

**Bangkok Bank (China) Company
Limited**

2020 Annual Report



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【Note】 : The annual report of year 2020 hereby (including independent audit report) is published in accordance with the requirements of former China Banking Regulatory Commission and <Measures for the Information Disclosure of Commercial Banks> and shall not be for any other use in any manner without the consent of Bangkok Bank (China) Company Limited. **All amounts expressed in RMB Yuan unless otherwise specified.**

Part I Bank Introduction

The basic information of Bangkok Bank (China) Company Limited

English full name:	Bangkok Bank (China) Company Limited
The registered capital:	Renminbi 4,000,000,000 or equivalent in freely convertible currencies
The registered address:	Floor 2 (B-C), Floor 3 and Floor 4, No. 7 Zhongshan East-1 Road, Huangpu District, Shanghai
Establishment date:	December, 2009
Business scope:	All kinds of foreign exchange services and Renminbi services to all types of customers within the following business scope of the Bank: taking deposits from the public; extending short-term, medium-term and long-term loans; acceptance and discounting of negotiable instruments; trading of treasury bonds, financial bonds and other foreign currency denominated securities (other than stocks); provision of letter of credit services and guarantees; domestic or international settlements; sales and purchase of foreign exchange and acting as an agent for selling and purchasing foreign exchange; insurance agency; inter-bank lending; bank card business; safety box services; creditability investigations and consultancy services; and such other businesses as approved by the CBIRC, and the settlement and sales of foreign exchange against Renminbi as approved by the People's Bank of China.
Legal representative:	Mr. Chartsiri Sophonpanich
The shareholder:	Bangkok Bank Public Company Limited, it lawfully holds 100% of the Shareholding Interest in the Bank

Part II Financial Report

2.1 Financial Highlights**Income Statement Item**

	Y2020	Y2019
Operating Income	226,407,376	431,797,330
Operating Expenses	(256,595,268)	(269,180,765)
(Loss)/Profit Before Taxation	(30,237,156)	162,586,051
Net Profit for the year	5,607,305	137,852,574

Balance Sheet Item

	12/31/2020	12/31/2019
Loans and Advances to Customers	6,111,554,231	6,381,793,409
Total Assets	14,270,422,173	13,192,603,421
Deposits from Customers	9,125,721,054	7,088,335,711
Total Liabilities	9,417,319,092	8,335,912,906
Paid-in Capital	4,000,000,000	4,000,000,000
Total Owners' Equity	4,853,103,081	4,856,690,515

For detail information please refer to enclosed Y2020 annual audit report.

Part III Risk Management and Capital Adequacy Ratio

Risk management

The Bank's risk management is an integral part of the Bank business strategy. The Bank risk management approach focuses on ensuring continued financial soundness and safeguarding the interest of our shareholder, while remaining nimble to seize value-creating business opportunities in a fast changing environment. The Bank is committed to maintaining high standards of corporate governance, sound risk management principles and business practices to achieve sustainable long-term business expansion or growth. The Bank continuously strive towards best risk management practices to support the Bank's strategic objectives.

The Bank has put in placed a framework of policies, methodologies, tools and processes that will help the Bank to identify, measure, monitor and manage material risks faced by the Bank.

The Bank's responsibility for risk management starts at the top with the Board of Directors overseeing a governance structure that is designed to ensure that the Bank's business activities are:

- Conducted in a safe and sound manner and in-line with established risk management policies;
- Consistent with the Bank's overall business strategy and risk appetite;
- Adequate risk management and internal controls.

The Board of Directors is assisted by the Risk Management Committee in the oversight of risks namely; credit risk, market risk, liquidity risk and operational risk. The Bank has developed a comprehensive risk management policy to establish a comprehensive risk management system. In addition to the above-mentioned risks, risk management system also includes reputational risks, strategic risks, information technology risks, money laundering risks and other risks. The Risk Management Committee is responsible to ensure risk reports are regularly submitted to the Board of Directors to keep the Board of Directors posted of the Bank's risk profile. And related risk strategy or policies are appropriate approved by the Board of Directors for implementation. The Bank's senior management is responsible for establishing risk management policies and procedures, according to the risk management strategy approved by the Board of Directors and the Risk Management Committee. These risk management policies are implemented by different departments of the Bank upon approval from the Board of Directors.

3.1 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. Credit risk mainly arises from credit business. In treasury transactions, credit risk refers to that the issuer fails to repay the matured principal or interest.

3.1.1 Credit business

Considering the market and economic environment, business development strategy and the requirements of customers, within the Bank's risk control scope, the Bank provides various direct credit businesses and direct credit substitute businesses to foreign-invested companies set up in the PRC mainly by Southeast Asian companies and domestic companies with good credit standing.

The Bank has established a strict credit management system, including credit approval, daily credit monitoring, credit classification monitoring, problem loan management, policies for loan loss provisioning and write-off, debt restructuring, etc.

The Bank adopts the internal five-tier grading loan classification approach (the "Internal Credit Grading") to monitor the risk condition of its loan portfolios. This approach assesses the credit grading by considering the customers' credit record, financial position, repayment condition, as well as the collaterals to monitor the risk of loan portfolios.

If the counterparties are concentrated in a few industries or a few geographical areas, or have similar economic characteristics, the credit risk is normally higher. In addition, different industries and geographical areas may have different characteristics; hence the respective credit risk is not similar. The Bank has set

specific limits for large exposure credit concentration, industry concentration and country concentration to improve the credit risk structure. The Bank prepares the exposure report of concentration risk quarterly and performs periodical review on it. The Bank has managed exposure to country risks within a reasonable limit and provided adequate Special Reserve on country risk exposures.

The Bank mitigates credit risk by obtaining mortgage, cash margin, pledged deposits, and guarantees from companies or individuals. The Bank has specified amounts and categories of collateral required according to the assessment result of credit risk of the counterparty. The Bank has established underwriting standards on collateral types and assessment methods. The Bank has specified categories of acceptable collateral, including deposit pledge, land use rights, buildings, and machines and equipments. To reduce the credit risk, the Bank has stipulated discount rates for different collaterals to reflect the cash realisable value. The business units will monitor the market value of the collaterals regularly and may require the obligors to increase the collaterals based on the related agreements. When performing assessment of the adequacy of loss provision, changes in the market value of the collaterals will be considered. For a loan guaranteed by a third party, the Bank assesses the guarantor's financial condition, historical credit record and its capacity to settle the debts on behalf of the obligor.

Except for loans, collaterals or guarantees needed for other financial assets shall be determined by the nature of the instruments.

3.1.1.1 Loans and advances to customers Analysed by security type

	2020	2019
Unsecured loans	814,788,084	913,584,933
Guaranteed loans	2,635,933,845	2,968,152,514
Secured loans	3,187,932,749	3,041,858,581
- <i>mortgaged</i>	2,828,852,735	2,779,461,955
- <i>pledged</i>	359,080,014	262,396,626
Total loans and advances	6,638,654,678	6,923,596,028
Less: Allowances for impairment losses	(527,100,447)	(541,802,619)
Net book value of loans and advances to customers	6,111,554,231	6,381,793,409

Overdue loans analysed by overdue period

As at 31 December 2020, the Bank has no overdue loans (2019: overdue loan was RMB 23,618,940, which was secured by collaterals).

	2020				Total
	<i>Within three months</i>	<i>Between three months and one year</i>	<i>Between one year and three years</i>	<i>Over three years</i>	
Secured loans - <i>against collaterals</i>	-	-	-	-	-
	-	-	-	-	-
	2019				Total
	<i>Within three months</i>	<i>Between three months and one year</i>	<i>Between one year and three years</i>	<i>Over three years</i>	
Secured loans - <i>against collaterals</i>	23,618,940	-	-	-	23,618,940
	-	-	-	-	-

Overdue loans represent loans and advances to customers, of which the whole or part of the principal or interest was overdue for more than one day.

3.1.1.2 Loan loss provisions

As at 31 December 2020, the Bank's loan provision ratio was 7.94% (2019: 7.83%), and provision coverage ratio was 4,543% (2019: not applicable as no non-performing loans at the year end of 2019). The loan impairment provision accrued by the Bank met the relevant regulatory requirements.

3.2 Liquidity risk

Liquidity risk means the risk that a commercial bank is unable to acquire adequate funds in a timely manner at a reasonable cost to repay mature debts, fulfill other payment obligations and meet other capital needs for normal business activities.

The liquidity risk management is to ensure that the Bank has sufficient liquidity/cash to meet its obligations related to financial liabilities and its demand on business development. These include that the Bank can meet withdrawal request from customers on demand or when contracts mature; the Bank has sufficient funds for repayment when borrowings mature; the Bank needs to maintain sufficient liquidity to meet the regulatory liquidity ratio requirement; and the Bank has sufficient funds for new investment opportunity.

The liquidity risk management measure adopted by the Bank is primarily to match the maturity structures between assets and liabilities. Due to differences between various businesses and maturity tenors, it is impractical to maintain a perfect match between assets and liabilities. The Bank has established a set of procedures for identifying, measuring, monitoring and reporting liquidity risk, including limits for cash flow, liquidity ratio, liquidity matching ratio and, High-quality Liquidity Asset Adequacy Ratio. The Bank has established liquidity contingency plan to maintain an appropriate balance of cash flows and to ensure all the required funds can be provided at maturity. The Bank has set up regular stress testing on the Bank's liquidity risk in order to take advanced action to prevent bad impact on the Bank's daily operation. The Bank considers and prevents possible liquidity risk in the future so as to improve its payment capacity under the liquidity stress.

The following tables provide the analysis of the contractual undiscounted cash flows of the Bank's financial assets and liabilities at the balance sheet dates. Interest receivable and payable of financial assets and liabilities with fixed terms are presented according to the due dates of interest stipulated in the contracts; current financial assets and liabilities (including interest receivable and payable as at the balance sheet dates) are presented under the item "repayable on demand/terms undated".

	2020							
	<i>Carrying amount</i>	<i>Contractual undiscounted cash flows</i>	<i>Repayable on demand / terms undated</i>	<i>Within 1 month</i>	<i>Between 1 month and 3 months</i>	<i>Between 3 months and 1 year</i>	<i>Between 1 year and 5 years</i>	<i>More than 5 years</i>
Financial assets								
Cash on hand and deposits with central bank	1,083,499,267	1,083,955,866	1,083,955,866	-	-	-	-	-
Deposits and placements with inter-banks and non-bank financial institutions	3,056,957,086	3,203,711,319	75,402,686	873,094,146	1,043,076,557	1,212,137,930	-	-
Derivative financial assets	67,805,950	67,805,950	67,805,950	-	-	-	-	-
Loans and advances to customers	6,111,554,231	7,388,104,278	-	622,656,083	1,269,674,593	1,880,130,255	2,285,281,366	1,330,361,981
Available-for-sale financial assets	3,621,625,500	3,771,087,500	-	593,710,000	506,085,000	1,128,471,500	1,542,821,000	-
Other financial assets	10,784,475	10,784,475	10,784,475	-	-	-	-	-
Total assets	13,952,226,509	15,525,449,388	1,237,948,977	2,089,460,229	2,818,836,150	4,220,739,685	3,828,102,366	1,330,361,981
Financial liabilities								
Deposits and borrowings from inter-banks	(941,678)	(941,755)	(941,755)	-	-	-	-	-
Derivative financial liabilities	(59,972,957)	(59,972,957)	(59,972,957)	-	-	-	-	-
Deposits from customers	(9,125,721,054)	(9,508,884,497)	(2,295,329,855)	(866,417,894)	(702,306,923)	(3,111,950,580)	(2,532,879,245)	-
Other financial liabilities	(4,548,203)	(4,548,203)	(4,548,203)	-	-	-	-	-
Total liabilities	(9,191,183,892)	(9,574,347,412)	(2,360,792,770)	(866,417,894)	(702,306,923)	(3,111,950,580)	(2,532,879,245)	-
Net position	4,761,042,617	5,951,101,976	(1,122,843,793)	1,223,042,335	2,116,529,227	1,108,789,105	1,295,223,121	1,330,361,981

	2019							
	Carrying amount	Contractual undiscounted cash flows	Repayable on demand / terms undated	Within 1 month	Between 1 month and 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years
Financial assets								
Cash on hand and deposits with central bank	918,798,298	919,169,457	919,169,457	-	-	-	-	-
Deposits and placements with inter-banks and non-bank financial institutions	2,945,233,666	3,014,669,564	46,172,066	1,677,994,127	505,019,431	785,483,940	-	-
Derivative financial assets	23,796,870	23,796,870	23,796,870	-	-	-	-	-
Loans and advances to customers	6,381,793,409	7,882,655,074	23,670,673	707,788,101	1,265,459,999	1,674,521,105	2,425,961,789	1,785,253,407
Available-for-sale financial assets	2,633,196,020	2,959,723,888	-	-	206,601,863	1,623,482,407	902,653,563	226,986,055
Other assets	10,633,880	10,633,880	10,633,880	-	-	-	-	-
Total assets	12,913,452,143	14,810,648,733	1,023,442,946	2,385,782,228	1,977,081,293	4,083,487,452	3,328,615,352	2,012,239,462
Financial liabilities								
Deposits and borrowings from inter-banks	(1,070,544,568)	(1,089,618,181)	(782,747)	(219,849,551)	(100,804,750)	(768,181,133)	-	-
Derivative financial liabilities	(22,154,671)	(22,154,671)	(22,154,671)	-	-	-	-	-
Deposits from customers	(7,088,335,711)	(7,325,482,798)	(2,428,076,629)	(62,355,631)	(291,774,538)	(2,282,388,899)	(2,260,887,101)	-
Other liabilities	(6,371,172)	(6,371,172)	(6,371,172)	-	-	-	-	-
Total liabilities	(8,187,406,122)	(8,443,626,822)	(2,457,385,219)	(282,205,182)	(392,579,288)	(3,050,570,032)	(2,260,887,101)	-
Net position	4,726,046,021	6,367,021,911	(1,433,942,273)	2,103,577,046	1,584,502,005	1,032,917,420	1,067,728,251	2,012,239,462

3.3 Market risk

Market risk management is the total process of identifying, measuring, monitoring and controlling market risks. Market risk refers to the risk arising from financial instruments' fair value or future cash flow fluctuations due to changes in market prices, including interest rate risk and foreign currency risk. Interest rate risk arises when the change in interest rates affect fair value of interest rate related product; foreign currency risk arises when the change in foreign exchange rates affect the value of the net assets/liabilities or when the Bank has spot/forward FX positions. Market risk of the Bank exists in trading book and banking book.

The Bank's interest rate risk includes the risks arising from when the repricing and/or maturity schedule of assets and liabilities are not matched, causing the uncertainty of net interest income in banking book. The Bank's management tools of interest rate risk includes Cumulative NII Impact limit, Interest rate gapping limit for the balance sheet, Cumulative EVE Impact limit, and conduct regular stress test. Meanwhile, by closely observing interest rate trends (both in Renminbi and foreign currency) and market interest rate changes, the Bank conducts proper scenario analysis and makes timely adjustments to the loan and deposit interest rates (both in Renminbi and foreign currency) in line with the benchmark interest rates to reduce its interest rate risk.

The Bank's foreign currency risk exposures mainly arise from net on-balance-sheet assets and liabilities designated in foreign of which values are exposed to foreign exchange rates. The Bank's main principle of foreign currency risk control is to match the assets and liabilities of the respective individual currency to minimise the foreign currency risk and to control the currency risk exposure within limits set by the Bank. The Bank, based on the guiding principles from Risk Management Committee, relevant laws and regulations and the management's evaluation of the current environment, has set risk tolerance limits, and avoids risk via reasonable arrangements of assets and liabilities in different currencies.

The Bank classifies financial instruments into investment portfolios on banking book and trading book to effectively monitor market risk. According to the Former CBRC's Market Risk Management Guidelines for Commercial Banks, the Bank has established market risk management policy and procedures to set related limits on all market risk exposures. These policies and procedures illustrate the structure and approval mechanism of market risk limits. Market risk limits mainly include product limits, foreign exchange position limits, cut-loss limits, PV01 limit and FX gapping limits.

3.3.1 Interest rate risk

The Bank's interest rate risk is monitored by Market and Operational Risk Management Division. Market and Operational Risk Management Division has established relevant policies and monitoring procedures to regularly report risk condition to Assets/Liabilities Committee. The monitoring on interest rate risk mainly includes gap analysis on interest rate re-pricing schedule and stress test.

3.3.1.1 Exposure to interest rate risk

The Bank's interest rate risk mainly includes the risks arising from when the repricing and / or maturity schedule of assets and liabilities are not matched, causing the uncertainty of net interest income in banking book.

The following tables indicate the distribution by expected next re-pricing dates (or maturity dates, whichever are earlier) of financial assets and liabilities at the balance sheet dates.

