u>3,282,957</u>
Net profit		<u>5,496,549</u>	<u>8,475,293</u>
Net profit from continuing operations		5,496,549	8,475,293
Other comprehensive income, net of tax Items that may be reclassified to profit or loss	47		
- Credit losses of debt investments		2,967,422	NA
- Changes in fair value of other debt investments		(6,633,900)	NA
- Gains or losses arising from changes in fair value of available-for-sale financial assets		<u>NA</u>	<u>454,775</u>
Total comprehensive income		<u>1,830,071</u>	<u>8,930,068</u>

The notes on pages 10 to 73 form part of these financial statements.

KASIKORNBANK (China) Company Limited
Cash flow statement
for the year ended 31 December 2020
(Expressed in Renminbi Yuan)

	Note	2020	2019
Cash flows from operating activities:			
Proceeds from interest income		337,577,124	240,549,934
Proceeds from fee and commission		7,197,866	4,464,964
Net decrease in balances with banks and other financial institutions		-	33,026,272
Net decrease in placements with banks and other financial institutions		-	755,578,720
Net increase in balances and placements from banks and other financial institutions		2,805,568,305	3,493,336,085
Net increase in deposits from customers		464,502,445	886,811,525
Proceeds from other operating activities		5,474,111	8,307,368
Sub-total of cash inflows		<u>3,620,319,851</u>	<u>5,422,074,868</u>
Payment for interest expense		(256,318,417)	(60,797,107)
Payment for fee and commission		(19,880,661)	(3,670,889)
Net increase in balances with banks and other financial institutions		(24,434,972)	-
Net increase in placements from banks and other financial institutions		(2,064,397,911)	-
Net increase in loans and advances to customers		(205,067,018)	(1,372,709,541)
Net increase in balances with central bank		(51,117,568)	(44,602,597)
Payment to and for employees		(110,000,121)	(106,192,329)
Payment of various taxes		(9,332,953)	(8,299,961)
Payment for other operating activities		<u>(47,337,746)</u>	<u>(42,356,849)</u>
Sub-total of cash outflows		<u>(2,787,887,367)</u>	<u>(1,638,629,273)</u>
Net cash flow from operating activities	48(a)	<u>832,432,484</u>	<u>3,783,445,595</u>

The notes on pages 10 to 73 form part of these financial statements.

KASIKORNBANK (China) Company Limited
Cash flow statement
for the year ended 31 December 2020 (continued)
(Expressed in Renminbi Yuan)

	<i>Note</i>	<i>2020</i>	<i>2019</i>
Cash flows from investing activities:			
Proceeds from disposal of investments		1,661,381,360	110,000,000
Proceeds from returns on investments		<u>54,536,266</u>	<u>15,732,973</u>
Sub-total of cash inflows		<u>1,715,917,626</u>	<u>125,732,973</u>
Payment for acquisition of fixed assets and other long-term assets		(356,458,917)	(28,099,011)
Payment for acquisition of investment		<u>(2,560,890,959)</u>	<u>(3,548,886,888)</u>
Sub-total of cash outflows		<u>(2,917,349,876)</u>	<u>(3,576,985,899)</u>
Net cash outflow from investing activities		<u>(1,201,432,250)</u>	<u>(3,451,252,926)</u>
Effect of foreign exchange rate changes on cash and cash equivalents		<u>41,759,777</u>	<u>9,614,958</u>
Net increase/(decrease) in cash and cash equivalents	48(b)	(327,239,989)	341,807,627
Add: Cash and cash equivalents at the beginning of the year		<u>1,471,205,083</u>	<u>1,129,397,456</u>
Cash and cash equivalents at the end of the year	48(c)	<u>1,143,965,094</u>	<u>1,471,205,083</u>

The notes on pages 10 to 73 form part of these financial statements.

KASIKORNBANK (China) Company Limited
Statement of changes in owner's equity
For the year ended 31 December 2020
(Expressed in Renminbi Yuan)

	<i>Note</i>	<i>Share capital</i>	<i>Other comprehensive income</i>	<i>Surplus reserve</i>	<i>Retained earnings</i>	<i>Total</i>
Balance at 1 January 2019		3,000,000,000	454,775	4,010,777	36,646,667	3,041,112,219
Changes in accounting policy	4	-	215,621	-	-	215,621
Adjusted balance at 1 January 2020		3,000,000,000	670,396	4,010,777	36,646,667	3,041,327,840
1. Total comprehensive income for the year		-	(3,666,478)	-	5,496,549	1,830,071
2. Appropriation of profits						
- Appropriation of surplus reserves	32	-	-	549,655	(549,655)	-
Sub-total of 1 to 2		-	(3,666,478)	549,655	4,946,894	1,830,071
Balance at 31 December 2020		3,000,000,000	(2,996,082)	4,560,432	41,593,561	3,043,157,911

The notes on pages 10 to 73 form part of these financial statements.

KASIKORNBANK (China) Company Limited
Statement of changes in owner's equity
For the year ended 31 December 2019
(Expressed in Renminbi Yuan)

	<i>Note</i>	<i>Share capital</i>	<i>Other comprehensive income</i>	<i>Surplus reserve</i>	<i>Retained earnings</i>	<i>Total</i>
Balance at 1 January 2019		3,000,000,000	-	3,163,248	29,018,903	3,032,182,151
1. Total comprehensive income		-	454,775	-	8,475,293	8,930,068
2. Appropriation of profits						
- Appropriation for surplus reserve	32	-	-	847,529	(847,529)	-
Sub-total of 1 to 2		-	454,775	847,529	7,627,764	8,930,068
Balance at 31 December 2019		3,000,000,000	454,775	4,010,777	36,646,667	3,041,112,219

The notes on pages 10 to 73 form part of these financial statements.

KASIKORNBANK (China) Company Limited
Notes to the financial statements
(Expressed in Renminbi Yuan)

1 Basic information

KASIKORNBANK (China) Company Limited (“Kbank China” or the “Bank”) is a wholly foreign-owned bank incorporated in Shenzhen. The Bank’s parent is KASIKORNBANK Public Company Limited (the “Parent Bank”).

According to the approval of China Banking Regulatory Commission (“CBRC”) on 13 Jun 2017 (Reply of CBRC [2017] No182), the Parent Bank reorganized the Shenzhen branch, Chengdu branch (“Branches in China”) and its subsidiary Starbright Finance Co., Ltd. into a wholly foreign-funded bank- Kbank China which is solely contributed by the Parent Bank in accordance with *Regulation of the People’s Republic of China on the Administration of Foreign-funded Banks* (amended in 2014), *Detailed Rules for the Implementation of the Regulation of the People’s Republic of China on the Administration of Foreign Banks* (amended in 2015), *Implementation Measures of the China Banking Regulatory Commission for the Administrative Licensing Matters Concerning Foreign Banks* (amended in 2015) and notice on the operation procedure of foreign banks' branches into market access procedures for wholly foreign-owned banks.

With approval of CBRC, the Bank has obtained financial license on 26 June 2017 and business license for legal entity of the PRC (Unified social credit code: 91440300MA5EP54N2E) issued by Shenzhen Market Supervision Bureau on 17 August 2017. The registered capital is RMB3 billion.

According to the rules of the business license, the Bank have perpetual operation period. The business scope of the Bank includes foreign exchange business approved by relevant regulatory bodies and Renminbi business for all clients except citizens within China. The 00:00 am 6 November 2017 is the point of business transform for the Bank from the Branches in China and Starbright Finance Company Limited. At 00:00 am 6 November 2017, the Bank officially opened.

In the process of reorganisation, the Bank inherited all other property, rights and obligations of the Branches in China and Starbright Finance Company Limited on 6 November 2017 (date of transform). Meanwhile, the Parent Bank promised to undertake joint obligations and responsibilities for the terms of the contracts(include certificates of creditor rights) signed by Branches in China and Starbright Finance Company Limited that were inherited by the Bank without getting approvals of counterparties of contract .The Bank has given written notice of the reorganisation and business transform to all clients and published announcement “KASIKORNBANK (China) Company Limited Opening Notice” on Shenzhen Special Zone Daily and Financial Times on 19 September 2017 according to the rules of *Company Law of the People's Republic of China*. The Bank has completed all changes in ownership of relevant assets.

With approval of CBRC Shenzhen office on 7 August 2018 (Reply of CBRC Shenzhen [2018] No.178), the Bank is approved to engage in Renminbi-denominated businesses targeted at Chinese citizens. The bank engage in foreign currency businesses and Renminbi businesses in accordance with Regulation of the People's Republic of China on the Administration of Foreign-funded Banks, including: accept public deposits; offer short-term, mid-term and long-term loans; accept and discount bills; buy and sell treasury bonds, financial bonds and other securities priced in foreign currencies other than shares; provide letters of credit and guarantees; process domestic and overseas settlement; buy and sell foreign exchange whether on its own or acting as an agent; act as insurance agent; engage in interbank borrowing; engage in bank card business; provide safe deposit boxes; provide credit checks and consultancy services; and other approved business.

2 Basis of preparation

The financial statements have been prepared on the going concern basis.

The Bank has adopted the revised "Accounting Standard for Business Enterprises No. 22—Financial Instruments: Recognition and Measurement" and related new financial instruments standards, issued by the Ministry of Finance ("MOF") of the People's Republic of China in 2017, since 1 January 2020. (see Note 3 (7)).

(1) Statement of compliance

The financial statements have been prepared in accordance with the requirement of the Accounting Standards for Business Enterprises published by the Ministry of Finance of the People's Republic of China. According to the requirements of CBRC with reference to the *Administrative Measures for the Loan Loss Provision of Commercial Bank* (Yin Jian Hui Ling [2011] No.4) and the *Notice on Adjustment of Regulation requirements for Loan Loss Provision of Commercial Banks* (Yin Jian Fa [2018] No.7) published by the CBRC, the minimum provisioning ratio is 1.5% and the minimum provisioning coverage ratio is 120%, of which the higher is the required loan loss provision for commercial banks. The higher of these two standards is the regulatory standard for loan loss provision of the Bank. The Bank refers to the relevant provisions of the People's Bank of China ("PBOC") on *Guide to the Provision of Loan Loss Provisions* (Yin Fa [2002] No. 98), and calculates the loan loss provision amount in accordance with the requirements of the Accounting Standards for Business Enterprises published by the Ministry of Finance of the People's Republic of China and the above regulatory standards to determine the loan loss provision number. The appropriateness of provisions for loan impairment is re-evaluated based on the expected credit loss for the future months at the end of the year (see Note 3(8)(a)). These accounting policies are in compliance with laws and regulations and reporting requirements of relevant authorities.

In addition to provision for loan impairment, this financial statement is prepared in accordance with the accounting policies stated in Note 3 below. These accounting policies are in compliance with the requirement of the Accounting Standards for Business Enterprises published by the Ministry of Finance of the People's Republic of China. On this basis, this financial statement presents truly and completely the financial position of the Bank as at 31 December 2020, the financial performance and the cash flows of the Company for the year ended 31 December 2020.

(2) Accounting year

The Bank's accounting year is from 1 January to 31 December.

(3) Functional currency and presentation currency

The Bank's functional currency is Renminbi and these financial statements are presented in Renminbi. Functional currency is determined by the Bank on the basis of the currency in which major income and costs are denominated and settled.

3 Significant accounting policies and accounting estimates

(1) Translation of foreign currencies

When the Bank receives capital in foreign currencies from investors, the capital is translated to Renminbi at the spot exchange rate at the date of the receipt. Other foreign currency transactions are, on initial recognition, translated to Renminbi at the spot exchange rates or rates that approximate the spot exchange rates on the dates of the transactions. A rate that approximates the spot exchange rate is a rate determined under a systematic and rational method, such as the average exchange rate of the current period.

Monetary items denominated in foreign currencies are translated to Renminbi at the spot exchange rate at the balance sheet date. The resulting differences are recognised in profit or loss. Non-monetary items that are measured at historical cost in foreign currencies are translated to Renminbi using the exchange rate at the transaction date.

(2) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily withdrawn on demand, and short-term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

(3) Fixed assets and construction in progress

Fixed assets represent the tangible assets held by the Bank for use in the supply of services or for administrative purposes with useful lives over 1 year.

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see Note 3(8)(b)). Construction in progress is stated in the balance sheet at cost less accumulated impairment losses (see Note 3(8)(b)).

The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use. The cost of self-constructed assets includes the cost of materials, direct labour, capitalised borrowing costs, and any other costs directly attributable to bringing the asset to working condition for its intended use.

Construction in progress is transferred to fixed assets when it is ready for its intended use. No depreciation is provided against construction in progress.

Any subsequent costs including the cost of replacing part of an item of fixed assets are recognised as assets when it is probable that the economic benefits associated with the costs will flow to the Bank, and the carrying amount of the replaced part is derecognised. The costs of the day-to-day maintenance of fixed assets are recognised in profit or loss as incurred.

Gains or losses arising from the retirement or disposal of an item of fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

The cost of a fixed asset, less its estimated residual value and accumulated impairment losses, is depreciated using the straight-line method over its estimated useful life. Unless the fixed asset is classified as held for sale, the estimated useful lives, residual value rates and yearly depreciation rates of each class of fixed assets are as follows:

	<i>Estimated useful life</i>	<i>Residual value rate</i>	<i>Depreciation rate</i>
Office and other equipment	8 years	10.00%	11.25%
Motor vehicles	8 years	10.00%	11.25%
Computers and electronic devices	5 years, 15 years	10.00%	18.00%, 6.00%

Useful lives, estimated residual values and depreciation methods are reviewed at least at each year-end.