	2020				Total
	Non-accrual	Within 3 months	Between 3 months and 1 year	Between 1 year and 5 years	
Assets					
Cash on hand and deposits with central bank	43,591,897	1,039,907,370	-	-	1,083,499,267
Deposits and placements with inter-banks and non-bank financial institutions	-	1,941,865,586	1,115,091,500	-	3,056,957,086
Derivative financial assets	67,805,950	-	-	-	67,805,950
Interest receivable	78,004,434	-	-	-	78,004,434
Loans and advances to customers	-	1,727,944,952	4,383,609,279	-	6,111,554,231
Available-for-sale financial assets	-	1,059,406,370	1,064,242,180	1,497,976,950	3,621,625,500
Other assets	10,784,475	-	-	-	10,784,475
Total assets	200,186,756	5,769,124,278	6,562,942,959	1,497,976,950	14,030,230,943
Liabilities					
Deposits and borrowings from inter-banks	-	(941,678)	-	-	(941,678)
Derivative financial liabilities	(59,972,957)	-	-	-	(59,972,957)
Deposits from customers	-	(3,779,810,842)	(3,041,293,699)	(2,304,616,513)	(9,125,721,054)
Interest payable	(182,917,780)	-	-	-	(182,917,780)
Other liabilities	(4,548,203)	-	-	-	(4,548,203)
Total liabilities	(247,438,940)	(3,780,752,520)	(3,041,293,699)	(2,304,616,513)	(9,374,101,672)
Net position	(47,252,184)	1,988,371,758	3,521,649,260	(806,639,563)	4,656,129,271
2019					
	Non-accrual	Within 3 months	Between 3 months and 1 year	Between 1 year and 5 years	Total
Assets					
Cash on hand and deposits with central bank	18,938,798	899,859,500	-	-	918,798,298
Deposits and placements with inter-banks and non-bank financial institutions	-	2,216,359,666	728,874,000	-	2,945,233,666
Derivative financial assets	23,796,870	-	-	-	23,796,870
Interest receivable	77,793,123	-	-	-	77,793,123
Loans and advances to customers	-	1,823,764,158	4,558,029,251	-	6,381,793,409
Available-for-sale financial assets	-	200,319,600	1,581,424,330	851,452,090	2,633,196,020
Other assets	10,633,880	-	-	-	10,633,880
Total assets	131,162,671	5,140,302,924	6,868,327,581	851,452,090	12,991,245,266
Liabilities					
Deposits and borrowings from inter-banks	-	(320,544,568)	(750,000,000)	-	(1,070,544,568)
Derivative financial liabilities	(22,154,671)	-	-	-	(22,154,671)
Deposits from customers	-	(2,768,173,127)	(2,228,193,351)	(2,091,969,233)	(7,088,335,711)
Interest payable	(93,687,822)	-	-	-	(93,687,822)
Other liabilities	(6,371,172)	-	-	-	(6,371,172)
Total liabilities	(122,213,665)	(3,088,717,695)	(2,978,193,351)	(2,091,969,233)	(8,281,093,944)
Net position	8,949,006	2,051,585,229	3,890,134,230	(1,240,517,143)	4,710,151,322

3.3.1.2 Sensitivity analysis

The Bank adopts sensitivity analysis to measure the probable impacts on the Bank's net profit and owners' equity caused by interest rate change.

With all other variables held constant, the following table shows the impact on net profit and owners' equity caused by reasonable change in interest rate.

		2020		2019	
		<i>Impact on net profit</i>	<i>Impact on equity</i>	<i>Impact on net profit</i>	<i>Impact on equity</i>
		<i>Increase / (decrease)</i>	<i>Increase / (decrease)</i>	<i>Increase / (decrease)</i>	<i>Increase / (decrease)</i>
Increase	100				
basis points		34,966,749	11,560,799	494,567,489	420,451,878
Decrease	100				
basis points		(37,280,542)	(13,695,904)	(55,645,037)	(480,587,501)

This sensitivity analysis is based on a static interest risk profile of assets and liabilities. The analysis only evaluates the interest fluctuation within one year and reflects the impact, rising from the re-pricing on assets and liabilities of the Bank within one year, on interest income and expense calculated per annum. The analysis is based on the following assumptions:

- All of the assets and liabilities that will be re-priced or mature within one year will be re-priced or mature at the beginning of certain period;
- Yield curve moves along with interest change parallel; and
- There is no other change in the portfolio of assets and liabilities.

As a result of the hypothesis above, the actual changes in the Bank's net interest income caused by fluctuation of interest rate may be different from the result of the sensitivity analysis above.

3.3.2 Foreign exchange risk

3.3.2.1 Exposure to foreign exchange risk

The Bank's foreign currency risk includes exposure of on-balance-sheet assets and liabilities denominated in foreign currency and off-balance-sheet derivatives denominated in foreign currency. The Market and Operational Risk Management Division of the Bank manages foreign currency risk exposure in various ways, including limiting foreign currency net position and conducting stress test regularly.

The foreign currency exposures of the Bank's financial assets and liabilities at the balance sheet dates are as follows. Under the consideration of presentation, the amount of foreign currency risk exposures is expressed in Renminbi and is converted by the rates at the balance sheet dates.

	2020			
	RMB	USD (RMB equivalent)	Other currency (RMB equivalent)	Total (RMB equivalent)
Assets				
Cash on hand and deposits with central bank	1,040,194,406	43,300,514	4,347	1,083,499,267
Deposits and placements with inter-banks and non-bank financial institutions	1,969,430,596	1,076,286,876	11,239,614	3,056,957,086
Derivative financial assets	67,805,950	-	-	67,805,950
Interest receivable	74,352,784	3,651,650	-	78,004,434
Loans and advances to customers	5,625,083,215	486,471,016	-	6,111,554,231
Available-for-sale financial assets	3,621,625,500	-	-	3,621,625,500
Other assets	10,683,278	979	100,218	10,784,475
Total assets	12,409,175,729	1,609,711,035	11,344,179	14,030,230,943
	-	-	-	-
Liabilities				
Deposits and borrowings from inter-banks	(941,678)	-	-	(941,678)
Derivative financial liabilities	(59,972,957)	-	-	(59,972,957)
Deposits from customers	(8,934,022,074)	(186,194,131)	(5,504,849)	(9,125,721,054)
Interest payable	(182,904,748)	(13,032)	-	(182,917,780)
Other liabilities	(4,520,443)	(27,760)	-	(4,548,203)
Total liabilities	(9,182,361,900)	(186,234,923)	(5,504,849)	(9,374,101,672)
	-	-	-	-
Net position	3,226,813,829	1,423,476,112	5,839,330	4,656,129,271

	2019			
	RMB	USD (RMB equivalent)	Other currency (RMB equivalent)	Total (RMB equivalent)
Assets				
Cash on hand and deposits with central bank	900,064,138	18,667,565	66,595	918,798,298
Deposits and placements with inter-banks and non-bank financial institutions	1,632,497,319	1,294,651,215	18,085,132	2,945,233,666
Derivative financial assets	23,796,870	-	-	23,796,870
Interest receivable	65,004,087	12,789,036	-	77,793,123
Loans and advances to customers	6,039,569,757	342,223,652	-	6,381,793,409
Available-for-sale financial assets	2,633,196,020	-	-	2,633,196,020
Other assets	10,551,284	-	82,596	10,633,880
Total assets	11,304,679,475	1,668,331,468	18,234,323	12,991,245,266
	-	-	-	-
Liabilities				
Deposits and borrowings from inter-banks	(1,000,782,568)	(69,762,000)	-	(1,070,544,568)
Derivative financial liabilities	(22,154,671)	-	-	(22,154,671)
Deposits from customers	(6,907,373,027)	(175,057,414)	(5,905,270)	(7,088,335,711)
Interest payable	(93,634,318)	(53,495)	(9)	(93,687,822)
Other liabilities	(6,346,106)	(25,066)	-	(6,371,172)
Total liabilities	(8,030,290,690)	(244,897,975)	(5,905,279)	(8,281,093,944)
	-	-	-	-
Net position	3,274,388,785	1,423,433,493	12,329,044	4,710,151,322

3.3.2.2 Sensitivity analysis

With all other variables held constant, the following table shows the impact on net profit and owners' equity when foreign currency changes against the functional currency.

	2020		2019	
	Impact on net profit Increase / (decrease)	Impact on equity Increase / (decrease)	Impact on net profit Increase / (decrease)	Impact on equity Increase / (decrease)
Appreciation against RMB by 100 bps	10,719,866	10,719,866	10,768,515	10,768,219
Depreciation against RMB by 100 bps	(10,719,866)	(10,719,866)	(10,768,219)	(10,768,219)

This sensitivity analysis is based on a static foreign exchange exposure profile of assets and liabilities. The analysis estimates the impact on net profit and owners' equity due to the probable fluctuation of foreign exchange rates under the assumption that the other factors remain stable. The analysis is based on the following assumptions:

- the foreign exchange sensitivity is the gains and losses recognised as a result of 1% fluctuation in the foreign currency exchange rates;
- the exchange rates for all foreign currencies change in the same direction simultaneously; and
- Off-balance-sheet items have not been included in the currency risk exposure.

As a result of the hypothesis above, actual fluctuation of net foreign currency exchange from changes in exchange rates may differ from the estimation of the sensitivity analysis above.

3.4 Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. It is involved in every process of the Bank's daily operation. The Bank has established Market and Operational Risk Management Division, which is independent of other divisions, to be responsible for operational risk management. Market and Operational Risk Management Division regularly monitors KRI as well as loss data/near miss data and report to the Board of Directors ("the Board") via Risk Management Committee.

3.5 Compliance risk

The Board of Directors ("the Board") takes the ultimate responsibility for the Bank's compliance operation. Compliance and Legal Division manages and coordinates compliance work with the compliance officer of each branch. Branch manager is responsible for compliance operation within the branch while division manager is responsible for compliance operation within the division. Branch compliance officer performs duty within the branch and report to Compliance and Legal Division manager and branch manager at the same time.

Compliance and Legal Division set detailed contents for compliance risk review and branch compliance officer conducts regular compliance review of business divisions covering implementation of Chinese regulation such as AML regulation and other regulations for bank business. Branch compliance officer reports compliance review result to both branch manager and Compliance and Legal Division.

Capital Adequacy Ratio

The capital management of the Bank covers the calculation and reporting of capital adequacy ratio (CAR), capital assessment and capital planning. The CAR of the Bank represents its abilities of stable operations and risk resistance. The CAR management of the Bank aims to ensure the Bank holds adequate capital, which is appropriate to risk exposure and consistent with risk assessment results of the Bank, to meet the demand of business operation and the regulatory requirements. The capital planning aims to set a target CAR which satisfies the Bank with the demand of future business development strategy, risk appetite, risk management, external business environment and long-term sustainability of various capital sources.

The prudent and solid concept of capital management ensures the Bank to retain its capital at an adequate level to support business development under all conditions and to adjust CAR to a reasonable level timely and effectively, if necessary.

The Bank calculates CAR according to the *Administrative Measures on Capitals of Commercial Bank (For Trial Implementation)* and other relevant regulations. The capital of the Bank is composed of core tier one capital, other tier one capital and tier two capital. The risk weighted assets of on-balance-sheet assets are calculated based on various risk weights. The risk weights are determined in consideration of the risk factors of various assets, counterparties, markets and other relevant aspects, as well as qualified collateral and guarantee. The off-balance-sheet exposures are calculated by the same methodology with adjustments of contingent losses. The credit risk weighted assets for counterparties in terms of over-the-counter derivative transactions are the summation of defaulted risk weighted assets and credit valuation adjustment risk weighted assets. The market risk weighted assets are measured by standard method. The operational risk weighted assets are measured by basic indicator method.

The Bank's management regularly monitors the utilization of CAR and regulatory capital. The Bank reported relevant information to the CBIRC on a quarterly basis. The scope of the Bank's CAR calculation of the Bank covers all branches and sub-branches located in mainland China. Currently, the Bank does not have any overseas branches.

As at 31 December 2020, the CAR of the Bank has been calculated in accordance with *Administrative Measures on Capitals of Commercial Bank (For Trial Implementation)* and other relevant laws and regulations, and the calculation result was in compliance with the relevant regulatory requirements.

The capital adequacy ratio and relevant data of the Bank are calculated on the basis of the financial statements prepared in accordance with the CAS. The Bank is in compliance with the regulatory capital requirements during the year.

The adequacy ratio of core tier one capital, the adequacy ratio of tier one capital and the capital adequacy ratio as at 31 December 2020 calculated in accordance with the *Administrative Measures on Capitals of Commercial Bank (For Trial Implementation)* and other relevant regulations are as follows:

	2020	2019
Net core tier one capital	<u>4,849,668,250</u>	<u>4,854,996,671</u>
Net tier one capital	<u>4,849,668,250</u>	<u>4,854,996,671</u>
Tier two capital		
Excess loan impairment provision	<u>119,557,990</u>	<u>109,537,700</u>
Net capital	<u><u>4,969,226,240</u></u>	<u><u>4,964,534,371</u></u>
Credit risk weighted assets	9,684,197,168	8,872,553,711
Market risk weighted assets	63,758,750	82,656,250
Operational risk weighted assets	<u>717,976,250</u>	<u>722,101,250</u>
Total risk weighted assets	<u><u>10,465,932,168</u></u>	<u><u>9,677,311,211</u></u>
Adequacy ratio of core tier one capital	<u>46.34%</u>	<u>50.17%</u>
Adequacy ratio of tier one capital	<u>46.34%</u>	<u>50.17%</u>
Capital adequacy ratio	<u><u>47.48%</u></u>	<u><u>51.30%</u></u>

Leverage Ratio

The Leverage Ratio of the Bank has been calculated in accordance with Administrative Measures on Leverage Ratio of Commercial As end of December 31, 2020, the Leverage Ratio of the bank of 26.52% met the minimum requirement of 4%. (As end of December 31, 2019, the Leverage Ratio of the bank of 28.97%)

Part IV Corporate Governance

Corporate Governance

The structure of corporate governance of Bangkok Bank (China) Company Limited (hereinafter “BBC” or “the Bank”) consists of the Shareholder, the Board of Directors (“the Board”), the Supervisor and the Senior Management, the constitution fulfill modernized requirement on corporate governance. The Bank recognizes the importance of good corporate governance as a major factor in enhancing the efficiency of the organization. The bank therefore conducts its business in line with the principles of good corporate governance, which form a basis of sustainable growth. In order to maintain the Bank’s solid financial status, to achieve ongoing positive performance results and to sustain its good reputation, the Bank is committed to conducting its business in a prudent manner by setting up sufficient and appropriate internal controls and risk management systems in accordance with the principles of good corporate governance.

4.1 Shareholder

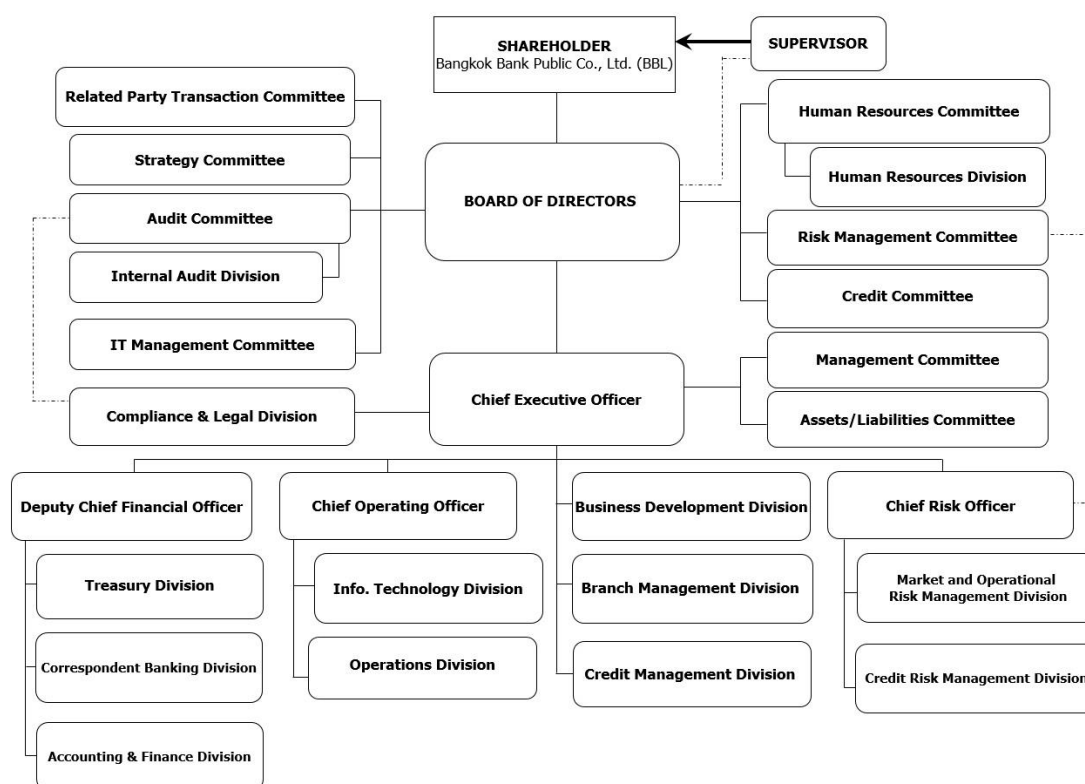
BBC is a foreign-funded bank wholly owned (100%) by Bangkok Bank Public Company Limited, Thailand. Bangkok Bank Public Company Limited, as the sole shareholder of BBC has fulfilled its responsibility earnestly and efficiently as the shareholder.

Being the sole shareholder, there is no Shareholder’s meeting.

4.2 Governance structure of BBC

As at December 31, 2020 the BBC has established five branches and one sub-branch: Shanghai Branch and Shanghai Free Trade Zone sub-branch, Beijing Branch, Shenzhen Branch, Xiamen Branch and Chongqing Branch. Branches are governed by Head office located in Shanghai.

Governance structure of Head Office



4.3 The Board of Directors (“The Board”) and Composition

The Board is accountable to the Shareholder and exercise power as authorized by the shareholder and perform functions are required by the laws, regulations and AOA. The Board undertakes its overall responsibility of the bank including the bank’s business and risk strategy, operations and management and appropriate oversight on Senior Management.

The Bank is helmed by an effective and experience Board, comprising individuals of caliber credibility and integrity. All directors of the Board are nominated by the Shareholder and approved by CBIRC prior to taking office.

Directors have the necessary skills, experiences as well as qualifications to supervise the management of the business and affairs of the Bank. The Board, as a whole, provides a mixture of core competences including banking, finance, accounting, economics, business management and audit for effective functioning and discharging of the responsibilities of the Board.