(4) Leases

A lease is classified as either a finance lease or an operating lease. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of a leased asset to the lessee, irrespective of whether the legal title to the asset is eventually transferred. An operating lease is a lease other than a finance lease.

(a) Assets acquired under operating leases

Rental payments under operating leases are recognised as part of the cost of another related asset or as expenses on a straight-line basis over the lease term. Variable lease payments are recognised as income as they are earned

(b) Assets leased out under operating leases

Income derived from operating leases is recognised in profit or loss using the straight-line method over the lease term. If initial direct costs incurred in respect of the assets leased out are material, the costs are initially capitalised and subsequently amortised in profit or loss over the lease term on the same basis as the lease income. Otherwise, the costs are charged to profit or loss immediately. Variable lease payments are recognised as income as they are earned

(5) Intangible assets

Intangible assets are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 3(8)(b)).

For an intangible asset with finite useful life, its cost estimated less residual value and accumulated impairment losses is amortised on the straight-line method over its estimated useful life, unless the intangible asset is classified as held for sale. The respective amortisation periods for such intangible assets are as follows:

	<i>Amortisation period</i>
Software	10 to 15 years
Members fee	10 years
Other intangible assets	10 years

(6) Long-term deferred expenses

Expenditure incurred with beneficial period over one year is recognised as long-term deferred expenses. Long-term deferred expenses are stated in the balance sheet at cost less accumulated amortisation and impairment losses (see Note 3(8)(b)).

Long-term deferred expenses are amortised over their beneficial periods. The respective amortisation periods for the long-term deferred expenses are as follows:

	<i>Amortisation period</i>
Leasehold improvements	2 to 10 years

(7) Financial instruments

Financial instruments include balances with central bank, balances with banks and other financial institutions, placements with banks and other financial institutions, loans and advances to customers, deposits from banks and other financial institutions, deposits from customers, employee benefits payable, bond investments and paid-in capital.

(a) Recognition and measurement of financial assets and financial liabilities

A financial asset or financial liability is recognised in the balance sheet when the Bank becomes a party to the contractual provisions of a financial instrument.

Financial assets and financial liabilities are measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs. A trade receivable without a significant financing component or do not consider the financing component in contracts not exceeding one year is initially measured at the transaction price according to Note 3 (13).

(b) Classification and subsequent measurement of financial assets

(i) Classification of financial assets

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. On initial recognition, a financial assets are classified into different categories: financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income ("FVOCI"), financial assets measured at fair value through profit or loss.

Financial assets are not reclassified subsequent to their initial recognition unless the Bank changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. The instrument meets the definition of equity from the perspective of the issuer.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The business model refers to how the Bank manages its financial assets in order to generate cash flows. That is, the Bank's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The Bank determines the business model for managing the financial assets according to the facts and based on the specific business objective for managing the financial assets determined by the Bank's key management personnel.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The Bank also assesses whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

(ii) Subsequent measurement of financial assets

- Financial assets at FVTPL

These financial assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss unless the financial assets are part of a hedging relationship.

- Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. A gain or loss on a financial asset that is measured at amortised cost and is not part of a hedging relationship shall be recognised in profit or loss when the financial asset is derecognised, through the amortisation process or in order to recognise impairment gains or losses.

- Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, impairment and foreign exchange gains and losses are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

- Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to retained earnings.

(c) Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as financial liabilities measured at FVTPL or financial liabilities measured at amortised cost

- Financial liabilities at FVTPL

A financial liability is classified as at FVTPL if it is classified as held-for-trading (including derivative financial liability) or it is designated as such on initial recognition.

Financial liabilities at FVTPL are subsequently measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss, unless the financial liabilities are part of a hedging relationship.

- Financial liabilities at amortised cost

These financial liabilities are subsequently measured at amortised cost using the effective interest method,

(d) Offsetting

Financial assets and financial liabilities are generally presented separately in the balance sheet, and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the balance sheet when both of the following conditions are satisfied:

- The Bank currently has a legally enforceable right to set off the recognised amounts;
- The Bank intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

(e) Derecognition of financial assets and financial liabilities

Financial asset is derecognised when one of the following conditions is met:

- the Bank's contractual rights to the cash flows from the financial asset expire;
- the financial asset has been transferred and the Bank transfers substantially all of the risks and rewards of ownership of the financial asset; or;
- the financial asset has been transferred, although the Bank neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss:

- the carrying amount of the financial asset transferred measured at the date of derecognition;
- the sum of the consideration received from the transfer and, when the transferred financial asset is a debt investment at FVOCI, any cumulative gain or loss that has been recognised directly in other comprehensive income for the part derecognised.

The Bank derecognises a financial liability (or part of it) only when its contractual obligation (or part of it) is extinguished.

(f) Equity instrument

The consideration received from the issuance of equity instruments net of transaction costs is recognised in shareholders' equity. Consideration and transaction costs paid by the Company for repurchasing self-issued equity instruments are deducted from shareholders' equity.

(g) Financial assets purchased under resale agreements and Financial assets sold under repurchase agreements

Financial assets purchased under resale agreements represents the funds raised by the Bank according to the resale agreement to buy and then resell financial assets at a fixed price. Financial assets sold under repurchase agreements represents the funds raised by the Bank according to the repurchase agreement to sell and then repurchase financial assets at a fixed price.

The cash advanced or received is recognised as amounts purchased under resale or sold under repurchase agreements in the balance sheet. Underlying assets purchased under resale agreements are reported not as purchase of the assets but recorded as off-balance sheet. Underlying assets sold under repurchase agreement are retained in the balance sheet.

Interest earned on resale agreements and interest incurred on repurchase agreements are recognised as interest income and interest expenses respectively, over the life of each agreement using the effective interest method.

(h) Derivative instruments

Derivative financial instruments are initially recognized at the fair value of the day when the derivative transaction contract is signed, and subsequent measurement is performed at their fair value. Derivative financial instruments with a positive fair value are recognised as an asset, and those with a negative fair value are recognised as a liability.

An embedded derivative and the host contract together form the hybrid contract. The host contract, which is inside the financial assets and is included in the hybrid contract, the Bank will apply relevant provisions of the financial asset classification to the hybrid contract as a whole.

Profits and losses derived from changes in the fair value of derivative financial instruments should be directly included in the profit or loss if they do not meet the requirements of hedge accounting.

Derivative financial instruments mainly calculate fair value based on valuation models commonly used in the market. The data of the valuation model uses observable market information as much as possible, including the forward foreign exchange exchange rate and market yield curve.

(8) Impairment of assets

Except for impairment of assets set out in Note 3(11), impairment of assets is accounted for using the following principles:

(a) Impairment of financial instrument

The Bank recognises loss allowances for expected credit loss (ECL) on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI;
- financial guarantee contracts issued, which are not measured at FVTPL.

Financial assets measured at fair value, including debt investments or equity securities at FVPL, equity securities designated at FVOCI and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive).

The maximum period considered when estimating ECLs is the maximum contractual period (including extension options) over which the Bank is exposed to credit risk.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the balance sheet date (or a shorter period if the expected life of the instrument is less than 12 months).

Except for trade receivables[, lease receivables] and contract assets, the Bank measures loss allowance at an amount equal to 12-month ECL for the following financial instruments, and at an amount equal to lifetime ECL for all other financial instruments.

- If the financial instrument is determined to have low credit risk at the balance sheet date;
- If the credit risk on a financial instrument has not increased significantly since initial recognition.

Financial instruments that have low credit risk

The credit risk on a financial instrument is considered low if the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Bank compares the risk of default occurring on the financial instrument assessed at the balance sheet date with that assessed at the date of initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort, including forward-looking information. In particular, the following information is taken into account:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Bank.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are banked based on shared credit risk characteristics, such as past due status and credit risk ratings.

The Bank assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Bank considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Credit-impaired financial assets

At each balance sheet date, the Bank assesses whether financial assets carried at amortised cost and debt investments at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- for economic or contractual reasons relating to the borrower's financial difficulty, the Bank having granted to the borrower a concession that would not otherwise consider,
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties,

Presentation of allowance for ECL

ECLs are remeasured at each balance sheet date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Bank recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for debt investments that are measured at FVOCI, for which the loss allowance is recognised in other comprehensive income.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. A write-off constitutes a derecognition event. This is generally the case when the Bank determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(b) Impairment of other assets

The carrying amounts of the following assets are reviewed at each balance sheet date based on internal and external sources of information to determine whether there is any indication of impairment:

- Fixed assets
- Construction in progress
- Intangible assets
- Long-term deferred expenses
- debt-expiated assets

If any indication exists, the recoverable amount of the asset is estimated. In addition, the Bank estimates the recoverable amounts of intangible assets not ready for use at least at each year-end, irrespective of whether there is any indication of impairment.

An asset bank is composed of assets directly related to cash generation and is the smallest identifiable bank of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset banks.

The recoverable amount of an asset (or asset bank, set of asset banks) is the higher of its fair value (see Note 3(9)) less costs to sell and its present value of expected future cash flows.

The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using an appropriate pre-tax discount rate.

An impairment loss is recognised in profit or loss when the recoverable amount of an asset is less than its carrying amount. A provision for impairment of the asset is recognised accordingly. Impairment losses related to an asset bank or a set of asset banks are allocated first to reduce the carrying amount of any goodwill allocated to the asset bank or set of asset banks, and then to reduce the carrying amount of the other assets in the asset bank or set of asset banks on a pro rata basis. However, such allocation would not reduce the carrying amount of an asset below the highest of its fair value less costs to sell (if measurable), its present value of expected future cash flows (if determinable) and zero.

Once an impairment loss of non-financial long-term assets is recognised, it is not reversed in a subsequent period.

(9) Fair value measurement

Unless otherwise specified, the Bank measures fair value as follows:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value, the Bank takes into account the characteristics of the particular asset or liability (including the condition and location of the asset and restrictions, if any, on the sale or use of the asset) that market participants would consider when pricing the asset or liability at the measurement date, and uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. Valuation techniques mainly include the market approach, the income approach and the cost approach.

(10) Employee benefits

(a) Short-term employee benefits

Employee wages or salaries, bonuses, social security contributions such as medical insurance, work injury insurance, maternity insurance and housing fund, measured at the amount incurred or accrued at the applicable benchmarks and rates, are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

(b) Post-employment benefits— defined contribution plans

Pursuant to the relevant laws and regulations of the People's Republic of China, the Bank participated in a defined contribution basic pension insurance plan in the social insurance system established and managed by government organisations. The Bank makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government. Basic pension insurance contributions are recognised as part of the cost of assets or charged to profit or loss as the related services are rendered by the employees.

(c) Termination benefits

When the Bank terminates the employment with employees before the employment contracts expire, or provides compensation under an offer to encourage employees to accept voluntary redundancy, a provision is recognised with a corresponding expense in profit or loss at the earlier of the following dates:

- When the Bank cannot unilaterally withdraw the offer of termination benefits because of an employee termination plan or a curtailment proposal;
- When the Bank has a formal detailed restructuring plan involving the payment of termination benefits and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

(11) Income tax

Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination or items recognised directly in equity (including other comprehensive income).

Current tax is the expected tax payable calculated at the applicable tax rate on taxable income for the year, plus any adjustment to tax payable in respect of previous years.

At the balance sheet date, current tax assets and liabilities are offset only if the Bank has a legally enforceable right to set them off and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and deferred tax liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, which include the deductible losses and tax credits carried forward to subsequent periods. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is not recognised for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit (or deductible loss). Deferred tax is not recognised for taxable temporary differences arising from the initial recognition of goodwill.

At the balance sheet date, deferred tax is measured based on the tax consequences that would follow from the expected manner of recovery or settlement of the carrying amount of the assets and liabilities, using tax rates enacted at the balance sheet date that are expected to be applied in the period when the asset is recovered or the liability is settled.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date, and is reduced to the extent that it is no longer probable that the related tax benefits will be utilised. Such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

At the balance sheet date, deferred tax assets and liabilities are offset if all of the following conditions are met:

- the taxable entity has a legally enforceable right to offset current tax liabilities and assets, and
- they relate to income taxes levied by the same tax authority on either:
 - the same taxable entity; or
 - different taxable entities which intend either to settle the current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(12) Provisions

A provision is recognised for an obligation related to a contingency if the Bank has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows.

(13) Revenue recognition

Revenue is the gross inflow of economic benefits arising in the course of the Bank's ordinary activities when those inflows result in increases in equity, other than increases relating to contributions from owners. Revenue is recognised in profit or loss when it is probable that the economic benefits will flow to the Bank, the revenue and costs can be measured reliably and the following conditions are met:

(a) Interest income

Interest income is recognised in the income statement on an accrual basis using the effective interest or applicable floating rate method. Interest income includes the amortisation of any discount or premium or other differences between the initial carrying amount of any interest-bearing instruments and their recoverable amount at maturity calculated using an effective interest rate basis.

When a financial asset or a bank of financial assets impaired, any increase in the present value of impaired loans due to the passage of time is reported as interest income.

The interest income and expense of all financial assets or financial liabilities (including financial assets and financial liabilities designated as financial assets and financial liabilities at fair value through profit or loss) at fair value through profit or loss are classified as additional income and expense, they are therefore presented together with all changes in fair value caused by the portfolio.

(b) Fee and commission income

Fee and commission income is recognised in income statement when the relevant services are rendered.

(14) Government grants

Government grants are non-reciprocal transfers of monetary or non-monetary assets from the government to the Bank except for capital contributions from the government in the capacity as an investor in the Bank.

A government grant is recognised when there is reasonable assurance that the grant will be received and that the Bank will comply with the conditions attaching to the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at fair value.

A government grant related to an asset is recognised as deferred income and amortised over the useful life of the related asset on a reasonable and systematic manner as other income or non-operating income. A grant that compensates the Bank for expenses or losses to be incurred in the future is recognised as deferred income, and included in other income or non-operating income in the periods in which the expenses or losses are recognised. Otherwise, the grant is included in other income or non-operating income directly.

(15) Profit distributions

Distributions of profit proposed in the profit appropriation plan to be approved after the balance sheet date are not recognised as a liability at the balance sheet date but are disclosed in the notes separately.

(16) Related parties

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where two or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Bank is under common control only from the State and that have no other related party relationships are not regarded as related parties.

(17) Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Bank's internal organisation, management requirements and internal reporting system after taking materiality principle into account. An operating segment is a component in a branch when all the following criteria are met:

- such component is able to generate revenue and incur expenses;
- the Management of the Bank is able to evaluate the financial performance of the component on a regular basis to determine distribution of resources and performance; and
- the Bank has access to related accounting information, such as financial position, financial performance and cash flow.

Two or more operating segments may be aggregated into a single operating segment if the segments have the similar economic characteristics and are same or similar in respect of:

- the nature of each segment's products and services;
- the nature of production processes;
- the types or classes of customers for the products and services;
- the methods used to distribute the products or provide the services; and
- the nature of the regulatory environment.

Inter-segment revenues are measured on the basis of the actual transaction prices for such transactions for segment reporting, and segment accounting policies are consistent with those for the consolidated financial statements.

(18) Significant accounting estimates and judgements

The preparation of financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates as well as underlying assumptions and uncertainties involved are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Notes 3(3) and 3(5) contain information about the accounting estimates relating to depreciation and amortisation of assets such as fixed assets and intangible assets. Notes 3(8) and 3(9) contain information about the accounting estimates relating to provisions for impairment of various types of assets. Other significant accounting estimates are as follows:

Note 20 - Recognition of deferred tax assets; and
Note 53 - Valuation of fair value of financial instruments.

4 Changes in accounting policies

Changes in accounting policies and their reasons

In 2020, the Bank has adopted the following revised accounting standards issued by the MOF in 2017:

- CAS No.22 - Financial Instruments: Recognition and Measurement (Revised), CAS No.23 - Transfer of Financial Assets (Revised), CAS No.24 - Hedge Accounting (Revised) and CAS No.37 - Presentation and Disclosures of Financial Instruments (Revised) (collectively "new financial instruments standards")

The relevant provisions of the accounting standards for business enterprises which will take effect in 2020 related to the bank are as follows:

- CAS Interpretation No.13 (Caikuai [2019] No.21) ("Interpretation No.13")
- Coronavirus (COVID-19) pandemic related rent reduction accounting treatment requirements (Caikuai [2020] No.10)

(a) New financial instruments standards

New financial instruments standards revise CAS No.22 - Financial instruments: Recognition and measurement, CAS No.23 - Transfer of Financial assets and CAS No.24 - Hedging issued by the MOF in 2006 and CAS No.37 - Presentation and Disclosures of Financial Instruments (collecting “previous financial instruments standards”)

New financial instruments standards contain three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under new financial instruments standards is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. New financial instruments standards cancel the previous categories of held to maturity investments, loans and receivables and available for sale financial assets under previous financial instruments standards. Under new financial instruments standards, derivatives embedded in contracts where the host is a financial asset are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

The adoption of new financial instruments standards have not had a significant effect on the Bank’s accounting policies for financial liabilities.

The Bank did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2020.

New financial instruments standards replace the “incurred loss” model in previous financial instruments standards with the ECL model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the “incurred loss” accounting model in previous financial instruments standards.

The Bank applies the new ECL model to the following items:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI;

The new ECL model do not apply to investments in equity instruments.

Retrospective adjustments were made to classification and measurement (including impairment) of financial instruments not derecognised on the date of effectiveness of the standards (i.e. 1 January 2019) according to transition requirements of the new financial instrument standards. The Bank has not yet adjust the financial statement and recognises the difference between the original carrying amount of financial instruments and the new carrying amount on the date of effectiveness of the standards as retained earnings or other comprehensive income at the beginning 2020.

The following table reconciles the closing value determined in accordance with previous financial instruments standards with the opening loss allowance determined in accordance with new financial instruments standards.

Original Financial instruments standards (2019.12.31)		New Financial instruments standards (2020.01.01)	Notes	Book value shown in original financial instrument standards (2019.12.31)	Reclassification	Revaluation	Book value shown in new financial instrument standards (2020.01.01)
Items	Measurement	Items	Measurement				
Cash and balances with central bank	Amortized costs (loans and receivables)	Cash and balances with central bank	Amortized costs	245,306,473	-	(257,048)	245,049,425
Balances with banks and other financial institutions	Amortized costs (loans and receivables)	Balances with banks and other financial institutions	Amortized costs	872,504,878	-	(85,745)	872,419,133
Placements with banks and other financial institutions	Amortized costs (loans and receivables)	Placements with banks and other financial institutions	Amortized costs	2,347,848,280	-	(3,576,269)	2,344,272,011
Loans and advances to customers	Amortized costs (loans and receivables)	Loans and advances to customers	Amortized costs	3,472,172,386	-	9,030,250	3,481,202,636
Available-for-sale financial assets	Measured at fair value through other comprehensive income (debt instrument)	Other debt investments	Measured at fair value through other comprehensive income	278,676,696	-	-	278,676,696
Held-to-maturity investments	Amortized costs (held-to-maturity)	Debt investments	Amortized costs	3,555,024,230	-	(3,481,642)	3,551,542,588
Provisions-Credit commitment				-	-	(1,342,051)	(1,342,051)
Subtotal				10,771,532,943	-	287,495	10,771,820,438
Deferred tax assets				25,418,962	-	(71,874)	25,347,088
Total				10,796,951,905	-	215,621	10,797,167,526

The following table reconciles the closing loss allowance determined in accordance with previous financial instruments standards with the opening loss allowance determined in accordance with new financial instruments standards.:

<i>Measurement</i>	<i>Impairment loss in Original financial instrument standards (2019.12.31)</i>	<i>Reclassification</i>	<i>Remeasurement</i>	<i>Impairment loss in New financial instrument standards (2020.01.01)</i>
Loans and receivables (Original financial instruments standards)				
/				
Financial assets measured at amortized cost				
(New financial instruments standards)				
Cash and balances with central bank	-	-	257,048	257,048
Balances with banks and other financial institutions	2,783,484	-	85,745	2,869,229
Placements with banks and other financial institutions	20,485,720	-	3,576,269	24,061,989
Loans and advances to customers	100,422,138	-	(9,030,250)	91,391,888
Available-for-sale financial assets (Original financial instruments standards)				
Financial assets measured at amortized cost (New financial instruments standards)				
Debt investment	-	-	3,481,642	3,481,642
Available-for-sale financial assets (Original financial instruments standards) /				
Financial assets measured at fair value through other comprehensive income (New financial instruments standards)				
Other Debt investments	-	-	287,495	287,495
Credit commitments	-	-	1,342,051	1,342,051
Total	123,691,342	-	-	123,691,342

(b) Interpretation No.13

In addition, Interpretation No. 13 further clarifies that related parties of an enterprise also include associates or joint ventures of other member units (including parent company and subsidiary) of the group to which the enterprise belongs, and other associates or joint ventures of investors who jointly control the enterprise.

Interpretation No. 13 will come into effect on January 1, 2020, and the bank will adopt the prospective application method to deal with the above accounting policy changes. The adoption of this interpretation did not have a significant impact on the bank's financial position, financial performance and related party disclosure.

(c) Caikuai [2020] No.10

The Caikuai [2020] No.10 provides a simplified method for rent deduction that is directly triggered by Coronavirus (COVID-19). If the enterprise chooses to adopt the simplified method, it does not need to evaluate whether there is a lease change or reassess the lease classification.

CaiKuai [2020] No.10 will come into effect on June 24, 2020, and the relevant rent reduction occurred between January 1, 2020 and the implementation date of the regulation can be adjusted according to the regulation. The adoption of the above regulation has no significant impact on the financial situation and financial performance of the bank.

5 Taxation

- (a) The applicable taxes and fees related to our services provided are VAT, city maintenance and construction tax, education surcharge and local education surcharge, etc.

<i>Tax Name</i>	<i>Tax basis and applicable rate</i>
VAT	Output VAT is 6% based on tax laws. The basis for VAT payable is to deduct input VAT from the output VAT for the period.
Urban maintenance and construction tax	7% of the VAT paid
Education surcharge	3% of the VAT paid
Local education surcharge	2% of the VAT paid

- (b) Income tax

The statutory income tax rate of the Bank is 25%. The applicable income tax rate for the year is the statutory rate (2019: 25%).

- (c) Taxes payable

	<i>31 December 2020 RMB</i>	<i>31 December 2019 RMB</i>
VAT	1,433,992	1,278,381
Individual income tax	1,434,185	1,291,708
Taxes and surcharges	110,420	98,436
Others	199,803	418,502
Total	<u>3,178,400</u>	<u>3,087,027</u>

6 Cash and balances with central bank

	31 December 2020 RMB	31 December 2019 RMB
Statutory deposit reserves - RMB	281,380,509	230,005,893
Statutory deposit reserves - foreign currencies	14,064,019	14,064,019
Surplus deposit reserves	<u>10,277,325</u>	<u>1,236,561</u>
Subtotal	305,721,853	245,306,473
Less: Provision for impairment	<u>(170,129)</u>	<u>-</u>
Total	<u>305,551,724</u>	<u>245,306,473</u>

Statutory deposit reserves are the balances deposited in the People's Bank of China in pursuant to *Regulations of the People's Republic of China on the Administration of Foreign-funded Banks* and related regulations. As at 31 December 2020, the RMB deposit reserves ratio is 10.5% (31 December 2019: 11%), the foreign currency deposit reserves ratio is 5% (31 December 2019: 5%).

Provisions for impairment on Cash and balances with central bank are analysed as follows:

	2020			
	12-month ECL - Not credit impaired	Lifetime ECL - Not credit impaired	Lifetime ECL - Credit impaired	Total
Balance at the beginning of the year	257,048	-	-	257,048
Reverse for the year	<u>(86,919)</u>	<u>-</u>	<u>-</u>	<u>(86,919)</u>
Balance at the end of the year	<u>170,129</u>	<u>-</u>	<u>-</u>	<u>170,129</u>

7 Balances with banks and other financial institutions

	31 December 2020 RMB	31 December 2019 RMB
Balance with commercial banks - in Chinese		
Mainland	408,191,688	413,486,710
Balance with commercial banks - outside Chinese		
Mainland	137,089,208	461,801,652
Interest receivable	<u>776,249</u>	<u>-</u>
Subtotal	546,057,145	875,288,362
Less: Provision for impairment	<u>(2,043,008)</u>	<u>(2,783,484)</u>
Total	<u><u>544,014,137</u></u>	<u><u>872,504,878</u></u>

In pursuant to the *Guidelines for Banking Financial Institutions on the Management of Country-related Risks* (Yin Jian Fa [2010] No. 45), the Bank set aside provisions for assets with country-related risks.

Provisions for impairment on Balances with banks and other financial institutions are analysed as follows:

	2020			
	12-month ECL - Not credit impaired	Lifetime ECL - Not credit impaired	Lifetime ECL - Credit impaired	Total
Balance at the beginning of the year	2,869,229	-	-	2,869,229
Reverse for the year	(1,553,664)	-	-	(1,553,664)
Changes in exchange rate	<u>727,443</u>	<u>-</u>	<u>-</u>	<u>727,443</u>
Balance at the end of the year	<u><u>2,043,008</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>2,043,008</u></u>

8 Placements with banks and other financial institutions

	31 December 2020 RMB	31 December 2019 RMB
Placements with commercial banks - in Chinese Mainland	80,904,296	319,762,000
Placements with other financial institutions - in Chinese Mainland	4,363,998,000	2,048,572,000
Interest receivable	8,288,466	-
Subtotal	4,453,190,762	2,368,334,000
Less: Provision for impairment	(47,540,157)	(20,485,720)
Total	<u>4,405,650,605</u>	<u>2,347,848,280</u>

Provisions for impairment on Placements with banks and other financial institutions are analysed as follows:

	2020			
	12-month ECL - Not credit impaired	Lifetime ECL - Not credit impaired	Lifetime ECL - Credit impaired	Total
Balance at the beginning of the year	24,061,989	-	-	24,061,989
Reverse for the year	24,794,210	-	-	24,794,210
Changes in exchange rate	(1,316,042)	-	-	(1,316,042)
Balance at the end of the year	<u>47,540,157</u>	<u>-</u>	<u>-</u>	<u>47,540,157</u>

9 Interest receivable

	31 December 2019 RMB
Loans and advances to customers	8,590,960
Balances with banks	1,771,085
Placements with banks and other financial institutions	5,553,220
Held-to-maturity investments	13,986,304
Available-for-sale financial assets	<u>3,711,250</u>
Total	<u>33,612,819</u>

According to the requirements of Caikuai [2018] No.36, as at December 31, 2019, the interest of the financial instrument calculated based on the effective interest rate method is reflected in the book balance of the corresponding financial instruments. The interest due but not received on the balance sheet date is listed in other assets.