As of December 31, 2020, the Bank’s Board of Directors has twelve (12) members. The composition of the Board consists of two (2) independent directors, two (2) executive directors and eight (8) non-executive directors including the Chairman of the Board.

Position	Name
Chairman	Mr. Chartsiri Sophonpanich (陈智深)
Independent Director	Mr. Chen Shi (陈石)
Independent Director	Mr. Duncan Clark (邓肯·克拉克)
Director	Ms. Rushda Theeratharathorn (李璇贞)
Director	Ms. Niramarn Laisathit (赖晓慧)
Director	Mr. Kung Lin Cheng (孔令成)
Director	Mr. Toh Chong (杜聪)
Director	Mr. Chiu Man Ching (赵文正)
Director	Mr. Chaiyarit Anuchitworawong (欧阳景鑫)
Director	Mr. Suwatchai Songwanich (洪钦雄)
Director & CEO	Mr. Charoenlarp Thammanichanond
Director, Board Secretary & COO	Ms. Chow Ai Kiow (徐爱娇)

The main responsibilities of the Board are to:

- Provide strategic directions, approve strategic business initiatives, and approve business plans and annual budget;
- Review and monitor the financial performance of the Bank, and approve the true and fair financial statements;
- Oversee the implementation of the Bank's governance framework and internal control framework, and periodic review to ensure its appropriateness in light of material changes to the size, nature and complexity of the Bank's operations;
- Establish appropriate procedures and processes to avoid situations that may give rise to improper personal gains or conflicts of interest; and
- Set corporate culture, values and ethical standards;

In accordance with AOA, the Board held 4 meetings in 2020 and further held another 4 meetings (total 8 meetings in 2020) to strengthen communication with senior management and provide timely guidance. The quorum for each meeting was met. Due to COVID-19 pandemic and impact of travel control, most Board meetings in 2020 were held via video conference. The Chairman conducted the meeting according to the agenda, adequate time was allocated for presentation and discussion under each agenda. The Directors freely discussed and expressed their opinions at the meeting. All Board meeting minutes and resolutions are properly maintained by the Board Secretary.

4.4 Board Committees

To enhance its effectiveness and in discharging its fiduciary duties, the Board of Directors has established seven (7) committees namely: Audit Committee, Risk Management Committee, Credit Committee, Information Technology Management Committee, Human Resource Committee, Related Party Transaction Committee and the Strategy Committee to assist the Board in execution of its duties and responsibilities.

The appointments of the members to these committees were approved by the Board of Directors and each committee operates within its own Term of Reference (TOR). The frequency of committee meeting, roles and responsibilities and etc. are clearly defined in TOR which is approved by the Board.

4.5 Independent Directors

There are two (2) Independent Directors on the Board in 2020 namely: Mr. Chen Shi and Mr. Duncan Clark. Mr. Chen Shi is the Chairman of the Audit Committee and Mr. Duncan Clark is the Chairman of Related Party Transaction Committee.

Independent Directors attended all BOD and Committee meetings and express independent opinions, in particular in the matters with respect to related party transactions of the Bank, the management of material risks of the Bank, the engagement of external auditors, etc. Meanwhile, they discharged their duties diligently in line of with respective TOR and safeguarded the lawful rights and overall interest of the Bank and the shareholder.

4.6 Supervisor

The Bank has one (1) Supervisor - Mr. Pornthep Kitsanayothin who is nominated by the shareholder and appointed in accordance with regulatory requirement and the Bank's Article of Association.

The main responsibilities of the Supervisor include:

- Review the Bank's financial statement;

- Supervising the Board and Senior Management to ensure the Bank is run in a prudent manner and that the Board and Senior Management take corrective actions where necessary;
- Exercising such other power and authority pursuant to the laws, regulations and the Bank's Article of Association, and as may be authorized by Shareholder.

In 2020 the Supervisor duly discharged his responsibility of supervising the Board and Senior Management in accordance with the relevant local authority requirement and AOA. In discharging his responsibility, the Supervisor reviewed reports of the bank's operations and risk management, and conducted supervision of the operations and financial position of the Bank and the performance of the Directors and Senior Management. The Supervisor also met with Directors and Senior Management, and attended Board Meetings (all 8 meetings).

4.7 Supervisor and Directors Access to Information

The Supervisor and Directors have unrestricted access to information and Management, and receive timely and comprehensive financial, risk management and operational reports to facilitate information discussions during meetings. They also have access to the Board Secretary whose responsibilities include advising the Supervisor and Directors on regulatory changes and good practices in corporate governance.

4.8 Remuneration Policy and Compensation for Board of Directors, Supervisor and Senior Management

According to the Bank's remuneration policy, staff's remuneration are commensurate with the duties and responsibilities, the Bank's overall performance, the individual's performance, market conditions, and other relevant factors. The Bank's remuneration is composed of fixed compensation, variable compensation, fringe benefits and etc. Fixed compensation is the basic compensation. Variable compensation is the performance bonus. Fringe benefits include social insurance premium, public housing fund, commercial insurance premium and etc.

In 2020, the total compensation for Board of Directors, Supervisor and Senior Management was RMB29,950,204.

4.9 Senior Management

Senior Management are appointed by the Board of Directors taking into consideration each individual knowledge, capabilities and expertise which are beneficial to the Bank's business as well as leadership, management skill, potentials and readiness to assume assigned duties.

The present Senior Managements of the Bank include without limitation:

Position	Name
Chief Executive Officer	Mr. Charoenlarp Thammanichanond (谭永乐)
Chief Operating Officer	Ms. Chow Ai Kiow (徐爱娇)
Chief Risk Officer	Ms. Hou Yixin (侯一昕) (From February 17, 2020)

Deputy Chief Finance Officer	Ms. Cai Fei (蔡斐)
Compliance Manager	Ms. Yu Qian (俞茜)
Internal Audit Manager	Mr. Ma Jun (马骏)
Branch Manager – Shanghai	Ms. Supamard Yu (余美安)
Branch Manager - Beijing	Mr. Watcharapong Pornchaichanakit (陈华东)
Branch Manager - Xiamen	Mr. Yan Shuming (严树明)
Branch Manager – Shenzhen	Ms. Yaowaluck Pawijit (许佩佩) (From February 24, 2020)
Branch Manager - Chongqing	Mr. Jason Chieh-Shan Wu (伍介山)
Sub-Branch Manager – Shanghai Free Trade Zone	Mr. Ho Ching-Ming (何庆明)

Senior Management of the Bank is accountable to the Chief Executive Officer (CEO) with periodic report to respective committees and the Board via CEO.

As delegated by the Board, CEO is fully responsible for the day-to-day operations and management of the Bank. Under the leadership of the CEO, the Senior Management has fulfilled its roles and responsibilities;

- Adhere to strategic directions, strategic business initiatives, and business plans and annual budget approved by the Board;
- Ensure timely implementation of Board approved policies and procedures;
- Conduct periodic related risk related assessment to identify and address risk due to change of business environment and regulatory changes.
- Ensure compliance with laws and regulatory requirements.

Part V Social Responsibility Report

5.1 Consumer Rights Protection and Public Financial Education

Bangkok Bank (China) Company Limited (“the Bank”) attaches great importance to the protection of consumer rights and interests, and actively enters communities and schools to raise public financial security awareness. To promote the awareness of risk-prevention to the public and improve consumers’ capability of protecting their legal rights, Branch Management Division of Head Office being the leading division, organized all branches and sub-branch to conduct the following publicity works in 2020:

5.1.1 Special publicity activity

In 2020, the Bank continued to conduct the activities of “Delivering Financial Knowledge to Class”, and held special lectures for the students group and the group from remote & low-income area.

In September, the Bank staffs went to Shanghai Real Estate School to conduct “Teenager Financial Knowledge Publicity Activity” for the freshmen students who were from remote rural area and publicized financial knowledge by introducing typical cases related to prevention of telecom frauds, deposit insurance, prevention of illegal loans and other useful knowledge in daily life to the students there and helped them to grasp useful financial knowledge to better protect personal legal rights.

In November, the Bank went to Gulin Cheng Long School in Luzhou, Sichuan Province to conduct financial knowledge promotion activity. Typical cases related to prevention of telecom frauds, deposit insurance and other useful financial risk knowledge in daily life were introduced to the school teachers in the remote area.

5.1.2 Daily routine publicity

In the daily routine publicity work of 2020, the Bank broadcasted financial knowledge in Wechat official account and official website, provided publicity leaflets at banking hall for customers and displayed poster and slogan in LCD. Meanwhile, all staffs were encouraged to study and share the financial knowledge with their family and friends.

The Bank also followed regulatory requirements to conduct the following publicity week and publicity month, and publicity materials were distributed to all branches and sub-branch for publicity activities at branch level.

March	“3.15 Financial Consumers’ Right Protection Day” Publicity Activity
June	“Publicity Month of Prevention of Illegal Fund Raising”, Publicity Month of “Popularizing Financial Knowledge and Keeping Purse String” and “Financial Knowledge Promotion Activity”
September	“Financial Knowledge Promotion Month of Striving to Be Rational Investors and Financial Good Netizens”
November	“Deposit Insurance Logo Publicity Activity”

The above special publicity activities and daily routine publicity activities have effectively popularized financial knowledge and improved consumers’ awareness.

5.2 Bangkok Bank China “The Power of Thai” Charity Project

In order to plan and carry out corporate social responsibility work more systematically, the Bank has brought “The Power of Thai” charity project of Bangkok Bank Public Company Limited (“Parent Bank”) to China and paid great attention to the education and growth situation of children in needy areas in China. Since 2014, with the support of Shanghai Smiles Foundation, the Bank has conducted home visit, donated daily necessities and communicated with children of Schools for Children of Migrant Workers, Hope Primary

School, Schools for Left-behind Children, etc. in western region of China to pay attention to the growth of the left-behind children in needy families and brought warmth to them.

On 9 November 2020, the Bank conducted annual “The Power of Thai” charity project donation activity in Gulin Cheng Long School in Sichuan Province to continue to actively conduct corporate social responsibility work through the project. On behalf of the bank, volunteers from Head Office and Chongqing Branch donated winter jackets to all the students there to give them warmth in the cold winter, hoping that the long-term project can convey the warmth of society and show concern and care to the children in mountainous area.

5.3 Green Credit

The Bank adheres to the concept of green credit, strictly implements the China Banking and Insurance Regulatory Commission’s guidance on green credit, and prioritizes support for the financial needs of green industries encouraged by national policies in credit investment, and focuses on the financing needs of production and operation of clean energy, clean production, and energy conservation and environmental protection industries. The Bank increases financial support for strategic emerging industries, new energy industries and other key areas, and actively promotes the development of green economy.

The Bank’s credit line guidelines clearly stipulate that before providing a line of credit, the Bank shall assess whether the borrowing company has an impact on the environment, and require branches to explain the customer’s environmental compliance status in the credit application report, and provide the customer’s environmental protection certificate and other supporting documents to actively prevents credit risks caused by environmental protection violations. The Bank actively promotes the development of green credit, strictly controls loans to industries with high energy consumption, high pollution and overcapacity, while optimizing the Bank’s own credit business structure to effectively prevent and defuse credit risk.

The Bank regards the active fulfillment of corporate social responsibilities as an important part of its business activities, and always pays attention to the long-term value of the bank and customers. While developing the business, the Bank will not forget its original intentions, and continue to be enthusiastic about public welfare, give back to the society, and keep moving forward on the road of social welfare practice.

Part VI Significant Events

Bangkok Bank (China) Company Limited has no significant event which should be announced in 2020.

PART VII Bank Network

Location of Bangkok Bank China branches and sub-branches

Bangkok Bank China Head Office

Address: Floor 2 (Zone B&C), Floor 3, Floor 4, No.7 Zhongshan E-1 Road, Huangpu District, Shanghai 200002

Telephone: (86 21) 2329 0100

Fax: (86 21) 2329 0168

Complaint Telephone: (86 21) 2329 0208

Shanghai Branch

Address: Floor 1, Floor 2 (Zone A), No.7 Zhongshan E-1 Road, Huangpu District, Shanghai 200002

Telephone: (86 21) 2329 0100

Fax: (86 21) 2329 0101

Complaint Telephone: (86 21) 2329 0112

Xiamen Branch

Address: Unit 101 & 102, 1/F and Unit 201, 2/F, Xiamen Top Plaza, No.2 Zhenhai Road, Siming District, Xiamen, Fujian Province 361001

Telephone: (86 592) 297 9889

Fax: (86 592) 297 9890

Complaint Telephone: (86 592) 297 9868

Beijing Branch

Address: Floor 1, New China Insurance Tower, No.12A, Jianguomenwai Avenue, Chaoyang District, Beijing 100022

Telephone: (86 10) 6569 0088

Fax: (86 10) 6569 0000

Complaint Telephone: (86 10) 6569 0059

Shenzhen Branch

Address: Floor 1(Unit 12), Floor 2 (Unit 1-4 & 19), Hua Rong Building, No.178 Mintian Road, Futian District, Shenzhen, Guangdong Province 518048

Telephone: (86 755) 3396 5800

Fax: (86 755) 3396 5840

Complaint Telephone: (86 755) 3396 5815

Chongqing Branch

Address: 1F (L104 & L105) and 38F (Unit A), HNA Poly International Plaza, No.235 Minsheng Road, Yuzhong District, Chongqing 400010

Telephone: (86 23) 6037 2300

Fax: (86 23) 6037 2343

Complaint Telephone: (86 23) 6037 2338

Shanghai Pilot Free Trade Zone Sub-branch

Address: Unit 101A, 1F, No.26, Jiafeng Road, Pudong New Area, Shanghai 200131

Telephone: (86 21) 2061 7900

Fax: (86 21) 2061 7901

Complaint Telephone: (86 21) 2329 0112

Bangkok Bank (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

毕马威华振沪审字第 2101688 号

The Board of Directors of Bangkok Bank (China) Company Limited:

Opinion

We have audited the accompanying financial statements of Bangkok Bank (China) Company Limited (“the Bank”) set out on pages 1 to 69, which comprise the balance sheet as at 31 December 2020, the income statement, the cash flow statement, and the statement of changes in owners’ equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying 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 the Bank 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.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Accounting Standards for Business Enterprises, 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 the Bank’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 the Bank or to cease operations, or has no realistic alternative but to do so.

AUDITOR'S REPORT (continued)

毕马威华振沪审字第 2101688 号

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

Those charged with governance are responsible for overseeing the Bank'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.

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 the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 the Bank'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 the Bank to cease to continue as a going concern.
- 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.

AUDITOR'S REPORT (continued)

毕马威华振沪审字第 2101688 号

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
Shanghai Branch

Certified Public Accountants
Registered in the People's Republic of China

(Signed on Chinese original)
Li Ying

Shanghai, China

(Signed on Chinese original)
Wang Yang

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

	Note	2020	2019
Assets			
Cash on hand and deposits with central bank	6	1,083,499,267	918,798,298
Deposits with inter-banks	7	1,100,342,386	1,175,930,466
Placements with inter-banks and non-bank financial institutions	8	1,956,614,700	1,769,303,200
Derivative financial assets	9	67,805,950	23,796,870
Interest receivable	10	78,004,434	77,793,123
Loans and advances to customers	11	6,111,554,231	6,381,793,409
Available-for-sale financial assets	12	3,621,625,500	2,633,196,020
Fixed assets	13	7,772,833	4,818,501
Intangible assets	14	3,434,831	1,693,844
Deferred tax assets	15	177,255,285	157,479,593
Other assets	16	62,512,756	48,000,097
		<hr/>	<hr/>
Total assets		14,270,422,173	13,192,603,421
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 9 to 69 form part of these financial statements.

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

	Note	2020	2019
Liabilities and owners' equity			
Liabilities			
Deposits from inter-banks	17	941,678	782,568
Borrowings from inter-banks	18	-	1,069,762,000
Derivative financial liabilities	9	59,972,957	22,154,671
Deposits from customers	19	9,125,721,054	7,088,335,711
Employee benefits payable	20	19,758,569	20,006,479
Taxes payable	5(3)	9,819,339	21,699,230
Interest payable	21	182,917,780	93,687,822
Other liabilities	22	18,187,715	19,484,425
Total liabilities		<u>9,417,319,092</u>	<u>8,335,912,906</u>
Owners' equity			
Paid-in capital	23	4,000,000,000	4,000,000,000
Other comprehensive income	24	(4,491,777)	4,702,962
Surplus reserve	25	84,541,457	83,980,726
General reserve	26	208,531,720	208,531,720
Retained earnings		564,521,681	559,475,107
Total owners' equity		<u>4,853,103,081</u>	<u>4,856,690,515</u>
Total liabilities and owners' equity		<u>14,270,422,173</u>	<u>13,192,603,421</u>

These financial statements were approved by the Board of Directors of Bangkok Bank (China) Company Limited on 19 April 2021.



Charoenlarp Thammanichanond
 Chief Executive Officer



Cai Fei
 The person in charge of
 accounting affairs



The notes on pages 9 to 69 form part of these financial statements.

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

	<i>Note</i>	<i>2020</i>	<i>2019</i>
Operating income		226,407,376	431,797,330
Net interest income	28	214,369,396	308,938,663
Interest income		408,269,074	473,857,545
Interest expenses		(193,899,678)	(164,918,882)
Net fees and commission income	29	21,887,476	28,449,636
Fees and commission income		22,374,601	29,002,547
Fees and commission expenses		(487,125)	(552,911)
Other income		1,257,831	936,515
Investment income	30	77,876,479	51,173,858
Gains / (Losses) from changes in fair value		6,190,794	(25,373,793)
Foreign exchange (losses) / gains		(95,326,022)	67,513,540
Gains from disposal of assets		151,422	158,911
Operating expenses		(256,595,268)	(269,180,765)
Taxes and surcharges		(2,257,272)	(2,407,213)
General and administrative expenses	31	(198,563,420)	(202,175,302)
Impairment losses	32	(55,774,576)	(64,598,250)
Operating (loss) / profit		(30,187,892)	162,616,565

The notes on pages 9 to 69 form part of these financial statements.