10 Loans and advances to customers

(a) Analysed by corporate and personal

	31 December 2020 RMB	31 December 2019 RMB
Corporate loans and advances		
- Loans	3,113,941,480	2,967,917,652
- Discounted bills	<u>13,530,620</u>	<u>56,846,522</u>
Sub-total	<u>3,127,472,100</u>	<u>3,024,764,174</u>
Personal business loans		
- Residential mortgages loans	3,020,531	3,406,621
Other personal loans		
- Weichedai Auto Loan	421,862,277	544,423,729
- Baixin loan	<u>206,306,868</u>	<u>-</u>
Sub-total	<u>631,189,676</u>	<u>547,830,350</u>
Interest receivable	<u>9,012,049</u>	<u>-</u>
Total loans and advances to customers	<u>3,767,673,825</u>	<u>3,572,594,524</u>
Less: Provision for impairment		
-12-month expected credit loss	(87,797,833)	NA
- Lifetime expected credit loss		
- Not credit impaired loans and advances	(2,096,021)	NA
- Credit impaired loans and advances	-	NA
- Individually assessed	NA	-
- Collectively assessed	<u>NA</u>	<u>(100,422,138)</u>
Net loans and advances to customers	<u>3,677,779,971</u>	<u>3,472,172,386</u>

(b) Analysed by industry

	31 December 2020		31 December 2019	
	RMB	Percentage	RMB	Percentage
Finance	999,446,667	26.53%	90,000,000	2.52%
Wholesale and retail	588,057,490	15.61%	415,489,305	11.63%
Manufacturing	410,185,722	10.89%	730,209,524	20.44%
Leasing and commercial services	363,177,851	9.64%	700,599,007	19.61%
Information transmission, software and IT service	360,000,000	9.55%	211,500,000	5.92%
Cultural, sports and entertainment	143,078,800	3.80%	152,282,600	4.26%
Power, heat, gas, water industry	139,396,870	3.70%	277,345,538	7.76%
Transportation, warehousing and postal service	60,598,080	1.61%	271,662,400	7.60%
Research and technology	50,000,000	1.33%	-	0.00%
Agriculture, forest, fishing and animal husbandry	-	0.00%	90,000,000	2.52%
Irrigation, environment and public facilities management	-	0.00%	28,829,278	0.81%
Corporate loans and advances	3,113,941,480	82.65%	2,967,917,652	83.07%
Discounted bills	3,530,620	0.09%	56,846,522	1.59%
Transfer Discounted bills	10,000,000	0.27%	-	0.00%
Total of (transfer) discounted bills	13,530,620	0.36%	56,846,522	1.59%
Residential mortgages loans	3,020,531	0.08%	3,406,621	0.10%
Weichedai Auto Loan	421,862,277	11.20%	544,423,729	15.24%
Baixin Loan	206,306,868	5.48%	-	-
Personal loans and advances	631,189,676	16.76%	547,830,350	15.34%
Interest receivable	9,012,049	0.24%	-	-
Total loans and advances to customers	3,767,673,825	100.00%	3,572,594,524	100.00%
Less: Provision for impairment				
- 12-month expected credit loss	(87,797,833)		NA	
- Lifetime expected credit loss				
- Not credit impaired loans and advances	(2,096,021)		NA	
- Credit impaired loans and advances	-		NA	
- Individually assessed	NA		-	
- Collectively assessed	NA		(100,422,138)	
Net loans and advances to customers	3,677,779,971		3,472,172,386	

(c) Analysed by type of collateral

	31 December 2020 RMB	31 December 2019 RMB
Mortgage loans	1,046,026,671	872,312,486
Guaranteed loans	1,232,712,294	1,230,989,236
Credit loans	1,479,922,811	1,469,292,802
Interest receivable	9,012,049	-
Total loans and advances to customers	3,767,673,825	3,572,594,524
Less: Provision for impairment		
- 12-month expected credit loss	(87,797,833)	NA
- Lifetime expected credit loss		
- Not credit impaired loans and advances	(2,096,021)	NA
- Credit impaired loans and advances	-	NA
- Individually assessed	NA	-
- Collectively assessed	NA	(100,422,138)
Net loans and advances to customers	3,677,779,971	3,472,172,386

(d) Movement of impairment allowances

	2020			
	12-month ECL - not credit- impaired loans and advances	Lifetime ECL - not credit- impaired loans and advances	Lifetime ECL - credit-impaired loans and advances	Total
Balance at the beginning of the year	90,891,064	500,824	-	91,391,888
Move to:				
- 12-month expected credit loss	2,494	(2,494)	-	-
- Lifetime expected credit loss	(29,531)	29,531	-	-
Reverse for the year	(2,108,728)	1,568,160	-	(540,568)
Changes in exchange rate	(957,466)	-	-	(957,466)
Balance at the end of the year	87,797,833	2,096,021	-	89,893,854

	2019		
	Collectively assessed impairment allowances	Individually assessed impairment allowances	Total
Balance at the beginning of the year	83,619,841	-	83,619,841
Additions during the year	16,021,253	-	16,021,253
Changes in exchange rate	781,044	-	781,044
Balance at the end of the year	100,422,138	-	100,422,138

11 Financial investments – Debt investments

	31 December 2020 RMB
Bonds issued by the Chinese government	2,464,449,065
Policy bank bonds	400,519,985
Accrued interest	<u>42,586,670</u>
Total	2,907,555,720
Less: Provision for impairment	<u>(1,660,467)</u>
Total	<u>2,905,895,253</u>

As at 31 December 2020, movements of provisions for impairment are as follows:

	2020			
	12-month ECL	Lifetime ECL - Not credit impaired	Lifetime ECL - Credit impaired	Total
Balance at the beginning of the year	3,481,642	-	-	3,481,642
Reverse for the year	<u>(1,821,175)</u>	<u>-</u>	<u>-</u>	<u>(1,821,175)</u>
Balance at the end of the year	<u>1,660,467</u>	<u>-</u>	<u>-</u>	<u>1,660,467</u>

On December 31st, 2020, the book value of bonds in debt investments as collateral is RMB 159,993,762 (December 31st, 2019: none), see note 25.

12 Financial investments – Other debt investments

	31 December 2020 RMB
Bonds issued by the Chinese government	1,157,532,961
Policy bank bonds	399,981,500
Corporate bonds	303,793,650
Accrued interest	<u>27,406,742</u>
Total	<u>1,888,714,853</u>
Accumulated credit losses recognised in other comprehensive income	<u>(4,244,058)</u>

As at 31 December 2020, movements of provisions for impairment are as follows:

	2020			Total
	12-month ECL	Lifetime ECL - Not credit impaired	Lifetime ECL - Credit impaired	
Balance at the beginning of the year	287,495	-	-	287,495
Charge for the year	3,956,563	-	-	3,956,563
Balance at the end of the year	4,244,058	-	-	4,244,058

13 Derivative financial instruments

	2020		
	Notional amount	Fair value	
	RMB	Assets RMB	Liabilities RMB
Foreign currency derivatives			
- Forward foreign exchange settlement	202,271,900	6,096,256	(4,760,541)
- Swap contracts	874,336,600	-	(49,479,598)
Structural derivatives	80,000,000	355,579	(67,501)
Total	1,156,608,500	6,451,835	(54,307,640)

14 Available-for-sale financial assets

	31 December 2019 RMB
Chinese government bonds	275,509,910

As at 31 December 2019, the Bank considered that no impairment provision for available-for-sale financial assets was necessary.

15 Held-to-maturity investments

	31 December 2019 RMB
Chinese government bonds	2,592,755,465
Policy banks bonds	962,268,765
Total	<u>3,555,024,230</u>

As at 31 December 2019, the Bank considered that no impairment provision for held-to-maturity investments was necessary.

16 Fixed assets

	Office and other equipment RMB	Motor vehicles RMB	Computers and electronic devices RMB	Total RMB
Cost				
Balance at 31 December 2018	5,656,781	2,082,601	19,928,339	27,667,721
Additions during the year	210,111	-	2,476,491	2,686,602
Transfers from construction in progress	-	-	1,625,339	1,625,339
Disposals during the year	(89,732)	-	-	(89,732)
Balance at 31 December 2019	5,777,160	2,082,601	24,030,169	31,889,930
Additions during the year	162,903	-	538,573	701,476
Transfers from construction in progress	1,903	-	3,369,305	3,371,208
Disposals during the year	(112,597)	-	(67,154)	(179,751)
Balance at 31 December 2020	<u>5,829,369</u>	<u>2,082,601</u>	<u>27,870,893</u>	<u>35,782,863</u>
Less: Accumulated depreciation				
Balance at 31 December 2018	(2,600,414)	(239,607)	(13,180,616)	(16,020,637)
Charge for the year	(669,182)	(234,293)	(1,945,100)	(2,848,575)
Written off on disposals	78,211	-	-	78,211
Balance at 31 December 2019	(3,191,385)	(473,900)	(15,125,716)	(18,791,001)
Charge for the year	(668,872)	(659,208)	(2,518,469)	(3,846,549)
Written off on disposals	86,343	-	58,430	144,773
Balance at 31 December 2020	<u>(3,773,914)</u>	<u>(1,133,108)</u>	<u>(17,585,755)</u>	<u>(22,492,777)</u>
Carrying amounts				
As at 31 December 2020	<u>2,055,455</u>	<u>949,493</u>	<u>10,285,138</u>	<u>13,290,086</u>
As at 31 December 2019	<u>2,585,775</u>	<u>1,608,701</u>	<u>8,904,453</u>	<u>13,098,929</u>

As at 31 December 2020, the Bank considered that no impairment provision for fixed assets was necessary (2019 year: nil).

17 Construction in progress

Cost

Balance at 1 January 2019	1,288,060
Additions during the year	2,551,717
Transfers to fixed assets	<u>(1,625,339)</u>

Balance at 31 December 2019	2,214,438
Additions during the year	10,362,750
Transfers to fixed assets	<u>(8,817,562)</u>

Balance at 31 December 2020	<u>3,759,626</u>
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Carrying amounts

As at 31 December 2020	<u>3,759,626</u>
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As at 31 December 2019	<u>2,214,438</u>
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18 Intangible assets

31 December 2020 RMB	31 December 2019 RMB
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Cost

Balance at the beginning of the year	119,882,895	97,022,203
Additions during the year	1,060,770	22,860,692
Transfers from Construction in progress	<u>5,446,354</u>	<u>-</u>

Balance at the end of the year	<u>126,390,019</u>	<u>119,882,895</u>
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Less: Accumulated amortisation

Balance at the beginning of the year	(49,348,489)	(40,155,121)
Additions during the year	<u>(9,072,893)</u>	<u>(9,193,368)</u>

Balance at the end of the year	<u>(58,421,382)</u>	<u>(49,348,489)</u>
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Carrying amounts

<u>67,968,637</u>	<u>70,534,406</u>
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19 Long-term deferred expenses

31 December 2020 RMB	31 December 2019 RMB
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Leasehold improvements	<u>2,861,566</u>	<u>2,959,111</u>
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20 Deferred tax assets and liabilities

	Deferred tax assets (liabilities)						
	Balance at 31 December 2019 RMB	Changes in accounting policies RMB	Balance at 1 January 2020 RMB	Current year charged to profit or loss RMB	Current year recognised directly in equity RMB	Changes in exchange rate RMB	Balance at 31 December 2020 RMB
Assets impairment losses	20,691,734	(335,513)	20,356,221	487,272	(989,141)	(21,907)	19,832,445
Fair value changes	(151,591)	(71,874)	(223,465)	12,042,480	2,211,301	-	14,030,316
Deductible loss	2,522,289	-	2,522,289	6,962,112	-	-	9,484,401
Provisions	-	335,513	335,513	(163,230)	-	-	172,283
Others	2,356,530	-	2,356,530	3,560,578	-	-	5,917,108
Total	25,418,962	(71,874)	25,347,088	22,889,212	1,222,160	(21,907)	49,436,553

At the balance sheet date, the deferred tax assets and liabilities on the balance sheet, after offsetting each other, were as follows:

	31 December 2020 RMB	31 December 2019 RMB
Deferred tax assets	49,436,553	25,570,553
Deferred tax liabilities	-	(151,591)
Total	49,436,553	25,418,962

21 Other assets

Other assets are analysed by category as follows:

	31 December 2020 RMB	31 December 2019 RMB
Prepayment of office building (Note)	343,615,320	-
Prepayment for IT system	3,263,517	1,115,643
Prepayment for income tax	235,404	4,415,716
Deposits	3,723,447	3,722,945
Other prepaid expenses	201,883	3,365,011
Advances	308,731	1,218,416
Interest receivable	222,265	-
Less: Provision for impairment	-	-
Total	351,570,567	13,837,731

Note: on November 5, 2020, the bank signed a memorandum with Shenzhen Sungang China Resources Land Development Co., Ltd. to purchase T2 office buildings, which agreed to pay in installments with RMB 572,692,200 as the transaction consideration. The bank has paid 60% of the transaction consideration, i.e. RMB 343,615,320, as agreed in the memorandum in 2020. The remaining transaction consideration will be paid in July 2021 and December 2022 with RMB 171,807,660 and RMB 57,269,220 respectively.

22 Balances with banks and other financial institutions

	31 December 2020 RMB	31 December 2019 RMB
Balances with commercial banks - in Chinese Mainland	2,034,835	699,494
Balances with other financial institutions - in Chinese Mainland	10,092,382	302,012
Balance with commercial banks - outside Chinese Mainland	289,588,703	13,837,358
Interest Payable	2,310,129	-
Total	<u>304,026,049</u>	<u>14,838,864</u>

23 Placements from banks and other financial institutions

	31 December 2020 RMB	31 December 2019 RMB
Placements from commercial banks - in Chinese Mainland	320,000,000	1,190,000,000
Placements from commercial banks - outside Chinese Mainland	7,052,292,715	3,883,047,000
Interest Payable	61,871,114	-
Total	<u>7,434,163,829</u>	<u>5,073,047,000</u>

24 Deposits from customers

	31 December 2020 RMB	31 December 2019 RMB
Demand deposits		
- Enterprise and institution customers	743,757,381	709,427,785
- Individual customers	2,100,085	1,408,924
	<u>745,857,466</u>	<u>710,836,709</u>
Time deposits		
- Enterprise and institution customers	2,392,034,606	1,987,281,518
- Individual customers	32,064,427	27,771,726
	<u>2,424,099,033</u>	<u>2,015,053,244</u>
Interest Payable	20,435,899	-
Total	<u>3,190,392,398</u>	<u>2,725,889,953</u>

25 Financial assets sold under repurchase agreements

(1) Analysed by category of financial assets

31 December
2020
RMB

Bonds	
- Bonds issued by the Chinese government	155,200,000
Interest Payable	<u>64,291</u>
Total	<u>155,264,291</u>

(2) Analysed by type of counter-parties

31 December
2020
RMB

Banks operating in Mainland China	155,200,000
Interest Payable	<u>64,291</u>
Total	<u>155,264,291</u>

As disclosed in note 11, on December 31, 2020, the book value of the pledged bonds corresponding to financial assets sold under repurchase agreements formed by the bank's Bond Forward repurchase transaction in the inter-bank market was RMB 159,993,762 (December 31, 2019: none), and these pledged bonds were classified as debt investment. The circulation of pledged bonds is limited during the period of bond repurchase.

26 Interest payable

31 December
2019
RMB

Placements from banks and other financial institutions	26,266,398
Deposits from customers	17,068,784
Balances with banks and other financial institutions	<u>5,962</u>
Total	<u>43,341,144</u>

27 Employee benefits payable

	Note	31 December 2020 RMB	31 December 2019 RMB
Short-term employee benefits	(1)	7,016,592	14,563,262
Post-employment benefits – defined contribution plans	(2)	-	-
Long-term employee benefits due within one year		15,098,688	5,037,592
Long-term employee benefits payable	(3)	<u>2,932,052</u>	<u>1,259,398</u>
Total		<u>25,047,332</u>	<u>20,860,252</u>

(1) Short-term employee benefits

2020				
	Balance at the beginning of the year RMB	Charge during the year RMB	Paid during the year RMB	Balance at the end of the year RMB
Salaries, bonuses, allowances	14,563,262	85,310,292	(92,856,962)	7,016,592
Staff welfare	-	3,545,903	(3,545,903)	-
Social insurance				
Medical insurance	-	2,082,694	(2,082,694)	-
Others	-	291,424	(291,424)	-
Housing fund	-	4,556,726	(4,556,726)	-
Total	<u>14,563,262</u>	<u>95,787,039</u>	<u>(103,333,709)</u>	<u>7,016,592</u>

2019				
	Balance at the beginning of the year RMB	Charge during the year RMB	Paid during the year RMB	Balance at the end of the year RMB
Salaries, bonuses, allowances	15,862,513	89,738,445	(91,037,696)	14,563,262
Staff welfare	-	4,173,695	(4,173,695)	-
Social insurance				
Medical insurance	-	2,130,723	(2,130,723)	-
Others	-	292,518	(292,518)	-
Housing fund	-	3,970,663	(3,970,663)	-
Total	<u>15,862,513</u>	<u>100,306,044</u>	<u>(101,605,295)</u>	<u>14,563,262</u>

(2) Post-employment benefits - defined contribution plans

2020				
	Balance at the beginning of the year RMB	Charge for the year RMB	Paid during the year RMB	Balance at the end of the year RMB
Basic pension insurance	-	362,555	(362,555)	-
Unemployment insurance	-	6,866	(6,866)	-
Total	-	369,421	(369,421)	-

2019				
	Balance at the beginning of the year RMB	Charge for the year RMB	Paid during the year RMB	Balance at the end of the year RMB
Basic pension insurance	-	4,537,703	(4,537,703)	-
Unemployment insurance	-	49,331	(49,331)	-
Total	-	4,587,034	(4,587,034)	-

Note: under the influence of the outbreak of COVID-19, according to the circular issued by the Ministry of human resources and social security, the Ministry of Finance, and the State Administration of Taxation on the issue of the reduction of corporate social insurance premiums ([2020] No.11 of the Ministry of human resources and Social Affairs) and the notice on the extension of the stage of the implementation of the policy of reducing the social insurance premiums of enterprises ([2020] No.49 of the Ministry of human resources and Social Affairs), the bank will be exempted from the payment of basic endowment insurance, unemployment insurance, and work-related injury insurance from February to December 2020.

(3) Long-term employee benefits payable

	31 December 2020 RMB	31 December 2019 RMB
Other long-term employee benefits	18,030,740	6,296,990
Less: Settled within one year	(15,098,688)	(5,037,592)
Total	2,932,052	1,259,398

28 Provisions

	2020			
	12-month ECL - Not credit impaired	Lifetime ECL - Not credit impaired	Lifetime ECL - credit impaired	Total
Balance at the beginning of the year	1,342,051	-	-	1,342,051
Reverse for the year	(652,918)	-	-	(652,918)
Changes in exchange rate	(14,268)	-	-	(14,268)
Balance at the end of the year	674,865	-	-	674,865

29 Other liabilities

	<i>31 December 2020 RMB</i>	<i>31 December 2019 RMB</i>
Accrued expenses	4,123,509	3,155,075
Deferred income	6,888,598	2,066,478
Other payables	<u>1,720,591</u>	<u>2,644,541</u>
Total	<u><u>12,732,698</u></u>	<u><u>7,866,094</u></u>

30 Paid-in capital

	<i>31 December 2020 & 2019 RMB</i>	<i>Percentage</i>
KASIKORNBANK Public Company Limited	<u><u>3,000,000,000</u></u>	<u><u>100.00%</u></u>

Capital contributions in foreign currency were translated into Renminbi at the prevailing exchange rates at the dates of each contribution received as quoted by the People's Bank of China.

31 Other Comprehensive Income

	<i>31 December 2020 RMB</i>
Balance at the end of the previous year	454,775
Changes in accounting policies	<u>215,621</u>
Balance at the beginning of the year	670,396
Items that may be reclassified to profit or loss	
- Measured at fair value through other comprehensive income (debt Instrument)	(8,845,201)
- Impairment loss for measured at fair value through other comprehensive income (debt Instrument)	3,956,563
Income tax implications	<u>1,222,160</u>
Balance at the end of the year	<u><u>(2,996,082)</u></u>

32 Surplus reserve

	<i>Surplus reserve</i> RMB
Balance at 1 January 2019	3,163,248
Profit appropriation	<u>847,529</u>
Balance at 31 December 2019	4,010,777
Profit appropriation	<u>549,655</u>
Balance at 31 December 2020	<u>4,560,432</u>

33 Appropriation of profits

Make a surplus reserve and general risk reserve

- (1) According to the Article of Association, the Bank makes the statutory surplus reserve of 2020 is RMB 549,655 (2019: RMB 847,529) based on 10 percent of net profit.
- (2) On 16, March 2021, the second board of the directors held 2nd meeting and approved that the general risk reserve is 10 percent of audited net profit, with the amount of RMB 549,655. In accordance with the requirements of the measurement for the provision of financial enterprise reserves (CJ [2012] No. 20) issued by the Ministry of finance, the general provision shall be made for the difference between the estimated value of potential risk and the provision for assets. When the estimated value of potential risk is lower than the provision for asset, the general provision may not be made. In principle, the balance of general reserves shall not be less than 1.5% of the ending balance of risk assets. If the proportion of the general reserve balance of financial institutions in the ending balance of risk assets is difficult to reach 1.5% at one time, it can be put in place by years, and in principle it shall not exceed five years.

34 Interest income

	<i>2020</i> RMB	<i>2019</i> RMB
Loans	189,028,435	127,116,590
Balances with banks	9,246,453	18,457,223
Placements with banks and other financial institutions	111,605,698	84,812,769
Debt investments	21,395,039	NA
Other debt investments	85,437,085	NA
Held-to-maturity investments	NA	28,540,520
Available-for-sale financial assets	<u>NA</u>	<u>522,038</u>
Total	<u>416,712,710</u>	<u>259,449,140</u>

35 Interest expenses

	2020 RMB	2019 RMB
Balances and placements from banks	164,039,612	52,519,217
Deposits from customers	48,172,998	34,727,263
Financial assets sold under repurchase agreements	<u>764,663</u>	<u>-</u>
Total	<u>212,977,273</u>	<u>87,246,480</u>

36 Net fee and commission income

	2020 RMB	2019 RMB
Net fee and commission income		
- Loan arrangement fee	775,084	1,177,784
- Routine fee income	5,864,151	2,649,714
- Others	<u>558,631</u>	<u>637,466</u>
Subtotal	7,197,866	4,464,964
Fee and commission expense		
- Joint loan	(19,269,642)	(3,331,129)
- Others	<u>(611,019)</u>	<u>(339,760)</u>
Subtotal	(19,880,661)	(3,670,889)
Net fee and commission income(loss)/income	<u>(12,682,795)</u>	<u>794,075</u>

37 Net gains from exchange differences

	2020 RMB	2019 RMB
Exchange (losses)/gains from trading	(3,720,494)	1,832,735
Unrealised exchange gains from translation of foreign currency	<u>41,759,777</u>	<u>9,614,958</u>
Total	<u>38,039,283</u>	<u>11,447,693</u>

38 (Loss)/profit arising from fair value changes

	2020 RMB
Derivative financial instruments	<u>(48,169,921)</u>

39 Other operating income

	2020 RMB	2019 RMB
Service fee income	1,410,396	2,370,515
Rebate income from tax bureau	-	42,464
Total	<u>1,410,396</u>	<u>2,412,979</u>

40 Government grants

	2020 RMB	2019 RMB
Government grants related to income	7,074,575	4,021,414
Rebate income from tax bureau	628,421	-
Total	<u>7,702,996</u>	<u>4,021,414</u>

41 Investment income

	2020 RMB
Realised gain from sale of investments - other debt investments	<u>1,381,360</u>
Total	<u>1,381,360</u>

42 Taxes and surcharges

	2020 RMB	2019 RMB
Urban maintenance and construction tax	579,450	295,357
Education and local education surcharges	413,893	210,970
Others	154,512	145,771
Total	<u>1,147,855</u>	<u>652,098</u>

43 General and administrative expenses

	2020 RMB	2019 RMB
Employee cost	114,187,200	111,190,068
Electronic equipment running cost	6,574,021	5,402,795
Depreciation and amortisation	13,735,588	12,722,435
Rent	17,204,483	16,753,588
Administrative expenses	10,129,868	9,922,485
Business travel expenses	1,088,521	2,308,225
Professional service fee	19,077,403	11,740,890
Others	1,587,055	2,103,203
Total	<u>183,584,139</u>	<u>172,143,689</u>

44 Credit Losses

	2020 RMB
Loans and advances to customers	(540,568)
Balances with banks and other financial institutions	24,794,210
Placements with banks and other financial institutions	(1,553,664)
Debt investments	(1,821,175)
Other debt investments	3,956,563
Credit commitments	(652,918)
Cash and balances with central bank	(86,919)
Total	<u>24,095,529</u>

45 Impairment losses

	2019 RMB
Impairment losses of loan	16,021,253
Impairment (reversal)/losses of placements with banks and other financial institutions	(4,055,787)
Impairment losses of balances with banks and other financial institutions	749,997
Total	<u>12,715,463</u>

46 Income tax expense

(a) Income tax expense for the year represents:

	2020 RMB	2019 RMB
Current tax expense for the year	-	-
Tax filing differences	-	211,127
Changes in deferred tax	(22,889,212)	(3,494,084)
Total	(22,889,212)	(3,282,957)

(b) Reconciliation between income tax expense and accounting profit:

	2020 RMB	2019 RMB
(Loss)/profit before taxation	(17,392,663)	5,192,336
Income tax expense at statutory tax rate of 25%	(4,348,166)	1,298,084
Non-deductible expenses	148,608	273,473
Non-taxable income	(18,689,654)	(5,065,641)
Tax filing differences	-	211,127
Total	(22,889,212)	(3,282,957)

47 Other comprehensive income, net of tax

	2020 RMB	2019 RMB
Items that may be reclassified to profit or loss		
- Impairment loss for measured at fair value through other comprehensive income (debt Instrument)	3,956,563	NA
- Measured at fair value through other comprehensive income (debt Instrument)	(8,845,201)	NA
Gains or losses arising from changes in fair value of available-for-sale financial assets	NA	606,366
Less: Income tax	1,222,160	(151,591)
Total	(3,666,478)	454,775