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

	<i>Note</i>	<i>2020</i>	<i>2019</i>
Operating (loss) / profit (continued)		(30,187,892)	162,616,565
Less: Non-operating expenses		<u>(49,264)</u>	<u>(30,514)</u>
(Loss) / profit before taxation		(30,237,156)	162,586,051
Less: Income tax expenses	33	<u>35,844,461</u>	<u>(24,733,477)</u>
Net profit for the year		5,607,305	137,852,574
Other comprehensive income, net of tax:			
Item that may be reclassified to profit or loss			
- Gains or losses arising from changes in fair value of available-for-sale financial assets	34	<u>(9,194,739)</u>	<u>4,142,152</u>
Total comprehensive income for the year		<u><u>(3,587,434)</u></u>	<u><u>141,994,726</u></u>

The notes on pages 9 to 69 form part of these financial statements.

Bangkok Bank (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			
Net decrease in deposits with central bank and inter-banks		-	321,876,545
Net decrease in placements with inter-banks and non-bank financial institutions		-	1,675,445,400
Net decrease in loans and advances to customers		254,924,136	-
Net increase in deposits from inter-banks		159,110	-
Net increase in deposits from customers		2,049,473,207	-
Proceeds from interest, fees and commission		460,620,947	529,900,854
Proceeds from other operating activities		96,558,464	39,251,538
		<u>2,861,735,864</u>	<u>2,566,474,337</u>
Sub-total of cash inflows from operating activities			
Net increase in deposits with central bank and inter-banks		(311,102,116)	-
Net increase in placements with inter-banks and non-bank financial institutions		(649,726,350)	-
Net increase in loans and advances to customers		-	(453,716,756)
Net decrease in deposits from inter-banks		-	(123,126)
Net decrease in borrowings from inter-banks		(1,067,505,500)	(842,860,800)
Net decrease in deposits from customers		-	(957,493,198)
Payment for interest, fees and commission		(105,154,664)	(187,329,091)
Payment to and for employees		(125,231,895)	(127,577,703)
Payment for various taxes		(52,706,954)	(74,522,022)
Payment for other operating activities		(144,155,996)	(59,310,769)
		<u>(2,455,583,475)</u>	<u>(2,702,933,465)</u>
Sub-total of cash outflows from operating activities			
Net cash inflow / (outflow) from operating activities	35(1)	<u>406,152,389</u>	<u>(136,459,128)</u>

The notes on pages 9 to 69 form part of these financial statements.

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

	<i>Note</i>	2020	2019
Cash flows from investing activities			
Proceeds from redemption of available-for-sale financial assets		2,076,172,600	1,603,854,700
Investment returns received from available-for-sale financial assets		99,443,461	25,112,139
Net proceeds from disposals of fixed assets		<u>153,096</u>	<u>158,940</u>
Sub-total of cash inflows from investing activities		<u>2,175,769,157</u>	<u>1,629,125,779</u>
Payment for acquisition of investments		(3,108,911,530)	(2,886,028,600)
Payment for acquisition of fixed assets intangible assets and other long-term assets		<u>(7,448,002)</u>	<u>(4,265,638)</u>
Sub-total of cash outflows from investing activities		<u>(3,116,359,532)</u>	<u>(2,890,294,238)</u>
Net cash outflow from investing activities		<u>(940,590,375)</u>	<u>(1,261,168,459)</u>
Effect of foreign exchange rate changes on cash and cash equivalents		<u>(27,025,816)</u>	<u>9,909,118</u>
Net decrease in cash and cash equivalents	35(2)	(561,463,802)	(1,387,718,469)
Add: Cash and cash equivalents at the beginning of the year		<u>1,731,758,388</u>	<u>3,119,476,857</u>
Cash and cash equivalents at the end of the year	35(3)	<u>1,170,294,586</u>	<u>1,731,758,388</u>

The notes on pages 9 to 69 form part of these financial statements.

Bangkok Bank (China) Company Limited
Statement of changes in owners' equity
for the year ended 31 December 2020
(Expressed in Renminbi Yuan)

	Note	Paid-in capital	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total
Balance at 1 January 2020		4,000,000,000	4,702,962	83,980,726	208,531,720	559,475,107	4,856,690,515
Changes in equity during the year							
1. Total comprehensive income	24	-	(9,194,739)	-	-	5,607,305	(3,587,434)
2. Appropriation of profits - Appropriation for surplus reserve	25, 27	-	-	560,731	-	(560,731)	-
Subtotal of 1 and 2		-	(9,194,739)	560,731	-	5,046,574	(3,587,434)
Balance at 31 December 2020		4,000,000,000	(4,491,777)	84,541,457	208,531,720	564,521,681	4,853,103,081

The notes on pages 9 to 69 form part of these financial statements.

Bangkok Bank (China) Company Limited
Statement of changes in owners' equity
for the year ended 31 December 2019
(Expressed in Renminbi Yuan)

	Note	Paid-in capital	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total
Balance at 1 January 2019		4,000,000,000	560,810	70,195,469	208,531,720	435,407,790	4,714,695,789
Changes in equity during the year							
1. Total comprehensive income	24	-	4,142,152	-	-	137,852,574	141,994,726
2. Appropriation of profits - Appropriation for surplus reserve	25, 27	-	-	13,785,257	-	(13,785,257)	-
Subtotal of 1 and 2		-	4,142,152	13,785,257	-	124,067,317	141,994,726
Balance at 31 December 2019		4,000,000,000	4,702,962	83,980,726	208,531,720	559,475,107	4,856,690,515

The notes on pages 9 to 69 form part of these financial statements.

Bangkok Bank (China) Company Limited
Notes to the financial statements
(Expressed in Renmibi Yuan)

1 Company status

Bangkok Bank (China) Company Limited (“the Bank”) is a wholly foreign-owned bank incorporated in Shanghai, the People’s Republic of China (“the PRC”), by Bangkok Bank Public Company Limited (“Bangkok Bank”). Both the parent and the ultimate holding company of the Bank is Bangkok Bank.

The Bank has an undefined operating life from 26 October 2009. The Bank commenced its operation on 28 December 2009, then obtained approval on Renminbi business to Chinese citizens on 4 August 2016 from the former China Banking Regulatory Commission Shanghai Office (the “former CBRC Shanghai Office”) by the *Approval on Renminbi business to Chinese citizens of Bangkok Bank (China) Company Limited* (Hu Yin Jian Fa [2016] No.317). The Bank’s business scope includes foreign currency business and Renminbi business as approved by relevant regulators.

As at 31 December 2020, the Bank had five branches and one sub-branch in Shanghai, Beijing, Xiamen, Shenzhen, and Chongqing. The Bank’s head office is located in Shanghai.

2 Basis of preparation

These financial statements have been translated into English from the Bank’s statutory financial statements issued in the PRC in Chinese.

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

(1) Statement of compliance

The financial statements have been prepared in accordance with the requirements of Accounting Standards for Business Enterprises or referred to as China Accounting Standards (“CAS”) issued by the Ministry of Finance (“MOF”) of PRC. These financial statements present truly and completely the financial position of the Bank as at 31 December 2020, and the financial performance and the cash flows of the Bank for the year then ended.

(2) Accounting year

The accounting year of the Bank 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 the investor, 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 exchange differences are generally 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) Financial instruments

Financial instruments of the Bank comprise cash on hand and deposits with central bank, deposits with inter-banks, placements with inter-banks and non-bank financial institutions, derivative financial assets, interest receivable, loans and advances to customers, available-for-sale financial assets, deposits from inter-banks, borrowings from inter-banks, derivative financial liabilities, deposits from customers, interest payable and paid-in capital, etc.

(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.

The Bank classifies financial assets and liabilities into different categories at initial recognition based on the purpose of acquiring assets or assuming liabilities: financial assets and financial liabilities at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and other financial liabilities.

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.

Subsequent to initial recognition, financial assets and liabilities are measured as follows:

- Financial assets and financial liabilities at fair value through profit or loss are measured at fair value and changes therein are recognised in profit or loss.

- Receivables and held-to-maturity investments are measured at amortised cost using the effective interest method.
- Available-for-sale investments in equity instruments whose fair value cannot be measured reliably are measured at cost. Other available-for-sale financial assets are measured at fair value and changes therein are recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses from monetary financial assets which are recognised directly in profit or loss. When an available-for-sale financial asset is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss. The cash dividends of available-for-sale equity instrument investments shall be recorded into profits and losses of the current period when the investee announces the distribution of dividends. The interests of the available-for-sale financial assets calculated according to the actual interest rate method shall be recorded into the profits and losses of the current period (see Note 3(12) (a)).
- Financial liabilities other than the financial liabilities at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. However, a financial guarantee issued by the Bank is subsequently measured at the higher of the amount initially recognised less accumulated amortisation and the amount of a provision determined in accordance with the principles for contingent liabilities (see Note 3(11)).

(b) Presentation of financial assets and financial liabilities

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; and
- the Bank intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

(c) Derecognition of financial assets and financial liabilities

A 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;

- 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 assets transferred;
- the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognised directly in equity.

The Bank derecognises a financial liability (or part of it) when its contractual obligation (or part of it) is discharged, cancelled or expires.

(d) Equity instrument

The consideration received from the issuance of equity instruments net of transaction costs is recognised in owners' equity.

Consideration and transaction costs paid by the Bank for repurchasing self-issued equity instruments are deducted from owners' equity.

(3) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, non-restricted deposits with central bank, deposits with inter-banks, placements with inter-banks and non-bank financial institutions, 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.

(4) Fixed assets

Fixed assets represent the tangible assets held by the Bank for operation and administrative purposes with useful lives over one year. Fixed assets are stated in the balance sheet at cost less accumulated depreciation and 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.

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-lined method over its estimated useful life. The estimated useful lives, residual value and depreciation rates of each class of fixed assets are as follows:

<i>Asset type</i>	<i>Estimated useful life</i>	<i>Estimated residual value Renminbi Yuan</i>	<i>Depreciation rate</i>
Motor vehicles	5 years	1	20%
Computers and electronic equipment	5 years	1	20%
Office and other equipment	5 years	1	20%

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

(5) Operating lease charges

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. Contingent rental payments are expensed as incurred.

(6) 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 less estimated residual value and accumulated impairment losses is amortised using the straight-line method over its estimated useful life, unless the intangible asset is classified as held for sale.

The intangible assets of the Bank are software with 5 years useful lives and no residual value.

Useful lives and amortisation methods of intangible asset with finite useful life are reviewed at least at each year-end.

(7) 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 long-term deferred expenses of the Bank are all leasehold improvements. The respective amortisation period for the long-term deferred expenses is 5 years.

(8) Impairment of assets

Except for impairment of assets set out in Note 3(14), impairment of assets is accounted for using the following principles:

(a) Impairment of financial assets

The carrying amounts of financial assets (other than those at fair value through profit or loss) are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, an impairment loss is recognised.

- Loans and receivables and held-to-maturity investments

Loans and receivables and held-to-maturity investments are assessed for impairment on an individual basis and on a collective group basis as followings.

Where impairment is assessed on an individual basis, an impairment loss in respect of a loan or receivable or held-to-maturity investment is calculated as the excess of its carrying amount over the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the original effective interest rate. Impairment losses are recognised in profit or loss.

The assessment is made collectively where loans and receivables or held-to-maturity investments share similar credit risk characteristics (including those having not been individually assessed as impaired), based on their historical loss experiences, and adjusted by the observable factors reflecting current economic conditions.

If, after an impairment loss has been recognised on loans or receivables or held-to-maturity investments, there is a recovery in the value of the financial asset which can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss. A reversal of an impairment loss will not result in the asset's carrying amount exceeding what the amortised cost at the date of impairment reversal would have been had no impairment loss been recognised in prior years.

- Available-for-sale financial assets

Available-for-sale financial assets are assessed for impairment on an individual basis and on a collective group basis as follows.

When an available-for-sale financial asset is impaired, the cumulative loss arising from a decline in fair value that has been recognised directly in equity is reclassified to profit or loss even though the financial asset has not been derecognised.

If, after an impairment has been recognised on an available-for-sale debt instrument, the fair value of the debt instrument increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss.

(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
- intangible assets
- long-term deferred expenses, etc

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 year-end, irrespective of whether there is any indication of impairment.

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

The recoverable amount of an asset (or asset group, set of asset groups) 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 group or a set of asset groups are allocated to reduce the carrying amount of the assets in the asset group or set of asset groups 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 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 and unemployment 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.

(11) 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.

(12) 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 arising from the use by others of the Bank's financial assets is recognised in profit or loss based on the duration and the effective interest rate. The relevant interest receivable should be recognised at contract or nominal interest rates at the same time. Interest income includes the amortisation of any discount or premium or differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

The effective interest method is a method of calculating the amortised cost of financial assets and liabilities and of allocating the interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, or, when appropriate, a shorter period, to the net carrying amount of the financial instrument. When calculating the effective interest rate, the Bank estimates cash flows considering all the contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest on the impaired financial assets ("unwinding of discount") is calculated and recognised using the rate of interest used to discount future cash flows for the purpose of measuring the related impairment loss.

(b) Fees and commission income

Fees and commission income are recognised in profit or loss when the corresponding service is provided.

Origination or commitment fees received by the Bank which result in the creation or acquisition of a financial asset are deferred and recognised as an adjustment to the effective interest rate. If the commitment expires without the Bank making a loan, the fee is recognised as revenue on expiry.

(13) Interest expenses

Interest expenses arising from the amortised costs and duration of the use of the Bank's financial liabilities are recognised based on the effective interest rate in the relevant periods. The relevant interest payable should be recognised at contract or nominal interest rates at the same time.

(14) Income tax

Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to 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 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 tax 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 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).

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 reporting 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.

(15) Government grants

Government grants are non-reciprocal transfers of monetary or non-monetary assets from the government to the Bank except for any 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 that is received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at its fair value.

A government grant related to an asset is offset against the carrying amount of the related asset or recognised initially as deferred income and amortised to profit or loss on a straight-line basis over the useful life of the asset as other income or non-operating income. A grant that compensates the Bank for expenses to be incurred in the future is recognised initially as deferred income, and released to other income or non-operating income or offset against related expenses in the periods in which the expenses are recognised. Otherwise, the grant is recognised in other income or non-operating income or offset against related expenses immediately.

(16) Profit distributions to owners

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

(17) 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.

(18) 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 the materiality principle into account. Two or more operating segments may be aggregated into a single operating segment if the segments have similar economic characteristics and are same or similar in respect of the nature of 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. Segment accounting policies are consistent with those for the Bank's financial statements.

(19) 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.

Significant accounting estimates include: Notes 3(4), 3(6), and 3(7): information about the accounting estimates relating to depreciation and amortisation of assets such as fixed assets, intangible assets and long-term deferred expenses; Notes 7, 8, 10, 11, 12, 13, 14 and 16: information about provisions for impairment of various types of assets; and Note 39: information about the accounting estimates relating to fair value.

4 Changes in accounting policies

The accounting standards take effect in 2020 that are relevant to the Bank are as follows :

- CAS Bulletin No.13 (Caikuai [2019] No.21)
- The Accounting Treatment of COVID-19-Related Rent Concessions (Caikuai [2020] No.10)

Major impacts of the adoption of the above bulletin and accounting treatment are as follows:

(a) CAS Bulletin No.13

CAS Bulletin No.13 has amended the three elements of constituting a business, provides specific guidance on the determination of a business, and introduces an optional concentration test when the acquirer determine whether an acquired set of assets that not involving enterprises under common control constitute a business.

In addition, CAS Bulletin No.13 has further clarified that related parties of an entity also include the joint venture(s) or associate(s) of the other members (including the parent and subsidiaries) in the same group that includes the entity, and the other joint venture(s) or associate(s) of the investors who exercise joint control over the entity, etc.

CAS Bulletin No.13 takes effect on 1 January 2020. The adoption of CAS Bulletin No.13 does not have any significant effect on the financial position, financial performance or related party disclosures of the Bank.

(b) Caikuai [2020] No.10

Caikuai [2020] No.10 provides a practical expedient under certain conditions for rent concessions occurring as a direct consequence of the Covid-19 pandemic. If an entity elects to apply the practical expedient, the entity does not need to assess whether a lease modification has occurred or to reassess the lease classification.

Caikuai [2020] No.10 takes effect on 24 June 2020 (the implementation date). The entity is allowed to adjust the related rent concessions that occurred between 1 January 2020 and the implementation date. The adoption of Caikuai [2020] No.10 does not have any significant effect on the financial position or financial performance of the Bank.

5 Taxation

The types of taxes applicable to the Bank and their tax rates are as follows:

- (1) The types of taxes applicable to the Bank's rendering of services include value added tax (VAT), city maintenance and construction tax, education levy and local education levy.

<u>Tax Name</u>	<u>Tax basis and applicable rate</u>
VAT	Output VAT is 6% of taxable services revenue, based on tax laws. The basis for VAT payable is to deduct input VAT from the output VAT for the period.
City maintenance and construction tax	7% of actual VAT paid.
Education levy	3% of actual VAT paid.
Local education levy	2% of actual VAT paid.

- (2) Income tax

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

- (3) Taxes payable

	2020	2019
Withholding non-resident corporate income tax payable	6,236,857	6,529,990
VAT and surcharges payable	1,500,111	2,999,505
Withholding individual income tax payable	1,410,827	1,347,139
Withholding indirect taxes and surcharges payable	671,544	672,422
Income tax payable	-	10,150,174
Total	<u>9,819,339</u>	<u>21,699,230</u>

- (4) As at 31 December 2020, the Bank's refundable income tax was Renminbi 23,679,180 (refer to note 16) (2019: nil).