48 Supplement to cash flow statement

(a) Reconciliation of net profit to cash flows from operating activities:

	2020 RMB	2019 RMB
Net profit	5,496,549	8,475,293
Add: Credit losses	24,095,529	NA
Impairment provisions for assets	-	12,715,463
Depreciation of fixed assets	3,846,549	2,848,575
Amortization of intangible assets	9,072,893	9,193,368
Amortization of long-term deferred expenses	816,146	680,492
Net losses from disposal of assets	34,978	11,521
Net losses from changes in fair value	48,169,921	-
Investments income	(1,381,360)	-
Interest income from investments	(106,832,124)	(29,062,558)
Unrealised exchange gains	(41,759,777)	(9,614,958)
Increase in deferred tax assets	(22,889,212)	(3,494,084)
Increase in operating receivables	(2,323,125,940)	(622,754,242)
Increase in operating payables	<u>3,236,888,332</u>	<u>4,414,446,725</u>
Net cash inflow from operating activities	<u>832,432,484</u>	<u>3,783,445,595</u>

(b) Net (decrease)/increase in cash and cash equivalents:

	2020 RMB	2019 RMB
Cash and cash equivalents at the end of the year	1,143,965,094	1,471,205,083
Less: Cash and cash equivalents at the beginning of the year	<u>(1,471,205,083)</u>	<u>(1,129,397,456)</u>
Net increase/(decrease) in cash and cash equivalents	<u>(327,239,989)</u>	<u>341,807,627</u>

(c) Analysis of cash and cash equivalents at the end of the year:

	31 December 2020 RMB	31 December 2019 RMB
Surplus deposit reserves	10,277,325	1,236,561
Deposits with financial institutions	445,727,145	800,206,522
Placements with banks and other financial institutions	<u>687,960,624</u>	<u>669,762,000</u>
Total	<u>1,143,965,094</u>	<u>1,471,205,083</u>

49 Segment reporting

The Bank is mainly engaged in commercial loans and deposit absorption; and its existing loan funds is mainly sourced from customers, inter-bank loan markets and the parent.

The Bank divides its business into different operating divisions by business location for the purpose of better management.

To secure the presentation consistency between the segment information and the internal report received by the top management of the Bank for resources allocation and performance evaluation, the Bank determines four reportable segments as follows:

Head Office

Business coordination and support for branches, foreign exchange and funds management.

Shenzhen Branch

Rendering of financial services (including loans and deposits) to domestic and overseas customers.

Chengdu Branch

Rendering of financial services (including loans and deposits) to customers in Sichuan.

Shanghai Branch

Rendering of financial services (including loans and deposits) to customers in Shanghai.

As for the segment analysis, external net interest income/expense refers to the net interest income/expense arising from banking services incurred by an individual operating segment. External net interest income/expense refers to the gains or losses from the revenue allocation by allocating funds to reportable segments to reflect the pricing mechanism for transfer of internal funds, which has taken account of the structure of the assets and liability portfolio and the market return. Costs allocation is determined based on the direct costs incurred by the relevant operating segments and the allocation of administrative expenses. Interest income and expense recognised by reportable segments under the pricing mechanism for transfer of internal funds are offset at the reporting of operating performance and presented in the reconciliation statement. Certain assumptions and estimates are used in the allocation of the capital operating income by the Bank and modifications to those assumptions and estimates are made regularly by the management based on the actual situations.

(a) Segment performance, assets and liabilities

31 December 2020						
	Head Office RMB	Shenzhen Branch RMB	Chengdu Branch RMB	Shanghai Branch RMB	Elimination among segments RMB	Total RMB
Net interest (expense)/income	(43,589,934)	195,566,770	17,813,145	33,945,456	-	203,735,437
Net fee and Commission (expense)/income	(309,886)	(12,659,065)	56,143	230,013	-	(12,682,795)
Other operating income	15,637,786	(14,996,364)	(71,307)	(206,001)	-	364,114
Total operating income	(28,262,034)	167,911,341	17,797,981	33,969,468	-	191,416,756
Operating expenses						
- Depreciation of fixed assets	(3,490,184)	(109,886)	(139,863)	(106,616)	-	(3,846,549)
- Taxes and surcharges	(777,271)	(82,695)	(138,198)	(149,691)	-	(1,147,855)
- Others	(134,544,636)	(19,230,582)	(10,247,557)	(15,714,815)	-	(179,737,590)
	(138,812,091)	(19,423,163)	(10,525,618)	(15,971,122)	-	(184,731,994)
(Loss)/profit of reportable segment before reserve deduction	(167,074,125)	148,488,178	7,272,363	17,998,346	-	6,684,762
Impairment Losses	(1,013,543)	(19,752,258)	781,628	(4,111,356)	-	(24,095,529)
Non-operating income	21,704	7,117	20,342	32,050	-	81,213
Non-operating expenses	(47,716)	(15,393)	-	-	-	(63,109)
Pre-tax profit of reportable segment	(168,113,680)	128,727,644	8,074,333	13,919,040	-	(17,392,663)
Capital expenditure	12,006,617	279,400	547,838	9,742	-	12,843,597
Total assets	13,298,316,541	4,839,583,635	772,969,902	2,768,594,013	(7,456,518,678)	14,222,945,413
Total liabilities	(10,916,739,137)	(4,360,264,661)	(658,349,331)	(2,700,953,051)	7,456,518,678	(11,179,787,502)

31 December 2019						
	Head Office RMB	Shenzhen Branch RMB	Chengdu Branch RMB	Shanghai Branch RMB	Elimination among segments RMB	Total RMB
Net interest income	1,832,887	144,478,742	19,952,786	5,938,245	-	172,202,660
Net fee and Commission (expense)/income	(263,408)	620,989	238,540	197,954	-	794,075
Other operating income	14,320,598	3,497,086	51,065	13,337	-	17,882,086
Total operating income	15,890,077	148,596,817	20,242,391	6,149,536	-	190,878,821
Operating expenses						
- Depreciation of fixed assets	(2,502,063)	(148,375)	(109,494)	(88,643)	-	(2,848,575)
- Taxes and surcharges	(470,259)	(32,827)	(101,142)	(47,870)	-	(652,098)
- Others	(122,799,865)	(19,572,145)	(9,428,608)	(17,494,496)	-	(169,295,114)
	(125,772,187)	(19,753,347)	(9,639,244)	(17,631,009)	-	(172,795,787)
Profit of reportable segment before reserve deduction	(109,882,110)	128,843,470	10,603,147	(11,481,473)	-	18,083,034
Impairment Losses	(749,997)	584,486	760,419	(13,310,371)	-	(12,715,463)
Non-operating income	23,341	5,647	11,128	124	-	40,240
Non-operating expenses	(189,880)	(248)	(347)	(25,000)	-	(215,475)
Pre-tax profit of reportable segment	(110,798,646)	129,433,355	11,374,347	(24,816,720)	-	5,192,336
Capital expenditure	26,697,401	75,983	282,180	122,796	-	27,178,360
Total assets	9,991,302,277	3,434,363,632	676,921,052	1,199,731,480	(4,372,275,888)	10,930,042,553
Total liabilities	(7,456,663,930)	(3,094,277,912)	(564,254,820)	(1,146,009,560)	4,372,275,888	(7,888,930,334)

Note: Capital expenditure refers to the total amount of expenses incurred for the purchase of segment assets, expected to be used over the periods.

50 Capital adequacy ratio

The Bank's management assumes the primary responsibility for capital Management and is responsible for setting capital adequacy objectives tailored to the Bank's development strategy and external environment, approving capital Management systems and capital planning and overseeing implementation, and ensuring that the Bank has sufficient resources to carry out its capital management programme independently and effectively.

The Bank's senior management is responsible for organizing capital management, ensuring the matching between capital and business development and risk level, assessing capital adequacy ratios periodically and irregularly, and reporting capital adequacy ratios and capital adequacy ratios to management and regulatory agencies.

From 1 January 2013 onwards, the Bank calculates the capital adequacy ratio in accordance with *Administrative Measures on Capital of Commercial Banks (for Trial Implementation)* issued by the CBRC. The Bank uses weighting method to measure credit risk weighted assets, uses standard method to measure market risk weighted assets, and uses basic index method to measure operation risk weighted assets. No major changes have taken place in the Bank's measurement system in 2020.

The China Banking and Insurance Regulatory Commission ("CBIRC") requires commercial banks to meet the related requirements of capital adequacy ratios. For non-systemically important banks, the CBIRC requires that the minimum ratios for core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio are more than 7.50%, 8.50% and 10.50%, respectively by the end of 31 December 2020.

The Bank calculates the capital adequacy ratios in accordance with *Administrative Measures on Capital of Commercial Banks (for Trial Implementation)* and relevant requirements promulgated by the CBRC as follows:

	31 December 2020 (RMB'000)	31 December 2019 (RMB'000)
Core tier 1 capital	3,043,158	3,041,113
Paid-in capital	3,000,000	3,000,000
Capital reserve counted	-	-
Surplus reserve	4,560	4,011
General reserve	-	-
Retained earnings	41,594	36,647
Other comprehensive income	(2,996)	455
Deduction from core tier-one capital	117,406	95,953
Other intangible assets (excluding land use rights)	67,969	70,534
Net deferred tax assets	49,437	25,419
Net core tier-one capital	2,925,752	2,945,160
Net tier-one capital	2,925,752	2,945,160
Tier 2 capital	79,913	75,484
Surplus loan impairment reserve	79,913	75,484
Net capital in total	3,005,665	3,020,644
Risk-weighted assets	10,076,075	7,123,939
- On-balance-sheet credit risk-weighted assets	8,961,103	5,967,077
- Off-balance-sheet credit risk-weighted assets	533,933	147,094
- Counterparty credit risk-weighted assets	10,764	-
- Market risk-weighted assets	190,243	619,293
- Operating risk-weighted assets	380,032	390,475
Core tier 1 capital adequacy ratio	29.04%	41.34%
Tier 1 capital adequacy ratio	29.04%	41.34%
Capital adequacy ratio	29.83%	42.40%

51 Related party relationships and transactions

(a) Parent

Item name	Registration place	Principal activities	Registered capital (THB)	Shareholding percentage	Proportion of voting rights	Entity type	President
KASIKORNBANK Public Company Limited	Thailand	Bank and financial services	30,486,146,970	100%	100%	Limited company	Mr.Predee Daochai

(b) Other related parties of the Bank

<i>Company name</i>	<i>Relationship with the Bank</i>
KASIKORNBANK (Public) Company Limited - Hong Kong Branch	Under the same ultimate controlling party
KASIKORN Vision Information & Technology Co., Ltd	Under the same ultimate controlling party
KASIKORN SERVE COMPANY LIMITED	Under the same ultimate controlling party
KASIKORN PRO COMPANY LIMITED	Under the same ultimate controlling party
KASIKORN SOFT COMPANY LIMITED	Under the same ultimate controlling party

(c) Major transactions with related parties

(i) Transaction amounts with related parties:

	<i>2020</i> RMB	<i>2019</i> RMB
Interest income	<u>1,011,067</u>	<u>1,422,908</u>
	<i>2020</i> RMB	<i>2019</i> RMB
Interest expense	<u>136,284,441</u>	<u>30,238,409</u>
	<i>2020</i> RMB	<i>2019</i> RMB
Other operating income	1,410,396	2,370,515
Operation and administrative expenses	<u>1,070,480</u>	<u>844,000</u>

The above transactions with related parties were conducted under normal commercial terms or relevant agreements, based on the general transaction price and in accordance with normal business procedures.

- (ii) The balances of transactions with related parties as at 31 December are set out as follows:

	31 December 2020 RMB	31 December 2019 RMB
Assets		
Deposits with banks and other financial institutions	22,701,417	171,036,107
Interest receivable	-	479,266
Total	22,701,417	171,515,373
Liabilities		
Deposits from banks and other financial institutions	291,865,871	13,837,358
Placements from banks and other financial institutions	7,114,098,866	3,883,047,000
Interest payable	297,453,392	16,257,969
Total	7,703,418,129	3,913,142,327

- (iii) Transactions with key management personnel

	31 December 2020 RMB	31 December 2019 RMB
Salaries and other short-term employee benefits	27,083,585	33,847,532

52 Contingent liabilities and commitments

(a) Credit commitment

The Bank is required to provide a loan limit in the form of a loan amount in any given period.

The Bank provides financial guarantees and letters of credit to ensure customers fulfil their obligations to third parties.

Acceptance bill refers to the redemption commitment made by the Bank to the draft issued by the customer. The Bank expects most acceptances to be settled simultaneously with the reimbursement from the customers.

The contract amount of commitments and contingent liabilities is shown in the following table. The amount that is reflected in the following table refers to the amount of the loan limit. The amount of guarantee and letter of credit as reflected in the table below refers to the maximum possible loss confirmed on the balance sheet date if the other party to the transaction fails to perform the contract fully.

	31 December 2020 RMB	31 December 2019 RMB
Credit commitment	78,046,000	-
Letters of guarantee	<u>315,090,660</u>	<u>388,693,518</u>
Total	<u><u>393,136,660</u></u>	<u><u>388,693,518</u></u>

The above commitments and contingent liabilities bear the credit risk outside the balance sheet. Before execution or expiration, management of the Bank will reasonably assess their losses, and confirm the estimated liabilities if necessary. As the amount of the above credit business is or will not be drawn down, the amount of the contract does not represent the expected future cash outflow. The bank's loan commitments are all unconditionally revocable at any time and are not included in the above commitments.

	31 December 2020 RMB	31 December 2019 RMB
Credit risk weighted amount of credit commitment: commitments and contingent liabilities	<u>214,213,250</u>	<u>147,094,400</u>

The credit risk-weighted amount refers to the amount calculated in accordance with the CBIRC. The risk weights are determined in accordance with the credit status of the counterparties, the maturity profile and other factors. The risk weights fall in a range from 0% to 100% for contingent liabilities and commitments.

(b) Capital commitments

As at 31 December, the capital commitments of the Bank are summarised as follows:

	31 December 2020 RMB	31 December 2019 RMB
The amount of contracts entered into or ready for performance	<u><u>230,136,439</u></u>	<u><u>5,225,524</u></u>

(c) Operating lease commitments

As at balance sheet dates, the Bank's future minimum lease payments under non-cancellable operating leases were payable as follows:

	31 December 2020 RMB	31 December 2019 RMB
Within 1 year	17,661,777	15,862,860
After 1 year but within 2 years	16,739,428	13,607,120
After 2 years but within 3 years	16,067,405	13,957,053
Over 3 years	5,668,302	20,462,884
Total	<u>56,136,912</u>	<u>63,889,917</u>

53 Risk analysis, sensitivity analysis and determination of fair value for financial instruments

The Bank has exposure to the following main risks from its use of financial instruments in the normal course of the Bank's operations:

- Credit risk
- Liquidity risk
- Interest rate risk
- Foreign currency risk

The following are mainly discussed the above risk exposure and its causes, risk management objectives, policies and processes, and methods of measuring risk.

The Bank aims to seek appropriate balance between the risks and benefits from its use of financial instruments and to mitigate the adverse effects that the risks of financial instruments have on the Bank's financial performance. Based on such objectives, the Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Bank's activities.

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Bank's credit risk is primarily attributable to Loans and advances to customers, Placements with banks and other financial institutions, Deposits with banks and other financial institutions and Debt investments. Exposure to these credit risks are monitored by management on an ongoing basis.

Financial investments of the Bank is mainly held with well-known financial institutions, Commercial financial debt, and corporate debt with high rating Management does not foresee any significant credit risks from these deposits and does not expect that these financial institutions may default and cause losses to the Bank.

The Bank's available-for-Sale financial assets and held-to-maturity investments include Chinese government bonds and policy bank bonds. The Bank's management conclude there was no significant credit risk, and it is not expected to cause losses to the bank as a result of default.

For loan portfolios, the Bank comply with the annual loan target formulated by the management, and monitor loan portfolios from various perspectives every month, such as loan scale, industry, region, borrower credit rating, loan mortgage rate and so on. The Bank's loan portfolio is monitored by its management.

Following the implementation of the loan risk classification guidelines issued by the China Banking Regulatory Commission, the Bank has formulated and constantly improved the relevant provisions of loan risk classification, and adopted the five level risk classification system. According to the customer's ability to repay risks and classify, the main factors that must be considered include repayment ability of the borrower, repayment record and repayment intention, loan project profitability, loan guarantee and legal liabilities related to repayment.

The Bank has developed the related functions of credit asset risk classification in the core system, which is closely combined with the post loan management according to the strict classification standard, so as to ensure the timeliness and effectiveness of credit asset risk classification.

The risk arising from the loan commitment is in essence consistent with the risk of the loan. Therefore, these transactions require the same application as the loan business, the post loan management and the collateral guarantee requirements.

Concentration of credit risk: When a certain number of customers perform the same business activities, are in the same geographical location or their industries have similar economic characteristics, their ability to perform contracts will be affected by the same economic change. The degree of concentration of credit risk reflects the sensitivity of the industry to a particular industry or location.

Analysis on loans and advances by way of security, the industry and the loan portfolio has been shown in note 10.

Without considering collateral or other credit enhancement corresponding assets, the maximum credit risk exposure on the balance sheet date is the book value of each financial asset minus its impairment reserve.

The carrying amounts of financial instruments in the balance sheet has properly reflected the maximum credit risk.

(i) Maximum exposure

Without considering collateral or other credit enhancement corresponding assets, the maximum credit risk exposure at the balance sheet date is the book value of each financial asset minus its impairment reserve. A summary of the maximum exposure is as follows:

	31 December 2020 RMB	31 December 2019 RMB
Balances with central bank	305,551,724	245,306,473
Balances with banks and other financial institutions	544,014,137	872,504,878
Placements with banks and other financial institutions	4,405,650,605	2,347,848,280
Interest receivable	NA	33,612,819
Loans and advances to customers	3,677,779,971	3,472,172,386
Debt investments	2,905,895,253	NA
Other debt investments	1,888,714,853	NA
Derivative financial assets	6,451,835	-
Available-for-sale financial assets	NA	275,509,910
Held-to-maturity investments	NA	3,555,024,230
Other assets	4,254,443	4,941,361
Total	13,738,312,821	10,806,920,337
Credit commitments	393,136,660	388,693,518
Maximum exposure to credit risk	14,131,449,481	11,195,613,855

(ii) Analysis of loans and advances by credit quality is as follows:

	31 December 2020 RMB
<u>Past due but not credit impaired</u>	
Less than three months	16,881,786
Provision for impairment	(4,686,129)
Net amount	12,195,657
<u>Neither past due nor credit impaired</u>	
Total amount	3,750,792,040
Provision for impairment	(85,207,726)
Net amount	3,665,584,314
Total net amount	3,677,779,971

	31 December 2019 RMB
Neither overdue nor impaired	
Total	3,572,594,524
Provision for impairment	
- Collectively assessed	<u>(100,422,138)</u>
Net amount	<u>3,472,172,386</u>
Total net amount	<u>3,472,172,386</u>
(iii) Collateral	

The fair value of mortgage loans and advances as follows:

	31 December 2020 RMB	31 December 2019 RMB
Neither past due nor impaired	<u>3,530,283,027</u>	<u>404,253,358</u>

As at 31 December 2020, the balance of Weichedai Auto Loan of the Bank, in cooperation with Shenzhen Qianhai WeBank Co., Ltd. ("WeBank"), is RMB 423,892,022 (31 December 2019: RMB 544,423,729), and the collateral of the relevant loans is managed by WeBank. The fair value of the above collateral does not include the fair value of the collateral in Weiche dai Auto Loan.

(b) Liquidity risk

Liquidity risk is the risk of the prospect that the Bank will be unable to meet its obligations as they fall due because of an inability to liquidate assets or obtain funding sufficiently in a timely manner with appropriate cost which could result in losses. The Bank manage its liquidity risk under China's regulations and also ensures that its liquidity position is suitable and sufficient for the current and foreseeable market conditions and business needs, meanwhile being monitored and controlled under the relevant supervision of the management.

The Bank's funds is mainly sourced from self-own fund and deposit from customers, and is separately managed matching with the liquidity requirements by currency.

Analysis of The Bank assets and liabilities by remaining maturity are as follows:

	31 December 2020							
	<i>Repayable on demand RMB</i>	<i>Within 1 month RMB</i>	<i>After 1 month but within 3 months RMB</i>	<i>After 3 months but within 1 year RMB</i>	<i>After 1 year but within 5 years RMB</i>	<i>More than 5 years RMB</i>	<i>Indefinite RMB</i>	<i>Total RMB</i>
Assets								
Cash and deposits with central bank (i)	10,271,605	-	-	-	-	-	295,280,119	305,551,724
Receivables from banks and other financial institutions (ii)	511,582,203	161,992,949	451,161,712	3,664,662,517	160,265,361	-	-	4,949,664,742
Loans and advances to customers (iii)	9,146,405	333,628,344	533,601,661	1,453,266,269	1,227,137,206	115,196,878	5,803,208	3,677,779,971
Debt investments	-	340,741,471	378,330,714	1,376,487,271	810,335,797	-	-	2,905,895,253
Other debt investments	-	-	-	-	1,888,714,853	-	-	1,888,714,853
Derivative financial assets	-	1,169,673	1,560,031	3,722,131	-	-	-	6,451,835
Other assets (iv)	269,725	126,268	155,435	110,000	3,284,284	-	484,941,323	488,887,035
Total	531,269,938	837,658,705	1,364,809,553	6,498,248,188	4,089,737,501	115,196,878	786,024,650	14,222,945,413
Liabilities:								
Deposits from banks and other financial institutions (ii)	11,059,894	322,244,036	10,122,961	5,291,017,112	2,103,745,875	-	-	7,738,189,878
Deposits from customers	855,069,791	47,022,856	875,905,573	1,389,200,879	23,193,299	-	-	3,190,392,398
Financial assets sold under repurchase agreements	-	155,264,291	-	-	-	-	-	155,264,291
Derivative financial liabilities	-	1,161,196	48,792,309	4,354,135	-	-	-	54,307,640
Other liabilities (v)	23,730	3,226,560	27,685,158	4,777,030	5,920,817	-	-	41,633,295
Total	866,153,415	528,918,939	962,506,001	6,689,349,156	2,132,859,991	-	-	11,179,787,502
(Short)/long position	(334,883,477)	308,739,766	402,303,552	(191,100,968)	1,956,877,510	115,196,878	786,024,650	3,043,157,911

	31 December 2019							
	Repayable on demand RMB	Within 1 month RMB	After 1 month but within 3 months RMB	After 3 months but within 1 year RMB	After 1 year but within 5 years RMB	More than 5 years RMB	Indefinite RMB	Total RMB
Assets								
Cash and deposits with central bank (i)	1,236,561	-	-	-	-	-	244,069,912	245,306,473
Receivables from banks and other financial institutions	658,581,501	458,842,303	346,500,000	1,756,429,354	-	-	-	3,220,353,158
Loans and advances to customers (ii)	-	204,609,575	323,535,364	1,756,782,733	875,708,657	311,536,057	-	3,472,172,386
Available-for-sale financial assets	-	-	-	51,278,930	224,230,980	-	-	275,509,910
Held-to-maturity investments	-	123,685,384	-	1,485,441,386	1,945,897,460	-	-	3,555,024,230
Other assets (iii)	220,483	1,964,133	2,997,458	10,666,728	18,959,400	3,434,474	123,433,720	161,676,396
Total	660,038,545	789,101,395	673,032,822	5,060,599,131	3,064,796,497	314,970,531	367,503,632	10,930,042,553
Liabilities:								
Deposits from banks and other financial institutions	10,183,154	104,655,710	-	4,601,860,600	371,186,400	-	-	5,087,885,864
Deposits from customers	722,854,431	331,387,064	390,731,746	1,280,806,487	110,225	-	-	2,725,889,953
Other liabilities (iv)	484,687	3,851,978	54,509,510	14,356,973	1,875,683	75,686	-	75,154,517
Total	733,522,272	439,894,752	445,241,256	5,897,024,060	373,172,308	75,686	-	7,888,930,334
(Short)/long position	(73,483,727)	349,206,643	227,791,566	(836,424,929)	2,691,624,189	314,894,845	367,503,632	3,041,112,219

- Notes: (i) The undated cash and balances with central bank are the statutory deposit reserves deposited with central bank.
- (ii) Receivables from banks and other financial institutions includes balances with banks and other financial institutions and placements with banks and other financial institutions, Balances from banks and other financial institutions includes Balances with banks and other financial institutions and placements from banks and other financial institutions.
- (iii) For loans and advances to customers, the “indefinite” period represents the impaired loans or the loan which overdue more than one month but not impaired. Loans and advances, which are not impaired and overdue less than one month, are included in “repayable on demand”.
- (iv) Other assets include interest receivable, long-term deferred expenses, fixed assets, intangible assets, construction in progress, deferred tax assets and other assets.
- (v) Other liabilities include employee benefits payable, interest payable, taxes payable and other liabilities.

Analysis of the undiscounted cash flow from the Bank's liabilities is as follows:

31 December 2020									
	Carrying amount RMB	Overdue/ repayable on demand RMB	Within 1 month RMB	After 1 month but within 3 months RMB	After 3 months but within 1 year RMB	After 1 year but within 5 years RMB	More than 5 years RMB	Indefinite RMB	Total RMB
Liabilities:									
Balances from banks and other financial institutions	7,738,189,878	11,055,220	322,246,265	10,122,961	5,360,100,870	2,304,730,021	-	-	8,008,255,337
Deposits from customers	3,190,392,398	855,069,792	50,997,735	882,813,952	1,405,371,009	23,647,279	-	-	3,217,899,767
Financial assets sold under repurchase agreements	155,264,291	-	155,291,844	-	-	-	-	-	155,291,844
Derivative financial liabilities	54,307,640	-	1,161,196	48,792,309	4,354,135	-	-	-	54,307,640
Other liabilities	41,633,295	23,730	3,226,560	27,685,158	4,777,030	5,920,817	-	-	41,633,295
Total liabilities	11,179,787,502	866,148,742	532,923,600	969,414,380	6,774,603,044	2,334,298,117	-	-	11,477,387,883
Off-balance-sheet credit commitments	393,136,660	-	-	30,141,552	276,897,996	35,399,550	50,697,562	-	393,136,660
31 December 2019									
	Carrying amount RMB	Overdue/ repayable on demand RMB	Within 1 month RMB	After 1 month but within 3 months RMB	After 3 months but within 1 year RMB	After 1 year but within 5 years RMB	More than 5 years RMB	Indefinite RMB	Total RMB
Liabilities:									
Balances from banks and other financial institutions	5,087,885,864	10,183,154	104,709,260	-	4,668,571,820	390,544,467	-	-	5,174,008,701
Deposits from customers	2,725,889,953	722,854,431	334,780,268	396,485,847	1,295,102,812	114,911	-	-	2,749,338,269
Other liabilities	75,154,517	484,687	3,851,978	54,509,510	14,356,973	1,875,683	75,686	-	75,154,517
Total liabilities	7,888,930,334	733,522,272	443,341,506	450,995,357	5,978,031,605	392,535,061	75,686	-	7,998,501,487
Off-balance-sheet credit commitments	388,693,518	226,270,000	-	-	136,940,180	20,268,333	5,215,005	-	388,693,518

(c) Interest rate risk

Interest rate risk refers to any risk that interest rate changes affect the Bank's current or future income, financial costs or economic value. The Bank, under the supervision of the management, conducts periodic interest rate sensitivity analysis and monitoring of net interest income and economic value to effectively monitor the potential negative impact of interest rate changes. The deposit and loan interest rates of the Bank's foreign exchange business and RMB business and the interbank deposit and release rates are mainly based on the international market benchmark interest rate and the interest rate set by the PBOC.