6 Cash on hand and deposits with central bank

	Note	2020	2019
Cash on hand		718,151	835,640
Statutory deposit reserves with central bank	(1)	908,993,506	732,375,466
Surplus deposit reserves with central bank	(2)	140,055,249	174,774,082
Foreign currency risk reserves with central bank	(3)	33,732,361	10,813,110
Total		1,083,499,267	918,798,298

- (1) Statutory deposit reserves with central bank represent the deposits placed with the People's Bank of China ("the PBOC") in accordance with the *Regulation of the PRC on the Administration of Foreign-funded Banks* (the "Administrative Regulation") and relevant regulations, which are not available for use in the Bank's daily business. As at the balance sheet date, the statutory deposit reserve rates applicable to the Bank were as follows:

	2020	2019
Renminbi deposits reserve rate	10.5%	11%
Foreign currency deposits reserve rate	5%	5%

- (2) The surplus deposit reserves maintained with the PBOC are mainly for settlement purpose.
- (3) The Bank places the foreign-exchange risk reserve based on contract amount of foreign exchange derivative financial instruments according to relevant requirements of the PBOC.

7 Deposits with inter-banks

- (1) Analysed by counterparty

	2020	2019
Deposits with inter-banks in Mainland China	1,036,828,921	1,151,641,869
Deposits with inter-banks outside Mainland China	64,393,465	26,816,597
Subtotal	1,101,222,386	1,178,458,466
Less: Allowances for impairment losses	(880,000)	(2,528,000)
Net book value of deposits with inter-banks	1,100,342,386	1,175,930,466

(2) Movement of allowances for impairment losses

	<i>Note</i>	<i>2020</i>	<i>2019</i>
As at 1 January		2,528,000	361,000
(Reversal) / charge for the year	32	<u>(1,648,000)</u>	<u>2,167,000</u>
As at 31 December		<u><u>880,000</u></u>	<u><u>2,528,000</u></u>

8 Placements with inter-banks and non-bank financial institutions

(1) Analysed by counterparty

	<i>2020</i>	<i>2019</i>
Placements with inter-banks in Mainland China	337,946,200	1,354,358,200
Placements with non-bank financial institutions in Mainland China	1,300,000,000	450,000,000
Placements with inter-banks outside Mainland China	<u>424,118,500</u>	<u>-</u>
Subtotal	2,062,064,700	1,804,358,200
Less: Allowances for impairment losses	<u>(105,450,000)</u>	<u>(35,055,000)</u>
Net book value of placements with inter-banks and non-bank financial institutions	<u><u>1,956,614,700</u></u>	<u><u>1,769,303,200</u></u>

(2) Movement of allowances for impairment losses

	<i>Note</i>	<i>2020</i>	<i>2019</i>
As at 1 January		35,055,000	131,692,000
Charge / (reversal) for the year	32	<u>70,395,000</u>	<u>(96,637,000)</u>
As at 31 December		<u><u>105,450,000</u></u>	<u><u>35,055,000</u></u>

9 Derivatives financial instruments

	<i>2020</i>		
	<i>Nominal amount</i>	<i>Fair value</i>	
	<i>Total</i>	<i>Assets</i>	<i>Liabilities</i>
Foreign exchange swap	1,845,540,069	8,851,085	(59,887,581)
Foreign exchange forward	1,090,035,130	58,954,865	(85,376)
Total	2,935,575,199	67,805,950	(59,972,957)

	<i>2019</i>		
	<i>Nominal amount</i>	<i>Fair value</i>	
	<i>Total</i>	<i>Assets</i>	<i>Liabilities</i>
Foreign exchange swap	2,426,559,189	18,808,210	(9,721,301)
Foreign exchange forward	1,080,177,568	4,988,660	(12,433,370)
Total	3,506,736,757	23,796,870	(22,154,671)

The nominal amounts of the derivatives indicate the volume of transactions outstanding at the balance sheet date; they do not represent the amounts at risk.

10 Interest receivable

Movement of interest receivable in 2020 is shown as below:

	<i>As at</i>			<i>As at</i>
	<i>1 January</i>	<i>Current year</i>	<i>Current year</i>	<i>31 December</i>
	<i>2020</i>	<i>increase</i>	<i>decrease</i>	<i>2020</i>
Interest receivable	77,793,123	505,152,032	(504,940,721)	78,004,434

11 Loans and advances to customers

(1) Analysed by nature

	2020	2019
Corporate loans and advances		
- loans	6,475,368,036	6,799,195,883
- trade finance	163,286,642	124,400,145
	6,638,654,678	6,923,596,028
Total loans and advances	6,638,654,678	6,923,596,028
Less: Allowances for impairment losses	(527,100,447)	(541,802,619)
	6,111,554,231	6,381,793,409
Net book value of loans and advances to customer	6,111,554,231	6,381,793,409

(2) Analysed by industry sector

	2020		2019	
	Net book value	%	Net book value	%
Manufacturing	3,818,329,529	57.52%	3,830,388,135	55.33%
Production and supply of electricity, gas and water	854,659,593	12.87%	1,056,641,473	15.26%
Real estate services	576,467,020	8.68%	582,265,105	8.41%
Leasing and commercial	560,000,000	8.44%	655,000,000	9.46%
Wholesale and retail trade	320,868,677	4.83%	242,610,357	3.50%
Transportation and storage services	319,825,409	4.82%	339,214,283	4.90%
Hotel and restaurant	188,504,450	2.84%	217,476,675	3.14%
	6,638,654,678	100.00%	6,923,596,028	100.00%
Total loans and advances	6,638,654,678	100.00%	6,923,596,028	100.00%
Less: Allowances for impairment losses	(527,100,447)		(541,802,619)	
	6,111,554,231		6,381,793,409	
Net book value of loans and advances to customers	6,111,554,231		6,381,793,409	

(3) Analysed by geographical sector

	<u>2020</u>		<u>2019</u>	
	<i>Net book value</i>	%	<i>Net book value</i>	%
East China	2,109,469,244	31.77%	2,608,613,830	37.68%
South China	1,785,327,169	26.89%	1,650,199,858	23.83%
North China	1,264,376,489	19.05%	1,359,888,447	19.64%
Northeast China	683,014,204	10.29%	677,714,880	9.79%
Southwest China	677,892,950	10.21%	545,532,133	7.88%
Central China	118,574,622	1.79%	81,646,880	1.18%
Total loans and advances	<u>6,638,654,678</u>	<u>100.00%</u>	<u>6,923,596,028</u>	<u>100.00%</u>
Less: Allowances for impairment losses	<u>(527,100,447)</u>		<u>(541,802,619)</u>	
Net book value of loans and advances to customers	<u><u>6,111,554,231</u></u>		<u><u>6,381,793,409</u></u>	

(4) Analysed by security type

	<u>2020</u>	<u>2019</u>
Unsecured loans	814,788,084	913,584,933
Guaranteed loans	2,635,933,845	2,968,152,514
Secured loans	3,187,932,749	3,041,858,581
- <i>mortgaged</i>	2,828,852,735	2,779,461,955
- <i>pledged</i>	<u>359,080,014</u>	<u>262,396,626</u>
Total loans and advances	<u>6,638,654,678</u>	<u>6,923,596,028</u>
Less: Allowances for impairment losses	<u>(527,100,447)</u>	<u>(541,802,619)</u>
Net book value of loans and advances to customers	<u><u>6,111,554,231</u></u>	<u><u>6,381,793,409</u></u>

(5) Overdue loans analysed by overdue period

As at 31 December 2020, the Bank has no overdue loans (2019: overdue loan was RMB 23,618,940, which was secured by collaterals).

Overdue loans represent loans and advances to customers, of which the whole or part of the principal or interest was overdue for more than one day.

(6) Movements of allowances for impairment losses

	Note	2020		Total
		Collective assessment	Individual assessment	
As at 1 January		541,802,619	-	541,802,619
(Reversal) / charge for the year	32	(15,622,756)	2,650,332	(12,972,424)
Recover of written-off loans and advances to customers		-	256,036	256,036
Unwinding of discount		-	(5,750)	(5,750)
Exchange differences		(1,980,034)	-	(1,980,034)
As at 31 December		<u>524,199,829</u>	<u>2,900,618</u>	<u>527,100,447</u>

	Note	2019		Total
		Collective assessment	Individual assessment	
As at 1 January		372,351,870	15,057,783	387,409,653
Charge / (reversal) for the year	32	169,231,670	(10,163,420)	159,068,250
Loans written-off for the year		-	(15,057,783)	(15,057,783)
Recover of written-off loans and advances to customers		-	10,163,420	10,163,420
Exchange differences		219,079	-	219,079
As at 31 December		<u>541,802,619</u>	<u>-</u>	<u>541,802,619</u>

On 28 February 2018, the former China Banking Regulatory Commission (the “former CBRC”) issued the *Notice on Adjusting Regulatory Requirements for Loan Losses Provision of Commercial Banks* (Yin Jian Fa [2018] No. 7) and decided to adjust regulatory required provision coverage ratio from 150% to 120% ~ 150% and the regulatory required loan provision ratio from 2.5% to 1.5% ~ 2.5%. On 22 January 2020, the China Banking and Insurance Regulatory Commission Shanghai Office (the “CBIRC Shanghai Office”) issued the *Notice of the CBIRC Shanghai Office on the Regulatory Requirements for Bangkok Bank (China) Company Limited regarding Loan Provision in 2020* to the Bank. According to the Notice, the CBIRC Shanghai Office decided to remain the Bank’s minimum regulatory requirement of provision coverage ratio and loan provision ratio to 120% and 1.5% respectively by taking into account the Bank’s accuracy of loan classification, initiative taken to dispose non-performing loans and capital adequacy (2019: 120% and 1.5% respectively).

Loan provision ratio represents ratio of loan loss provision over gross loans and advances to customers at the balance sheet date. Provision coverage ratio represents ratio of loan loss provision over non-performing loans. According to the five-tier risk classification in the *Notice of the former CBRC on Distributing the Guidelines on Loan Risk Classification* (Yin Jian Fa [2007] No. 54), non-performing loans represent loans classified as substandard, doubtful and loss.

As at 31 December 2020, the Bank’s loan provision ratio was 7.94% (2019: 7.83%), and provision coverage ratio was 4,543% (2019: not applicable as no non-performing loans at the year end of 2019). The loan impairment provision accrued by the Bank met the relevant regulatory requirements.

(7) Restructured loans and advances to customers

As at 31 December 2020, the Bank had restructured loans and advances to customers of Renminbi 9,244,145 (2019: nil).

12 Available-for-sale financial assets

	<i>2020</i>	<i>2019</i>
Bonds	3,262,838,680	2,633,196,020
Negotiable certificate of deposit	<u>358,786,820</u>	<u>-</u>
Total	<u><u>3,621,625,500</u></u>	<u><u>2,633,196,020</u></u>

The bonds and negotiable certificate of deposit invested by the Bank are issued by the following institutions and stated at fair value:

	<i>2020</i>	<i>2019</i>
The MOF	3,232,821,250	2,603,159,180
Commercial banks	358,786,820	-
Domestic enterprises	<u>30,017,430</u>	<u>30,036,840</u>
Total	<u><u>3,621,625,500</u></u>	<u><u>2,633,196,020</u></u>

As at 31 December 2020, the Bank considered that no impairment provision of available-for-sale financial assets was necessary (2019: nil).

13 Fixed assets

	<i>Motor vehicles</i>	<i>Computer and electrical equipment</i>	<i>Office and other equipment</i>	<i>Total</i>
Cost				
As at 1 January 2019	8,498,465	24,537,611	12,519,602	45,555,678
Additions	351,372	2,187,337	347,684	2,886,393
Disposals	(1,126,038)	(306,991)	(8,600)	(1,441,629)
	<u>7,723,799</u>	<u>26,417,957</u>	<u>12,858,686</u>	<u>47,000,442</u>
As at 31 December 2019	7,723,799	26,417,957	12,858,686	47,000,442
Additions	336,433	4,205,248	405,584	4,947,265
Disposals	(1,513,572)	(1,216,993)	(174,198)	(2,904,763)
	<u>6,546,660</u>	<u>29,406,212</u>	<u>13,090,072</u>	<u>49,042,944</u>
As at 31 December 2020	<u>6,546,660</u>	<u>29,406,212</u>	<u>13,090,072</u>	<u>49,042,944</u>
Less: Accumulated depreciation				
As at 1 January 2019	(8,048,047)	(21,815,275)	(11,985,092)	(41,848,414)
Charge	(172,316)	(1,354,197)	(248,614)	(1,775,127)
Written off on disposals	1,126,036	306,965	8,599	1,441,600
	<u>(7,094,327)</u>	<u>(22,862,507)</u>	<u>(12,225,107)</u>	<u>(42,181,941)</u>
As at 31 December 2019	(7,094,327)	(22,862,507)	(12,225,107)	(42,181,941)
Charge	(218,916)	(1,502,244)	(270,099)	(1,991,259)
Written off on disposals	1,513,571	1,216,910	172,608	2,903,089
	<u>(5,799,672)</u>	<u>(23,147,841)</u>	<u>(12,322,598)</u>	<u>(41,270,111)</u>
As at 31 December 2020	<u>(5,799,672)</u>	<u>(23,147,841)</u>	<u>(12,322,598)</u>	<u>(41,270,111)</u>
Carrying amounts				
As at 31 December 2020	<u>746,988</u>	<u>6,258,371</u>	<u>767,474</u>	<u>7,772,833</u>
As at 31 December 2019	<u>629,472</u>	<u>3,555,450</u>	<u>633,579</u>	<u>4,818,501</u>

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

14 Intangible assets

	<i>Software</i>
Cost	
As at 1 January 2019	19,147,617
Additions during the year	<u>1,379,245</u>
As at 31 December 2019	20,526,862
Additions during the year	<u>2,453,091</u>
As at 31 December 2020	<u>22,979,953</u>
Less: Accumulated amortisation	
As at 1 January 2019	(18,400,563)
Additions during the year	<u>(432,455)</u>
As at 31 December 2019	(18,833,018)
Additions during the year	<u>(712,104)</u>
As at 31 December 2020	<u>(19,545,122)</u>
Carrying amounts	
As at 31 December 2020	<u>3,434,831</u>
As at 31 December 2019	<u>1,693,844</u>

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

15 Deferred tax assets

	<i>Deferred tax assets</i>			
	<i>As at 1 January 2020</i>	<i>Current year increase / (decrease) charged to profit or loss</i>	<i>Current year increase / (decrease) recognised directly in equity</i>	<i>As at 31 December 2020</i>
Provision for impairment of assets	156,914,071	(5,224,589)		151,689,482
Non-accrual interest	2,543,726	(307,936)		2,235,790
Fair value change of derivative financial liabilities / assets	(410,550)	(1,547,699)		(1,958,249)
Fair value change of available- for-sale financial assets	(1,567,654)	-	3,064,913	1,497,259
Deductible losses	-	23,791,003		23,791,003
Total	<u>157,479,593</u>	<u>16,710,779</u>	<u>3,064,913</u>	<u>177,255,285</u>

16 Other assets

	2020	2019
Prepaid rental expenses	25,589,287	34,666,699
Refundable income tax	23,679,180	-
Refundable deposits	5,104,573	5,047,008
Other receivables	3,646,078	4,501,936
Deferred expenses	2,365,924	2,494,870
Leasehold improvements	93,890	204,648
Others	2,033,824	1,084,936
	<u>62,512,756</u>	<u>48,000,097</u>
Total	<u>62,512,756</u>	<u>48,000,097</u>

17 Deposits from inter-banks

Analysed by counterparty

	2020	2019
Deposits from inter-banks outside Mainland China	<u>941,678</u>	<u>782,568</u>

18 Borrowings from inter-banks

Analysed by counterparty

	2020	2019
Borrowings from inter-banks in Mainland China	<u>-</u>	<u>1,069,762,000</u>

19 Deposits from customers

	2020	2019
Current deposits		
- corporate customers	1,152,221,007	1,155,403,523
- retail customers	27,422,378	26,253,876
Subtotal of current deposits	1,179,643,385	1,181,657,399
Term deposits (including call deposits)		
- corporate customers	7,202,356,897	5,704,133,958
- retail customers	200,244,990	28,428,107
Subtotal of term deposits	7,402,601,887	5,732,562,065
Margin deposits	543,359,582	174,004,546
Other deposits	116,200	111,701
Total	9,125,721,054	7,088,335,711

20 Employee benefits payable

	Note	2020	2019
Short-term employee benefits	(1)	19,758,569	19,572,003
Post-employment benefits			
- defined contribution plans	(2)	-	434,476
Total		19,758,569	20,006,479

(1) Short-term employee benefits

	2020	2019
Salaries, bonuses, allowances	18,698,627	18,757,587
Social insurance		
- Medical insurance	287,812	255,101
- Work-related injury insurance	-	4,368
- Maternity insurance	26,457	25,780
Others	745,673	529,167
Total	19,758,569	19,572,003

(2) Post-employment benefits - defined contribution plans

	2020	2019
Basic pension insurance	-	420,170
Unemployment insurance	-	14,306
Total	-	434,476

21 Interest payable

Movement of interest payable in 2020 is shown as below:

	As at 1 January 2020	Current year increase	Current year decrease	As at 31 December 2020
Interest payable	93,687,822	193,899,678	(104,669,720)	182,917,780

22 Other liabilities

	2020	2019
Deferred income	13,306,594	13,113,253
Accrued expenses	2,590,009	2,558,711
Accounts to be settled or cleared	-	2,360,288
Others	2,291,112	1,452,173
Total	18,187,715	19,484,425

23 Paid-in capital

As at 31 December, the Bank's registered capital and paid-in capital are as follows:

	2020 and 2019	
	Amount	Percentage
Bangkok Bank	4,000,000,000	100%

Capital contributions in foreign currency were translated into Renminbi at the exchange rate at the date of the contributions received as quoted by the PBOC.

24 Other comprehensive income

	<i>Gains / (losses) arising from changes in fair value of available-for-sale financial assets</i>
Balance at 1 January 2019	560,810
Increase during the year	4,142,152
	<hr/>
Balance at 31 December 2019	4,702,962
Decrease during the year	(9,194,739)
	<hr/>
Balance at 31 December 2020	<u>(4,491,777)</u>

The amount is presented as the fair value change of available-for-sale financial assets net of the impact of deferred tax.

25 Surplus reserve

	<i>Note</i>	<i>Statutory surplus reserve</i>
Balance at 1 January 2019		70,195,469
Profit appropriation	27(1)	13,785,257
		<hr/>
Balance at 31 December 2019		83,980,726
Profit appropriation	27(1)	560,731
		<hr/>
Balance at 31 December 2020		<u>84,541,457</u>

26 General reserve

	Note	<i>General reserve appropriated in accordance with the regulations issued by the MOF</i>
Balance at 1 January 2019, 31 December 2019 and 31 December 2020	27(2)	<u>208,531,720</u>

According to the *Notice on Administrative Measures on Accrual of Provisions by Financial Enterprises* (Cai Jin [2012] No.20) issued by the MOF, a financial enterprise shall appropriate general reserve for its risk-bearing assets at the end of each year. The balance of general reserve shall not be less than 1.5% of the ending balance of risk-bearing assets. General reserve which financial enterprises appropriate in according with the regulation is treated as a profit appropriation. General reserve is part of the owners' equity.

In accordance with relevant regulations and Articles of Association, as at 31 December 2020, the Bank met the requirement that the balance of general reserve of financial enterprises shall in principle not be lower than 1.5% of the year-end balance of the risk bearing assets (2019: met the requirement that the balance of general reserve of financial enterprises shall in principle not be lower than 1.5% of the year-end balance of the risk bearing assets).

27 Profit appropriation

	Note	2020	2019
Appropriation to surplus reserve	25	<u>560,731</u>	<u>13,785,257</u>

(1) Appropriation to surplus reserve

The Bank appropriated an amount of Renminbi 560,731 (2019: Renminbi 13,785,257), representing 10% of profit after tax for the year as statutory surplus reserve in accordance with relevant regulations and its articles.

(2) The Bank incurred a loss of USD 284,310 equivalent from its foreign currency business for the year 2020 (2019: realised a profit of USD 8,068,605 equivalent).

28 Net interest income

	2020	2019
Loans and advances to customers	316,638,624	336,018,420
Placements with inter-banks and non-bank financial institutions	58,173,814	84,605,490
Deposits with inter-banks	19,880,892	39,242,291
Deposits with central bank	13,575,744	13,991,344
	408,269,074	473,857,545
	408,269,074	473,857,545
Deposits from customers	(178,187,459)	(143,636,800)
Borrowings from inter-banks	(15,704,459)	(21,272,292)
Deposits from inter-banks	(7,760)	(9,790)
	(193,899,678)	(164,918,882)
	(193,899,678)	(164,918,882)
Total interest income	408,269,074	473,857,545
	408,269,074	473,857,545
Deposits from customers	(178,187,459)	(143,636,800)
Borrowings from inter-banks	(15,704,459)	(21,272,292)
Deposits from inter-banks	(7,760)	(9,790)
	(193,899,678)	(164,918,882)
	(193,899,678)	(164,918,882)
Total interest expenses	(193,899,678)	(164,918,882)
	(193,899,678)	(164,918,882)
Net interest income	214,369,396	308,938,663

29 Net fees and commission income

	2020	2019
Credit commitment fees	13,895,647	14,889,050
Settlement and clearing fees	8,478,954	14,113,497
	22,374,601	29,002,547
	22,374,601	29,002,547
Total fees and commission income	22,374,601	29,002,547
	22,374,601	29,002,547
Commission expenses	(487,125)	(552,911)
	(487,125)	(552,911)
	(487,125)	(552,911)
Net fees and commission income	21,887,476	28,449,636

30 Investment income

	2020	2019
Available-for-sale financial assets interest income	77,876,479	51,173,858
	77,876,479	51,173,858

31 General and administrative expenses

	2020	2019
Staff costs		
- Salaries, bonuses and allowances	111,600,634	109,256,723
- Statutory welfare expenses	9,335,974	15,745,377
- Directors remunerations	1,490,000	1,396,507
- Others	2,591,996	2,538,021
	125,018,604	128,936,628
Subtotal		
Rental and property maintenance fees	52,994,599	51,440,217
IT equipment maintenance fees	6,378,087	6,305,052
Telecommunication fees	3,589,769	3,593,319
Depreciation and amortisation	2,861,767	2,988,427
Utilities	987,806	1,088,918
Others	6,732,788	7,822,741
	198,563,420	202,175,302
Total	198,563,420	202,175,302

32 Impairment losses

	Note	2020	2019
Impairment losses charge / (reversal) for placements with inter-banks and non-bank financial institutions	8(2)	70,395,000	(96,637,000)
Impairment losses (reversal) / charge for deposit with inter-banks	7(2)	(1,648,000)	2,167,000
Impairment losses (reversal) / charge for loans and advances to customers	11(6)	(12,972,424)	159,068,250
		55,774,576	64,598,250
Total		55,774,576	64,598,250

33 Income tax expense

(1) Income tax expense for the year represents

	2020	2019
Current tax expense for the year	-	52,761,449
Tax filing difference adjustments	(19,133,682)	18,151
Changes in deferred tax assets / liabilities	(16,710,779)	(28,046,123)
	<u>(35,844,461)</u>	<u>(28,046,123)</u>
Total	<u>(35,844,461)</u>	<u>24,733,477</u>

(2) Reconciliation between income tax expense and accounting (losses) / profits:

	2020	2019
(Losses) / profits before taxation	<u>(30,237,156)</u>	<u>162,586,051</u>
Expected income tax expense at tax rate of 25%	(7,559,289)	40,646,513
Add / (deduct) the tax effects as follows:		
- Non-deductible expenses	40,319	85,887
- Non-taxable income	(28,242,183)	(16,017,074)
- Tax filing difference adjustments	(19,133,682)	18,151
- Adjustments in respect of deferred tax of prior years	19,050,374	-
	<u>19,050,374</u>	<u>-</u>
Income tax expense	<u>(35,844,461)</u>	<u>24,733,477</u>

34 Other comprehensive income, net of tax

	2020	2019
Items that may be reclassified to profit or loss:		
(Losses) / gains arising from changes in fair value of available-for-sale financial assets	(12,259,652)	5,522,869
Less: Income tax	3,064,913	(1,380,717)
	<u>(9,194,739)</u>	<u>(1,380,717)</u>
Total	<u>(9,194,739)</u>	<u>4,142,152</u>

35 Supplement to cash flow statement

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

	2020	2019
Net profit	5,607,305	137,852,574
Add: Impairment losses	55,774,576	64,598,250
Depreciation of fixed assets	1,991,259	1,775,127
Amortization of intangible assets	712,104	432,455
Amortization of leasehold improvements	158,404	727,829
Gains from disposal of fixed assets	(151,422)	(158,911)
Investment income	(77,876,479)	(51,173,858)
(Gains) / losses from changes in fair value	(6,190,794)	25,373,793
Unrealised foreign exchange losses / (gains)	95,582,353	(23,936,115)
Increase in deferred tax assets	(16,710,779)	(28,046,122)
(Increase) / decrease in operating receivables	(709,210,395)	1,560,520,666
Increase / (decrease) in operating payables	1,056,466,257	(1,824,424,816)
	<u>406,152,389</u>	<u>(136,459,128)</u>
Net cash inflow / (outflow) from operating activities	<u>406,152,389</u>	<u>(136,459,128)</u>

(2) Change in cash and cash equivalents:

	2020	2019
Cash and cash equivalents at the end of the year	1,170,294,586	1,731,758,388
Less: Cash and cash equivalents at the beginning of the year	(1,731,758,388)	(3,119,476,857)
	<u>(561,463,802)</u>	<u>(1,387,718,469)</u>
Net decrease in cash and cash equivalents	<u>(561,463,802)</u>	<u>(1,387,718,469)</u>

(3) Cash and cash equivalents

	2020	2019
Cash on hand	718,151	835,640
Central bank deposits available on demand	140,055,249	174,774,082
Deposits with inter-banks with a maturity of 3 months or less	605,402,686	766,862,666
Placements with inter-banks and non-bank financial institutions with a maturity of 3 months or less	424,118,500	789,286,000
	<u>1,170,294,586</u>	<u>1,731,758,388</u>
Total	<u>1,170,294,586</u>	<u>1,731,758,388</u>

36 Related party relationships and transactions

(1) Information about the parent of the Bank is listed as follows:

<i>Company name</i>	<i>Registered place</i>	<i>Business nature</i>	<i>Registered capital</i>	<i>Shareholding percentage</i>	<i>Proportion of voting rights</i>
Bangkok Bank	Bangkok, Thailand	Banking and financial service	THB 19.1 billion	100%	100%

(2) Transactions with key management personnel

Key management personnel represents those who are authorised and in charge of planning, managing and controlling the activities of the Bank.

Transactions with key management personnel:

	2020	2019
Remuneration of key management personnel	27,860,204	26,971,400
	<u>27,860,204</u>	<u>26,971,400</u>

(3) Transactions with the Bank's parent

(a) Transactions amounts with the Bank's parent:

	2020	2019
Interest income	858,273	17,030,912
Interest expenses	(123,195)	(771,179)
Fees and commission income	8,370	7,840
General and administrative expenses	(24,276,003)	(22,439,648)
Standby letters of credit issued by the parent bank	46,695,300	9,550,000

- (b) The balances of transactions with the Bank's parent at 31 December are set out as follows:

	2020	2019
Deposits with inter-banks	30,685,195	21,560,722
Placements with inter-banks and non-bank financial institutions	424,118,500	-
Derivative financial assets	42,846	1,212,161
Interest receivable	77,432	-
Other assets	-	129,681
Deposits from inter-banks	(941,678)	(782,568)
Derivative financial liabilities	(4,290,129)	(299,441)
Balance of standby letter of credit issued by the parent bank	107,069,800	65,803,980

- (c) The notional amounts of derivative contracts with the Bank's parent at 31 December are set out as follows:

	2020	2019
Foreign exchange swap	106,734,043	271,865,579

- (d) As at 31 December, the total future minimum lease payments under non-cancellable operating leases of properties to the Bank's parent are payable as follows:

	2020	2019
Operating lease commitments	394,058,021	424,411,580

Note: Transactions with the Bank's parent include transactions with the overseas branches of the parent.

37 Segment reporting

The Bank monitors the operating results of its branches separately for the purpose of making decisions about resource allocation and performance assessment. As some branches share similar business environment, these branches with similar characteristics are combined and presented as one operating segment. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Bank.

The Bank presents the operating segments as follows:

East China: Head Office, Shanghai Branch, Xiamen Branch
 North China: Beijing Branch
 South China: Shenzhen Branch
 Southwest China: Chongqing Branch

(1) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Bank's management periodically reviews the assets, liabilities, revenue, expenses and financial performance, attributable to each reportable segment on the following basis:

- Segment assets include all financial assets, fixed assets, intangible assets attributable to the individual segments. Segment liabilities include financial liabilities and payables attributable to the individual segments.
- Financial performance is operating income (including operating income from external customers and inter-segment operating income) after deducting expenses, depreciation, amortisation and impairment losses attributable to the individual segments. Inter-segment sales are determined with reference to prices charged to external parties for similar orders. Income tax expense is not allocated to individual segments. Information regarding the Bank's reportable segments set out below includes the information used for assessing segment performance and allocating segment profit (loss), assets and liabilities which is periodically reviewed by the Bank's management:

2020						
Note	East China	North China	South China	Southwest China	Eliminations	Total
External net interest income	131,753,815	34,479,533	27,828,091	20,307,957	-	214,369,396
Internal net interest income / (expenses)	1,278,177	11,536,213	(10,148,949)	(2,665,441)	-	-
Net interest income	<u>133,031,992</u>	<u>46,015,746</u>	<u>17,679,142</u>	<u>17,642,516</u>	-	<u>214,369,396</u>
Fees and commission income	14,226,101	4,966,386	2,682,889	499,225	-	22,374,601
Fees and commission expenses	(483,454)	(467)	(2,199)	(1,005)	-	(487,125)
Net fees and commission income	<u>13,742,647</u>	<u>4,965,919</u>	<u>2,680,690</u>	<u>498,220</u>	-	<u>21,887,476</u>
Other net operating income / (expenses)	(a) 15,323,394	(8,318,579)	(17,082,131)	227,820	-	(9,849,496)
Taxes and surcharges	(1,023,354)	(701,288)	(224,786)	(307,844)	-	(2,257,272)
General and administrative expenses	(141,507,760)	(21,569,844)	(22,608,637)	(12,877,179)	-	(198,563,420)
- Depreciation and amortization	(2,520,712)	(191,850)	(123,877)	(25,328)	-	(2,861,767)
Impairment losses (charge) / reversal	(41,325,988)	17,624,930	(21,710,002)	(10,363,516)	-	(55,774,576)
Non-operating expenses	(49,264)	-	-	-	-	(49,264)
Segment (losses) / profits before tax	<u>(21,808,332)</u>	<u>38,016,884</u>	<u>(41,265,724)</u>	<u>(5,179,983)</u>	-	<u>(30,237,156)</u>
Less: Income tax expense						35,844,461
Net profit						<u>5,607,305</u>

	2020					
	<i>East China</i>	<i>North China</i>	<i>South China</i>	<i>Southwest China</i>	<i>Eliminations</i>	<i>Total</i>
Capital expenditure	6,857,221	223,748	183,072	183,961	-	7,448,002
Segment assets	15,334,619,452	2,469,810,351	964,028,630	923,415,342	(5,421,451,602)	14,270,422,173
Segment liabilities	10,202,253,610	2,357,189,396	870,484,482	908,843,206	(4,921,451,602)	9,417,319,092
Credit commitments	1,800,174,802	1,809,869,057	210,520,303	113,982,656	-	3,934,546,818

2019						
Note	East China	North China	South China	Southwest China	Eliminations	Total
External net interest income	185,220,704	70,436,438	35,364,444	17,917,077	-	308,938,663
Internal net interest income / (expenses)	22,082,776	(15,751,866)	(7,117,088)	786,178	-	-
Net interest income	<u>207,303,480</u>	<u>54,684,572</u>	<u>28,247,356</u>	<u>18,703,255</u>	-	<u>308,938,663</u>
Fees and commission income	18,829,923	5,799,130	4,084,098	289,396	-	29,002,547
Fees and commission expenses	(547,023)	(703)	(4,151)	(1,034)	-	(552,911)
Net fees and commission income	<u>18,282,900</u>	<u>5,798,427</u>	<u>4,079,947</u>	<u>288,362</u>	-	<u>28,449,636</u>
Other net operating income	(a) 85,344,834	3,095,257	5,219,175	749,765	-	94,409,031
Taxes and surcharges	(1,099,466)	(708,227)	(302,853)	(296,667)	-	(2,407,213)
General and administrative expenses	(146,105,041)	(21,079,284)	(21,660,994)	(13,329,983)	-	(202,175,302)
- Depreciation and amortization	(2,661,847)	(197,364)	(103,977)	(25,239)	-	(2,988,427)
Impairment losses reversal / (charge)	17,680,112	(60,109,194)	(442,756)	(21,726,412)	-	(64,598,250)
Non-operating expenses	(21,033)	(1)	(9,480)	-	-	(30,514)
Segment profit / (losses) before tax	<u>181,385,786</u>	<u>(18,318,450)</u>	<u>15,130,395</u>	<u>(15,611,680)</u>	-	<u>162,586,051</u>
Less: Income tax expense						<u>(24,733,477)</u>
Net profit						<u>137,852,574</u>

	2019					
	<i>East China</i>	<i>North China</i>	<i>South China</i>	<i>Southwest China</i>	<i>Eliminations</i>	<i>Total</i>
Capital expenditure	4,220,053	29,531	59,207	9,483	-	4,318,274
Segment assets	15,521,183,806	2,406,914,060	1,022,664,703	1,017,537,921	(6,775,697,069)	13,192,603,421
Segment liabilities	10,393,659,353	2,332,309,989	887,854,831	997,785,802	(6,275,697,069)	8,335,912,906
Credit commitments	2,036,938,839	758,292,709	328,427,028	110,561,961	-	3,234,220,537

- (a) Other net operating income includes other income, investment income, gains or losses from changes in fair value, foreign exchange gains or losses, and gains from disposal of assets.

(2) Geographical information

The following table sets out information about the geographical location of the Bank's operating income from external customers and the Bank's non-current assets (excluding financial assets, deferred tax assets, same as below). The geographical information is based on the location of customers receiving services. The geographical location of the specified non-current assets is based on the physical location of the assets, in the case of fixed assets; and the location of the operation to which they are allocated, in the case of intangible assets.

	<i>Operating income from external customers</i>		<i>Specified non-current assets</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
In Mainland China	514,547,614	565,830,437	11,301,554	6,716,993
Outside Mainland China	853,035	1,662,504	-	-
	<u>515,400,649</u>	<u>567,492,941</u>	<u>11,301,554</u>	<u>6,716,993</u>

(3) Major customers

Both in 2020 and 2019, the Bank's interest income from single loan customer was lower than 5% of the total operating income from external customers of the Bank.