- (i) The following tables indicate for the respective year, the expected next repricing dates (or maturity dates whichever is earlier) for the assets and liabilities as at the end of the relevant periods:

31 December 2020						
	Within 3 months	Over 3 months but within 1 years	Over 1 year but less than 5 years	More than 5 years	Non-interest bearing	Total
Assets						
Cash and deposits with central bank	10,271,605	-	-	-	295,280,119	305,551,724
Balances with banks and other financial institutions	444,058,808	99,955,329	-	-	-	544,014,137
Placements with banks and other financial institutions	680,678,057	3,564,707,187	160,265,361	-	-	4,405,650,605
Loans and advances to customers	876,376,409	1,453,266,271	1,227,137,206	121,000,085	-	3,677,779,971
Debt investments	719,072,185	1,376,487,271	810,335,797	-	-	2,905,895,253
Other debt investments	-	-	1,888,714,853	-	-	1,888,714,853
Derivative financial assets	1,628,359	4,823,476	-	-	-	6,451,835
Other assets	-	-	-	-	488,887,035	488,887,035
Total assets	2,732,085,423	6,499,239,534	4,086,453,217	121,000,085	784,167,154	14,222,945,413
Liabilities:						
Balances from banks and other financial institutions	21,182,855	282,843,194	-	-	-	304,026,049
Placements from banks and other financial institutions	322,244,036	5,008,173,918	2,103,745,875	-	-	7,434,163,829
Deposits from customers	1,777,998,220	1,389,200,879	23,193,299	-	-	3,190,392,398
Financial assets sold under repurchase agreements	155,264,291	-	-	-	-	155,264,291
Derivative financial liabilities	49,953,505	4,354,135	-	-	-	54,307,640
Other liabilities	-	-	-	-	41,633,295	41,633,295
Total liabilities	2,326,642,907	6,684,572,126	2,126,939,174	-	41,633,295	11,179,787,502
Asset liability exposure	405,442,516	(185,332,592)	1,959,514,043	121,000,085	742,533,859	3,043,157,911

	31 December 2019					
	Within 3 months	Over 3 months but within 1 years	Over 1 year but less than 5 years	More than 5 years	Non-interest bearing	Total
Assets						
Cash and deposits with central bank	1,236,561	-	-	-	244,069,912	245,306,473
Balances with banks and other financial institutions	797,661,804	74,843,074	-	-	-	872,504,878
Placements with banks and other financial institutions	666,262,000	1,681,586,280	-	-	-	2,347,848,280
Loans and advances to customers	528,144,939	1,756,782,733	875,708,657	311,536,057	-	3,472,172,386
Available-for-sale financial assets	-	51,278,930	224,230,980	-	-	275,509,910
Held-to-maturity investments	123,685,384	1,485,441,386	1,945,897,460	-	-	3,555,024,230
Other assets	-	-	-	-	161,676,396	161,676,396
Total assets	2,116,990,688	5,049,932,403	3,045,837,097	311,536,057	405,746,308	10,930,042,553
Liabilities:						
Balances from banks and other financial institutions	14,838,864	-	-	-	-	14,838,864
Placements from banks and other financial institutions	100,000,000	4,601,860,600	371,186,400	-	-	5,073,047,000
Deposits from customers	1,444,973,241	1,280,806,487	110,225	-	-	2,725,889,953
Other liabilities	-	-	-	-	75,154,517	75,154,517
Total liabilities	1,559,812,105	5,882,667,087	371,296,625	-	75,154,517	7,888,930,334
Asset liability exposure	557,178,583	(832,734,684)	2,674,540,472	311,536,057	330,591,791	3,041,112,219

(ii) Sensitivity analysis

The following table lists the results of the rate sensitivity analysis of the Bank's assets and liabilities at December 31, 2020.

Gap analysis

31 December 2020	
Change of interest rate (basis points)	
100	(100)

The increase/(decrease) in net interest income resulting from the change in interest rates

2,858,132	(2,858,132)
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31 December 2019	
Change of interest rate (basis points)	
100	(100)

The increase/(decrease) in net interest income resulting from the change in interest rates

1,752,558	(1,752,558)
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(d) Foreign currency risk

The Bank's exchange rate risk mainly includes the risk of loss of foreign exchange exposure due to adverse exchange rate fluctuations arising from currency structure imbalance between foreign currency assets and foreign currency liabilities. The Bank's exchange rate risks are mainly derived from non-renminbi denominated loans and advances, interbank payments and deposits held by the Bank. The Bank sets a limit on the total foreign currency exposure, monitors the size of the currency position on a daily basis, and seeks to match the source of funds with the use of currency to reduce foreign exchange exposure.

(i) The assets and liabilities of the bank on the balance sheet date are listed below in RMB

	31 December 2020				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash on hand and deposits with central bank	288,691,382	16,860,342	-	-	305,551,724
Receivables from banks and other financial institutions	4,621,573,469	307,395,050	14,951,066	5,745,157	4,949,664,742
Loans and advances to customers	3,014,138,715	358,438,600	197,794,966	107,407,690	3,677,779,971
Debt investments	2,905,895,253	-	-	-	2,905,895,253
Other debt investments	1,888,714,853	-	-	-	1,888,714,853
Derivative financial assets	6,451,835	-	-	-	6,451,835
Other assets	488,638,642	181,423	66,970	-	488,887,035
Total assets	13,214,104,149	682,875,415	212,813,002	113,152,847	14,222,945,413
Liabilities:					
Payables to banks and other financial institutions	6,267,829,919	1,143,182,737	213,857,171	113,320,051	7,738,189,878
Deposits from customers	2,983,686,190	204,898,184	7,260	1,800,764	3,190,392,398
Financial assets sold under repurchase agreements	155,264,291	-	-	-	155,264,291
Derivative financial liabilities	54,307,640	-	-	-	54,307,640
Other liabilities	39,387,810	1,486,186	114,349	644,950	41,633,295
Total liabilities	9,500,475,850	1,349,567,107	213,978,780	115,765,765	11,179,787,502
Net position of foreign exchange	3,713,628,299	(666,691,692)	(1,165,778)	(2,612,918)	3,043,157,911
Off-balance-sheet credit commitments	323,468,271	50,324,130	-	19,344,259	393,136,660

	31 December 2019				Total
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	
Assets					
Cash on hand and deposits with central bank	231,242,454	14,064,019	-	-	245,306,473
Receivables from banks and other financial institutions	2,273,694,349	899,528,028	42,725,667	4,405,114	3,220,353,158
Loans and advances to customers	2,895,457,262	307,504,758	268,626,506	583,860	3,472,172,386
Available-for-sale financial assets	275,509,910	-	-	-	275,509,910
Held-to-maturity investments	3,555,024,230	-	-	-	3,555,024,230
Other assets	158,368,505	2,668,936	623,264	15,691	161,676,396
Total assets	9,389,296,710	1,223,765,741	311,975,437	5,004,665	10,930,042,553
Liabilities:					
Payables to banks and other financial institutions	4,629,181,648	139,524,000	313,523,000	5,657,216	5,087,885,864
Deposits from customers	2,248,034,191	476,556,767	457,962	841,033	2,725,889,953
Other liabilities	72,798,560	1,593,565	752,171	10,221	75,154,517
Total liabilities	6,950,014,399	617,674,332	314,733,133	6,508,470	7,888,930,334
Net position of foreign exchange	2,439,282,311	606,091,409	(2,757,696)	(1,503,805)	3,041,112,219
Off-balance-sheet credit commitments	226,270,000	142,217,971	-	20,205,547	388,693,518

(ii) Sensitivity analysis

Assuming all other risk variables remained constant, a 1% strengthening of the Renminbi against the US dollar, Hong Kong dollar and other currency at 31 December would have increased / (decreased) the Bank's net profit by the amount shown below, whose effect is in Renminbi and translated using the spot rate at the year-end date:

	Net profit	
	31 December 2020	31 December 2019
USD	5,000,188	(4,545,686)
HKD	8,743	20,683
Others	19,597	11,279
Total	5,028,528	(4,513,724)

A 1% weakening of the RMB against the US dollar, Hong Kong dollar and other currency at 31 December would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remained constant.

54 Fair value

(1) Methods for determining fair value

Financial assets

Financial assets of the Bank mainly include cash and deposits with the central bank, balances with banks and other financial institutions, placements with banks and other financial institutions, advances to customers and held-to-maturity investments.

Except for loans, advances and financial investments, most of the financial assets mature within one year, and therefore their carrying values are similar to their fair values.

Loans and advances are stated at amortised costs less impairment allowances. The interest rate of loans and advances will be adjusted in accordance with the PBOC rates or LIBOR. Accordingly, the carrying amounts of loans and advances are similar to the fair values.

Available-for-sale financial asset is presented at fair value (unless the fair value of that asset cannot be measured reliably). For financial instruments with active market, the Bank will adopt the market price or interest rate as the best reflection as the fair value. If no active market, market price or market interest rate exist for a financial instrument, the Bank will adopt discounted cash flow and other valuation techniques to recognise the fair value of these financial assets and liabilities.

The fair value of held-to-maturity investments is usually determined on the basis of the market bid prices or broker/dealer price quotations. If the relevant market information is not available, the fair value is estimated on the basis of the pricing model or discounted cash flow method, taking the yield on securities with similar characteristics (such as credit risk and maturity date) as a parameter.

Financial liabilities

Financial liabilities of the Bank mainly include balances with banks and other financial institutions, placements from banks and other financial institutions and deposits from customers etc. The carrying amount of financial liabilities at balance sheet date is similar to the face value.

(2) Financial instruments measured at fair value

(a) Fair value hierarchy

The following table presents the fair value information and the fair value hierarchy, at the end of the current reporting period, of the Bank's assets and liabilities which are measured at fair value at each balance sheet date on a recurring basis. The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement. The levels of inputs are defined as follows:

Level 1 inputs: unadjusted quoted prices in active markets that are observable at the measurement date for identical assets or liabilities;

Level 2 inputs: inputs other than Level 1 inputs that are either directly or indirectly observable for underlying assets or liabilities;

Level 3 inputs: inputs that are unobservable for underlying assets or liabilities.

The following table presents hierarchy of valuation basis adopted by financial instruments measured at fair value at 31 December:

31 December 2020				
	Level 1 Fair value measurement	Level 2 Fair value measurement	Level 3 Fair value measurement	Total
Asset				
Other debt investments	-	1,888,714,853	-	1,888,714,853
Derivative financial assets	-	6,451,835	-	6,451,835
Total values of assets measured at fair value	-	1,895,166,688	-	1,895,166,688
Liabilities				
Derivative financial liabilities	-	54,307,640	-	54,307,640
31 December 2019				
	Level 1 Fair value measurement	Level 2 Fair value measurement	Level 3 Fair value measurement	Total
Available-for-sale financial assets	-	275,509,910	-	275,509,910

(b) Level 2 fair value measurement

Available-for-sale financial assets classified as Level 2 are RMB bond investments. The fair value of these bonds is determined according to the valuation results of China Central Depository & Clearing Co., Ltd. and the valuation technique is valuation technique with observable market information for all major valuation parameters.

During the year ended 31 December 2019, there were no changes in valuation techniques mentioned above for the recurring and non-recurring Level 2 fair value measurements.

(c) Financial instruments not measured at fair value

Assets and liabilities not measured at fair value include: cash and balances with central bank, balances with banks and other financial institutions, placements with banks and other financial institutions, loans and advances to customers, held-to-maturity investments, deposits from banks and other financial institutions, placements from banks and other financial institutions and deposits from customers.

There is no significant difference between the book value and fair value of other financial assets and liabilities that are not measured at fair value except financial assets as follows:

	31 December 2020		31 December 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Debt investments	2,905,895,253	2,870,988,040	NA	NA
Held-to-maturity investments	NA	NA	3,555,024,230	3,542,878,440

The fair value of debt investments/held-to-maturity investments of the Bank is based on the price from public information published by Shanghai Wind Information Co., Ltd. (Wind information).

55 Non-adjusting post balance sheet date events

On 16, March 2021, the second board of the directors of the bank held 2nd meeting and approved that the general risk reserve is 10 percent of audited net profit, with the amount of RMB 549,655. See note 33 for details.