38 Risk management and sensitivity analysis of financial instruments

The Bank's risk management is an integral part of the Bank business strategy. The Bank risk management approach focuses on ensuring continued financial soundness and safeguarding the interest of our shareholder, while remaining nimble to seize value-creating business opportunities in a fast-changing environment. The Bank is committed to maintaining high standards of corporate governance, sound risk management principles and business practices to achieve sustainable long-term business expansion or growth. The Bank continuously strive towards best risk management practices to support the Bank's strategic objectives.

The Bank has put in place a framework of policies, methodologies, tools and processes that will help the Bank to identify, measure, monitor and manage material risks faced by the Bank.

The Bank's responsibility for risk management starts at the top with the Board of Directors overseeing a governance structure that is designed to ensure that the Bank's business activities are:

- Conducted in a safe and sound manner and in-line with established risk management policies;
- Consistent with the Bank's overall business strategy and risk appetite;
- Adequate risk management and internal controls.

The Board of Directors is assisted by the Risk Management Committee in the oversight of risks namely; credit risk, market risk, liquidity risk and operational risk. The Bank has developed a comprehensive risk management policy to establish a comprehensive risk management system. In addition to the above-mentioned risks, risk management system also includes reputational risks, strategic risks, information technology risks, money laundering risks and other risks. The Risk Management Committee is responsible to ensure risk reports are regularly submitted to the Board of Directors to keep the Board of Directors posted of the Bank's risk profile. And related risk strategy or policies are appropriate approved by the Board of Directors for implementation. The Bank's senior management is responsible for establishing risk management policies and procedures, according to the risk management strategy approved by the Board of Directors and the Risk Management Committee. These risk management policies are implemented by different departments of the Bank upon approval from the Board of Directors.

(1) 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. Credit risk mainly arises from credit business. In treasury transactions, credit risk refers to that the issuer fails to repay the matured principal or interest.

Credit Business

Considering the market and economic environment, business development strategy and the requirements of customers, within the Bank's risk control scope, the Bank provides various direct credit businesses and direct credit substitute businesses to foreign-invested companies set up in the PRC mainly by Southeast Asian companies and domestic companies with good credit standing.

The Bank has established a strict credit management system, including credit approval, daily credit monitoring, credit classification monitoring, problem loan management, policies for loan loss provisioning and write-off, debt restructuring, etc.

The Bank adopts the internal five-tier grading loan classification approach (the "Internal Credit Grading") to monitor the risk condition of its loan portfolios. This approach assesses the credit grading by considering the customers' credit record, financial position, repayment condition, as well as the collaterals to monitor the risk of loan portfolios.

Internal Credit Grading Definition

Normal	No evident weakness
Special mention	The obligor's capacity to repay might be adversely affected by some factors.
Substandard	The obligor's capacity to repay is apparently in question which could not provide adequate protection to the loan and certain losses might occur even when collaterals are executed.

*Internal Credit Grading
(continued)*

Definition (continued)

Doubtful	The loan is unlikely to be fully repaid. The obligor cannot repay the whole loan and significant losses will occur even when collaterals are executed.
Loss	There is evident information that indicates the repayment is nearly impossible. Principal and interest cannot be recovered after taking all possible measures.

A comparison of the Bank's loan risk classification criteria and the *Notice of China Banking Regulatory Commission on Promulgation of the Guidelines for Risk-based Loan Classification* (Yin Jian Fa [2007] No.54) issued by the former CBRC on July 3, 2007 has been filed with the CBIRC as follows:

<i>Internal Credit Grading</i>	<i>Definition</i>	<i>Five-tier Grading</i>	<i>Definition</i>
Normal	No evident weaknesses.	Normal	Loans where borrowers are able to meet the commitments. Timely and full repayment of interest and principal is likely.
Special mention	The obligor's capacity to repay might be adversely affected by some factors.	Special mention	Loans where borrowers are able to meet the repayment of interest and principal currently. However, there are some adverse factors which may threaten repayment.
Substandard	The obligor's capacity to repay is apparently in question which could not provide adequate protection to the loan and certain losses might occur even when collaterals are executed.	Substandard	Loans where borrowers are displaying a definable weakness in repayment ability. The borrowers' operating income is insufficient to enable full repayment of interest and principal.
Doubtful	The loan is unlikely to be fully repaid. The obligor cannot repay the whole loan and significant losses will occur even when collaterals are executed.	Doubtful	Loans where borrowers are unable to guarantee full repayment of interest and principal. Even after realising the collateral or taking action against the guarantor, some loss is expected.
Loss	There is evident information that indicates the repayment is nearly impossible. Principal and interest cannot be recovered after taking all possible measures.	Loss	Loans which are considered uncollectable or where only a minimal amount can be recovered after exhausting all collection efforts and institution of legal proceedings.

The last three gradings of the former CBRC's five-tier classification are regarded as non-performing loans. If there is any indication of objective evidence that impairment and impairment loss has occurred, the loan is classified as an impaired loans and advances. The provision for impairment of impaired loans and advances shall be assessed collectively or individually based on the actual condition.

If the counterparties are concentrated in a few industries or a few geographical areas, or have similar economic characteristics, the credit risk is normally higher. In addition, different industries and geographical areas may have different characteristics; hence the respective credit risk is not similar. The Bank has set specific limits for large exposure credit concentration, industry concentration and country concentration to improve the credit risk structure. The Bank prepares the exposure report of concentration risk quarterly and performs periodical review on it.

The Bank mitigates credit risk by obtaining mortgage, cash margin, pledged deposits, and guarantees from companies or individuals. The Bank has specified amounts and categories of collateral required according to the assessment result of credit risk of the counterparty. The Bank has established underwriting standards on collateral types and assessment methods. The Bank has specified categories of acceptable collateral, including deposit pledge, land use rights, buildings, and machines and equipments. To reduce the credit risk, the Bank has stipulated discount rates for different collaterals to reflect the cash realisable value. The business units will monitor the market value of the collaterals regularly and may require the obligors to increase the collaterals based on the related agreements. When performing assessment of the adequacy of loss provision, changes in the market value of the collaterals will be considered. For a loan guaranteed by a third party, the Bank assesses the guarantor's financial condition, historical credit record and its capacity to settle the debts on behalf of the obligor.

Except for loans, collaterals or guarantees needed for other financial assets shall be determined by the nature of the instruments.

Treasury business

The Bank sets credit limits based on the credit risk inherent in the counterparties. The system closely monitors the credit exposure on a real-time basis. The Bank regularly reviews its credit limit and routinely updates the credit limits.

(a) Maximum credit risk exposure

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet. The following table presents the maximum exposure to credit risk of on-balance-sheet and off-balance-sheet financial instruments before taking account of any collateral or other credit enhancements.

	2020	2019
Deposits with central bank	1,082,781,116	917,962,658
Deposits with inter-banks	1,100,342,386	1,175,930,466
Placements with inter-banks and non-bank financial institutions	1,956,614,700	1,769,303,200
Derivative financial assets	67,805,950	23,796,870
Interest receivable	78,004,434	77,793,123
Loans and advances to customers	6,111,554,231	6,381,793,409
Available-for-sale financial assets	3,621,625,500	2,633,196,020
Other assets	10,784,475	10,633,880
	14,029,512,792	12,990,409,626
Subtotal		
Off-balance-sheet credit commitments	3,934,546,818	3,234,220,537
	17,964,059,610	16,224,630,163
Maximum exposure to credit risk	17,964,059,610	16,224,630,163

(b) Distribution of loans and advances to customers in terms of credit quality

	Note	2020	2019
Impaired			
Individually assessed and impaired gross amount	(i)	11,602,471	-
Allowances for impairment losses		<u>(2,900,618)</u>	<u>-</u>
Carrying amount		<u>8,701,853</u>	<u>-</u>
Overdue but not impaired			
Gross amount	(ii)	-	23,618,940
Allowances for impairment losses	(iii)	<u>-</u>	<u>(3,020,862)</u>
Carrying amount		<u>-</u>	<u>20,598,078</u>
Neither overdue nor impaired			
Gross amount		6,627,052,207	6,899,977,088
Allowances for impairment losses	(iii)	<u>(524,199,829)</u>	<u>(538,781,757)</u>
Carrying amount		<u>6,102,852,378</u>	<u>6,361,195,331</u>
Total		<u>6,111,554,231</u>	<u>6,381,793,409</u>

(i) Movement of impaired loans and advances to customers in 2020 is shown as below:

	As at 1 January 2020	Current year increase	Current year decrease	As at 31 December 2020
Impaired loans and advances	<u>-</u>	<u>51,448,100</u>	<u>(39,845,629)</u>	<u>11,602,471</u>

As at 31 December 2020, the Bank had impaired loans of Renminbi 11,602,471, which were secured by collaterals. (2019: nil).

(ii) As at 31 December 2020, the Bank had no overdue but not impaired loans and advances to customers (2019: the overdue but not impaired loans and advances to customers amounted to Renminbi 23,618,940. The covered portion of these loans and advances were Renminbi 23,618,940).

(iii) The balances represent the collectively assessed allowance for impairment losses.

(c) Distribution of amounts due from inter-banks and non-bank financial institutions in terms of credit ratings of counterparties

Amounts due from inter-banks and non-bank financial institutions include deposits with inter-banks and placements with inter-banks and non-bank financial institutions. Distribution of amounts due from inter-banks and non-bank financial institutions in terms of credit quality mainly with reference to the external rating agency Standard & Poor's, Fitch or Moody's is as follows (counterparties without external ratings are presented using their parent companies' ratings):

	2020	2019
- AAA to BBB-	3,013,287,086	2,832,816,666
- BB+ to B-	150,000,000	150,000,000
Gross amount	<u>3,163,287,086</u>	<u>2,982,816,666</u>

(d) Distribution of debt securities in terms of credit quality

The carrying amounts of debt securities analysed by the external rating agency Standard & Poor's and domestic rating agencies recognised by the PBOC designations at the balance sheet date are as follows.

	2020	2019
Standard & Poor's		
- AA-	3,232,821,250	2,603,159,180
Domestic rating agencies recognised by the PBOC		
- AAA	388,804,250	30,036,840
Gross amount	<u>3,621,625,500</u>	<u>2,633,196,020</u>

Debt securities include bonds classified as available-for-sale financial assets and negotiable certificate of deposits.

(2) Market risk

Market risk management is the total process of identifying, measuring, monitoring and controlling market risks. Market risk refers to the risk arising from financial instruments' fair value or future cash flow fluctuations due to changes in market prices, including interest rate risk and foreign currency risk. Interest rate risk arises when the change in interest rates affect fair value of interest rate related product; foreign currency risk arises when the change in foreign exchange rates affect the value of the net assets/liabilities or when the Bank has spot / forward FX positions. Market risk of the Bank exists in trading book and banking book.

The Bank's interest rate risk includes the risks arising from when the repricing and/or maturity schedule of assets and liabilities are not matched, causing the uncertainty of net interest income in banking book. The Bank's management tools of interest rate risk includes Cumulative NII Impact limit, Interest rate gapping limit for the balance sheet, Cumulative EVE Impact limit, and conduct regular stress test. Meanwhile, by closely observing interest rate trends (both in Renminbi and foreign currency) and market interest rate changes, the Bank conducts proper scenario analysis and makes timely adjustments to the loan and deposit interest rates (both in Renminbi and foreign currency) in line with the benchmark interest rates to reduce its interest rate risk.

The Bank's foreign currency risk exposures mainly arise from net on-balance-sheet assets and liabilities designated in foreign of which values are exposed to foreign exchange rates. The Bank's main principle of foreign currency risk control is to match the assets and liabilities of the respective individual currency to minimise the foreign currency risk and to control the currency risk exposure within limits set by the Bank. The Bank, based on the guiding principles from Risk Management Committee, relevant laws and regulations and the management's evaluation of the current environment, has set risk tolerance limits, and avoids risk via reasonable arrangements of assets and liabilities in different currencies.

The Bank classifies financial instruments into investment portfolios on banking book and trading book to effectively monitor market risk. According to the Former CBRC's Market Risk Management Guidelines for Commercial Banks, the Bank has established market risk management policy and procedures to set related limits on all market risk exposures. These policies and procedures illustrate the structure and approval mechanism of market risk limits. Market risk limits mainly include product limits, foreign exchange position limits, cut-loss limits, PV01 limit and FX gapping limits.

(a) Interest rate risk

The Bank's interest rate risk is monitored by Market and Operational Risk Management Division. Market and Operational Risk Management Division has established relevant policies and monitoring procedures to regularly report risk condition to Assets / Liabilities Committee. The monitoring on interest rate risk mainly includes gap analysis on interest rate re-pricing schedule and stress test.

Exposure to interest rate risk

The Bank's interest rate risk mainly includes the risks arising from when the repricing and / or maturity schedule of assets and liabilities are not matched, causing the uncertainty of net interest income in banking book.

The following tables indicate the distribution by expected next re-pricing dates (or maturity dates, whichever are earlier) of financial assets and liabilities at the balance sheet dates.

	2020				Total
	Non-accrual	Within 3 months	Between 3 months and 1 year	Between 1 year and 5 years	
Assets					
Cash on hand and deposits with central bank	43,591,897	1,039,907,370	-	-	1,083,499,267
Deposits and placements with inter-banks and non-bank financial institutions	-	1,941,865,586	1,115,091,500	-	3,056,957,086
Derivative financial assets	67,805,950	-	-	-	67,805,950
Interest receivable	78,004,434	-	-	-	78,004,434
Loans and advances to customers	-	1,727,944,952	4,383,609,279	-	6,111,554,231
Available-for-sale financial assets	-	1,059,406,370	1,064,242,180	1,497,976,950	3,621,625,500
Other assets	10,784,475	-	-	-	10,784,475
Total assets	200,186,756	5,769,124,278	6,562,942,959	1,497,976,950	14,030,230,943
Liabilities					
Deposits and borrowings from inter-banks	-	(941,678)	-	-	(941,678)
Derivative financial liabilities	(59,972,957)	-	-	-	(59,972,957)
Deposits from customers	-	(3,779,810,842)	(3,041,293,699)	(2,304,616,513)	(9,125,721,054)
Interest payable	(182,917,780)	-	-	-	(182,917,780)
Other liabilities	(4,548,203)	-	-	-	(4,548,203)
Total liabilities	(247,438,940)	(3,780,752,520)	(3,041,293,699)	(2,304,616,513)	(9,374,101,672)
Net position	(47,252,184)	1,988,371,758	3,521,649,260	(806,639,563)	4,656,129,271
2019					
	Non-accrual	Within 3 months	Between 3 months and 1 year	Between 1 year and 5 years	Total
Assets					
Cash on hand and deposits with central bank	18,938,798	899,859,500	-	-	918,798,298
Deposits and placements with inter-banks and non-bank financial institutions	-	2,216,359,666	728,874,000	-	2,945,233,666
Derivative financial assets	23,796,870	-	-	-	23,796,870
Interest receivable	77,793,123	-	-	-	77,793,123
Loans and advances to customers	-	1,823,764,158	4,558,029,251	-	6,381,793,409
Available-for-sale financial assets	-	200,319,600	1,581,424,330	851,452,090	2,633,196,020
Other assets	10,633,880	-	-	-	10,633,880
Total assets	131,162,671	5,140,302,924	6,868,327,581	851,452,090	12,991,245,266
Liabilities					
Deposits and borrowings from inter-banks	-	(320,544,568)	(750,000,000)	-	(1,070,544,568)
Derivative financial liabilities	(22,154,671)	-	-	-	(22,154,671)
Deposits from customers	-	(2,768,173,127)	(2,228,193,351)	(2,091,969,233)	(7,088,335,711)
Interest payable	(93,687,822)	-	-	-	(93,687,822)
Other liabilities	(6,371,172)	-	-	-	(6,371,172)
Total liabilities	(122,213,665)	(3,088,717,695)	(2,978,193,351)	(2,091,969,233)	(8,281,093,944)
Net position	8,949,006	2,051,585,229	3,890,134,230	(1,240,517,143)	4,710,151,322

Sensitivity analysis

The Bank adopts sensitivity analysis to measure the probable impacts on the Bank's net profit and owners' equity caused by interest rate change.

With all other variables held constant, the following table shows the impact on net profit and owners' equity caused by reasonable change in interest rate.

	2020		2019	
	<i>Impact on net profit Increase / (decrease)</i>	<i>Impact on equity Increase / (decrease)</i>	<i>Impact on net profit Increase / (decrease)</i>	<i>Impact on equity Increase / (decrease)</i>
Increase 100 basis points	34,966,749	11,560,799	494,567,489	420,451,878
Decrease 100 basis points	(37,280,542)	(13,695,904)	(55,645,037)	(480,587,501)

This sensitivity analysis is based on a static interest risk profile of assets and liabilities. The analysis only evaluates the interest fluctuation within one year and reflects the impact, rising from the re-pricing on assets and liabilities of the Bank within one year, on interest income and expense calculated per annum. The analysis is based on the following assumptions:

- All of the assets and liabilities that will be re-priced or mature within one year will be re-priced or mature at the beginning of certain period;
- Yield curve moves along with interest change parallel; and
- There is no other change in the portfolio of assets and liabilities.

As a result of the hypothesis above, the actual changes in the Bank's net interest income caused by fluctuation of interest rate may be different from the result of the sensitivity analysis above.

(b) Foreign currency risk

The Bank's foreign currency risk includes exposure of on-balance-sheet assets and liabilities denominated in foreign currency and off-balance-sheet derivatives denominated in foreign currency. The Market and Operational Risk Management Division of the Bank manages foreign currency risk exposure in various ways, including limiting foreign currency net position and conducting stress test regularly.

Exposure to foreign currency risk

The foreign currency exposures of the Bank's financial assets and liabilities at the balance sheet dates are as follows. Under the consideration of presentation, the amount of foreign currency risk exposures is expressed in Renminbi and is converted by the rates at the balance sheet dates.

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	2020			
	RMB	USD (RMB equivalent)	Other currency (RMB equivalent)	Total (RMB equivalent)
Assets				
Cash on hand and deposits with central bank	1,040,194,406	43,300,514	4,347	1,083,499,267
Deposits and placements with inter-banks and non-bank financial institutions	1,969,430,596	1,076,286,876	11,239,614	3,056,957,086
Derivative financial assets	67,805,950	-	-	67,805,950
Interest receivable	74,352,784	3,651,650	-	78,004,434
Loans and advances to customers	5,625,083,215	486,471,016	-	6,111,554,231
Available-for-sale financial assets	3,621,625,500	-	-	3,621,625,500
Other assets	10,683,278	979	100,218	10,784,475
Total assets	<u>12,409,175,729</u>	<u>1,609,711,035</u>	<u>11,344,179</u>	<u>14,030,230,943</u>
Liabilities				
Deposits and borrowings from inter-banks	(941,678)	-	-	(941,678)
Derivative financial liabilities	(59,972,957)	-	-	(59,972,957)
Deposits from customers	(8,934,022,074)	(186,194,131)	(5,504,849)	(9,125,721,054)
Interest payable	(182,904,748)	(13,032)	-	(182,917,780)
Other liabilities	(4,520,443)	(27,760)	-	(4,548,203)
Total liabilities	<u>(9,182,361,900)</u>	<u>(186,234,923)</u>	<u>(5,504,849)</u>	<u>(9,374,101,672)</u>
Net position	<u>3,226,813,829</u>	<u>1,423,476,112</u>	<u>5,839,330</u>	<u>4,656,129,271</u>

	2019			
	RMB	USD (RMB equivalent)	Other currency (RMB equivalent)	Total (RMB equivalent)
Assets				
Cash on hand and deposits with central bank	900,064,138	18,667,565	66,595	918,798,298
Deposits and placements with inter-banks and non-bank financial institutions	1,632,497,319	1,294,651,215	18,085,132	2,945,233,666
Derivative financial assets	23,796,870	-	-	23,796,870
Interest receivable	65,004,087	12,789,036	-	77,793,123
Loans and advances to customers	6,039,569,757	342,223,652	-	6,381,793,409
Available-for-sale financial assets	2,633,196,020	-	-	2,633,196,020
Other assets	10,551,284	-	82,596	10,633,880
Total assets	11,304,679,475	1,668,331,468	18,234,323	12,991,245,266
Liabilities				
Deposits and borrowings from inter-banks	(1,000,782,568)	(69,762,000)	-	(1,070,544,568)
Derivative financial liabilities	(22,154,671)	-	-	(22,154,671)
Deposits from customers	(6,907,373,027)	(175,057,414)	(5,905,270)	(7,088,335,711)
Interest payable	(93,634,318)	(53,495)	(9)	(93,687,822)
Other liabilities	(6,346,106)	(25,066)	-	(6,371,172)
Total liabilities	(8,030,290,690)	(244,897,975)	(5,905,279)	(8,281,093,944)
Net position	3,274,388,785	1,423,433,493	12,329,044	4,710,151,322

Sensitivity analysis

With all other variables held constant, the following table shows the impact on net profit and owners' equity when foreign currency changes against the functional currency.

	2020		2019	
	Impact on net profit Increase / (decrease)	Impact on equity Increase / (decrease)	Impact on net profit Increase / (decrease)	Impact on equity Increase / (decrease)
Appreciation against RMB by 100 bps	10,719,866	10,719,866	10,768,515	10,768,219
Depreciation against RMB by 100 bps	(10,719,866)	(10,719,866)	(10,768,219)	(10,768,219)

This sensitivity analysis is based on a static foreign exchange exposure profile of assets and liabilities. The analysis estimates the impact on net profit and owners' equity due to the probable fluctuation of foreign exchange rates under the assumption that the other factors remain stable. The analysis is based on the following assumptions:

- the foreign exchange sensitivity is the gains and losses recognised as a result of 1% fluctuation in the foreign currency exchange rates;
- the exchange rates for all foreign currencies change in the same direction simultaneously; and
- Off-balance-sheet items have not been included in the currency risk exposure.

As a result of the hypothesis above, actual fluctuation of net foreign currency exchange from changes in exchange rates may differ from the estimation of the sensitivity analysis above.

(3) Liquidity risk

Liquidity risk means the risk that a commercial bank is unable to acquire adequate funds in a timely manner at a reasonable cost to repay mature debts, fulfill other payment obligations and meet other capital needs for normal business activities.

The liquidity risk management is to ensure that the Bank has sufficient liquidity / cash to meet its obligations related to financial liabilities and its demand on business development. These include that the Bank can meet withdrawal request from customers on demand or when contracts mature; the Bank has sufficient funds for repayment when borrowings mature; the Bank needs to maintain sufficient liquidity to meet the regulatory liquidity ratio requirement; and the Bank has sufficient funds for new investment opportunity.

The liquidity risk management measure adopted by the Bank is primarily to match the maturity structures between assets and liabilities. Due to differences between various businesses and maturity tenors, it is impractical to maintain a perfect match between assets and liabilities. The Bank has established a set of procedures for identifying, measuring, monitoring and reporting liquidity risk, including limits for cash flow, liquidity ratio. The Bank has established liquidity contingency plan to maintain an appropriate balance of cash flows and to ensure all the required funds can be provided at maturity. The Bank has set up regular stress testing on the Bank's liquidity risk in order to take advanced action to prevent bad impact on the Bank's daily operation. The Bank considers and prevents possible liquidity risk in the future so as to improve its payment capacity under the liquidity stress.

The following tables provide the analysis of the contractual undiscounted cash flows of the Bank's financial assets and liabilities at the balance sheet dates. Interest receivable and payable of financial assets and liabilities with fixed terms are presented according to the due dates of interest stipulated in the contracts; current financial assets and liabilities (including interest receivable and payable as at the balance sheet dates) are presented under the item "repayable on demand / terms undated".

	2020							
	<i>Carrying amount</i>	<i>Contractual undiscounted cash flows</i>	<i>Repayable on demand / terms undated</i>	<i>Within 1 month</i>	<i>Between 1 month and 3 months</i>	<i>Between 3 months and 1 year</i>	<i>Between 1 year and 5 years</i>	<i>More than 5 years</i>
Financial assets								
Cash on hand and deposits with central bank	1,083,499,267	1,083,955,866	1,083,955,866	-	-	-	-	-
Deposits and placements with inter-banks and non-bank financial institutions	3,056,957,086	3,203,711,319	75,402,686	873,094,146	1,043,076,557	1,212,137,930	-	-
Derivative financial assets	67,805,950	67,805,950	67,805,950	-	-	-	-	-
Loans and advances to customers	6,111,554,231	7,388,104,278	-	622,656,083	1,269,674,593	1,880,130,255	2,285,281,366	1,330,361,981
Available-for-sale financial assets	3,621,625,500	3,771,087,500	-	593,710,000	506,085,000	1,128,471,500	1,542,821,000	-
Other financial assets	10,784,475	10,784,475	10,784,475	-	-	-	-	-
Total assets	13,952,226,509	15,525,449,388	1,237,948,977	2,089,460,229	2,818,836,150	4,220,739,685	3,828,102,366	1,330,361,981
Financial liabilities								
Deposits and borrowings from inter-banks	(941,678)	(941,755)	(941,755)	-	-	-	-	-
Derivative financial liabilities	(59,972,957)	(59,972,957)	(59,972,957)	-	-	-	-	-
Deposits from customers	(9,125,721,054)	(9,508,884,497)	(2,295,329,855)	(866,417,894)	(702,306,923)	(3,111,950,580)	(2,532,879,245)	-
Other financial liabilities	(4,548,203)	(4,548,203)	(4,548,203)	-	-	-	-	-
Total liabilities	(9,191,183,892)	(9,574,347,412)	(2,360,792,770)	(866,417,894)	(702,306,923)	(3,111,950,580)	(2,532,879,245)	-
Net position	4,761,042,617	5,951,101,976	(1,122,843,793)	1,223,042,335	2,116,529,227	1,108,789,105	1,295,223,121	1,330,361,981

	2019							
	<i>Carrying amount</i>	<i>Contractual undiscounted cash flows</i>	<i>Repayable on demand / terms undated</i>	<i>Within 1 month</i>	<i>Between 1 month and 3 months</i>	<i>Between 3 months and 1 year</i>	<i>Between 1 year and 5 years</i>	<i>More than 5 years</i>
Financial assets								
Cash on hand and deposits with central bank	918,798,298	919,169,457	919,169,457	-	-	-	-	-
Deposits and placements with inter-banks and non-bank financial institutions	2,945,233,666	3,014,669,564	46,172,066	1,677,994,127	505,019,431	785,483,940	-	-
Derivative financial assets	23,796,870	23,796,870	23,796,870	-	-	-	-	-
Loans and advances to customers	6,381,793,409	7,882,655,074	23,670,673	707,788,101	1,265,459,999	1,674,521,105	2,425,961,789	1,785,253,407
Available-for-sale financial assets	2,633,196,020	2,959,723,888	-	-	206,601,863	1,623,482,407	902,653,563	226,986,055
Other assets	10,633,880	10,633,880	10,633,880	-	-	-	-	-
Total assets	12,913,452,143	14,810,648,733	1,023,442,946	2,385,782,228	1,977,081,293	4,083,487,452	3,328,615,352	2,012,239,462
Financial liabilities								
Deposits and borrowings from inter-banks	(1,070,544,568)	(1,089,618,181)	(782,747)	(219,849,551)	(100,804,750)	(768,181,133)	-	-
Derivative financial liabilities	(22,154,671)	(22,154,671)	(22,154,671)	-	-	-	-	-
Deposits from customers	(7,088,335,711)	(7,325,482,798)	(2,428,076,629)	(62,355,631)	(291,774,538)	(2,282,388,899)	(2,260,887,101)	-
Other liabilities	(6,371,172)	(6,371,172)	(6,371,172)	-	-	-	-	-
Total liabilities	(8,187,406,122)	(8,443,626,822)	(2,457,385,219)	(282,205,182)	(392,579,288)	(3,050,570,032)	(2,260,887,101)	-
Net position	4,726,046,021	6,367,021,911	(1,433,942,273)	2,103,577,046	1,584,502,005	1,032,917,420	1,067,728,251	2,012,239,462

39 Fair value

(1) Assets and liabilities measured at fair value

The following table presents 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 or non-recurring basis. At the end of the current reporting period, the Bank did not have any assets or liabilities which were measured at fair value on a non-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.

	Note	31 December 2020			
		Total	Level 1	Level 2	Level 3
Recurring fair value measurements					
Assets					
Derivative					
financial assets	9	67,805,950	-	67,805,950	-
Available-for-sale financial assets	12	3,621,625,500	-	3,621,625,500	-
Total		3,689,431,450	-	3,689,431,450	-
Liabilities					
Derivative					
financial liabilities	9	(59,972,957)	-	(59,972,957)	-

	Note	31 December 2019			
		Total	Level 1	Level 2	Level 3
Recurring fair value measurements					
Assets					
Derivative financial assets	9	23,796,870	-	23,796,870	-
Available-for-sale financial assets	12	2,633,196,020	-	2,633,196,020	-
Total		<u>2,656,992,890</u>	<u>-</u>	<u>2,656,992,890</u>	<u>-</u>
Liabilities					
Derivative financial liabilities	9	<u>(22,154,671)</u>	<u>-</u>	<u>(22,154,671)</u>	<u>-</u>

For the year ended 31 December 2020, there were no transfers, between Level 1 and Level 2, of the Bank's above assets and liabilities which are measured at fair value on a recurring basis.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Bank determines fair values using valuation techniques.

Valuation techniques include net present value and discounted cash flow models, in comparison to similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, factors used to estimate discount rates, foreign currency exchange rates, index prices, and expected price volatilities and correlations. The objective of using valuation techniques is to estimate the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date under current market conditions.

The Bank uses widely recognised valuation models for determining the fair value of common and simple financial instruments, like foreign exchange forwards and swaps that use only observable market data and require simple valuation models. Observable prices and model inputs are usually available in the market for debt securities and derivatives.

Level 2 fair value measurement

This category includes instruments using the following valuation technique: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

The fair value of the investment in bonds and certificate of deposits included in available-for-sale financial assets is determined based on the quotes provided by the valuation system of securities clearing institutions. Observable inputs that reflect market conditions are used by quotation institutions when preparing the quotation.

The fair value of foreign exchange forward and swap contracts included in derivative financial assets is determined by discounting the difference between the contractual exercise price and the market forward / swap price.

During 2020, there were no changes in valuation techniques for the recurring Level 2 fair value measurements.

- (2) Fair value of other financial instruments (items not measured at fair value at the end of year)

The Bank's other financial instruments mainly include deposits with central bank, deposits with inter-banks, placements with inter-banks and non-bank financial institutions, loans and advances to customers, deposits from inter-banks, borrowings from inter-banks and deposits from customers. There are no significant difference between the carrying amount and the fair value of these financial assets and liabilities.

40 Commitments and contingencies

- (1) Credit commitments

At any given time the Bank has outstanding commitments to extend credit. The Bank provides loan commitments, financial guarantees and letters of credit to guarantee the performance of customers to third parties. The Bank assesses the potential loss of credit commitments on a regular basis and recognises liability if necessary.

The amounts in the table for guarantees and letters of credit represent the maximum potential loss that would be recognised at the balance sheet date if counterparties failed completely to perform as contracted. Acceptances comprise undertakings by the Bank to pay bills of exchange drawn by customers. The amounts for loan commitments represent the amounts when they were fully used.

As the credit facilities may not be fully used upon maturity, the contractual amount sets out below does not represent the expected cash outflow in the future.

<i>Contractual amounts</i>	<i>2020</i>	<i>2019</i>
Standby letters of credit	2,393,339,480	1,933,514,335
Letters of credit accepted	844,591,523	581,332,142
Bank acceptances	370,188,127	353,014,205
Loan commitments with an original maturity of one year or over (inclusive)	186,059,538	177,250,876
Letters of credit issued	136,300,744	186,121,855
Guarantee issued	4,067,406	2,987,124
	<hr/>	<hr/>
Total	<u>3,934,546,818</u>	<u>3,234,220,537</u>

(2) Operating lease commitments

As at 31 December, the total future minimum lease payments under non-cancellable operating leases of properties are payable as follows:

	<i>2020</i>	<i>2019</i>
Within 1 year (inclusive)	47,726,031	42,593,369
After 1 year but within 2 years (inclusive)	57,013,484	45,969,017
After 2 years but within 3 years (inclusive)	58,182,600	47,581,079
After 3 years	355,919,574	373,618,631
	<hr/>	<hr/>
Total	<u>518,841,689</u>	<u>509,762,096</u>

41 Capital management

The capital management of the Bank covers the calculation and reporting of capital adequacy ratio (CAR), capital assessment and capital planning. The CAR of the Bank represents its abilities of stable operations and risk resistance. The CAR management of the Bank aims to ensure the Bank holds adequate capital, which is appropriate to risk exposure and consistent with risk assessment results of the Bank, to meet the demand of business operation and the regulatory requirements. The capital planning aims to set a target CAR which satisfies the Bank with the demand of future business development strategy, risk appetite, risk management, external business environment and long-term sustainability of various capital sources.

The prudent and solid concept of capital management ensures the Bank to retain its capital at an adequate level to support business development under all conditions and to adjust CAR to a reasonable level timely and effectively, if necessary.

The Bank calculates CAR according to the *Administrative Measures on Capitals of Commercial Bank (For Trial Implementation)* and other relevant regulations. The capital of the Bank is composed of core tier one capital, other tier one capital and tier two capital. The risk weighted assets of on-balance-sheet assets are calculated based on various risk weights. The risk weights are determined in consideration of the risk factors of various assets, counterparties, markets and other relevant aspects, as well as qualified collateral and guarantee. The off-balance-sheet exposures are calculated by the same methodology with adjustments of contingent losses. The credit risk weighted assets for counterparties in terms of over-the-counter derivative transactions are the summation of defaulted risk weighted assets and credit valuation adjustment risk weighted assets. The market risk weighted assets are measured by standard method. The operational risk weighted assets are measured by basic indicator method.

The Bank's management regularly monitors the utilisation of CAR and regulatory capital. The Bank reported relevant information to the CBIRC on a quarterly basis. The scope of the Bank's CAR calculation of the Bank covers all branches and sub-branches located in mainland China. Currently, the Bank does not have any overseas branches.

As at 31 December 2020, the CAR of the Bank has been calculated in accordance with *Administrative Measures on Capitals of Commercial Bank (For Trial Implementation)* issued by the former CBRC and other relevant regulations, and the calculation result was in compliance with the relevant regulatory requirements.

The capital adequacy ratio and relevant data of the Bank are calculated on the basis of the financial statements prepared in accordance with the CAS. The Bank is in compliance with the regulatory capital requirements during the year.

The adequacy ratio of core tier one capital, the adequacy ratio of tier one capital and the capital adequacy ratio as at 31 December 2020 calculated in accordance with the *Administrative Measures on Capitals of Commercial Bank (For Trial Implementation)* and other relevant regulations are as follows:

	2020	2019
Core tier one capital		
Paid-in capital	4,000,000,000	4,000,000,000
Other comprehensive income	(4,491,777)	4,702,962
Surplus reserve	84,541,457	83,980,726
General reserve	208,531,720	208,531,720
Retained earnings	564,521,681	559,475,107
Deductible item in core tier one capital		
Intangible assets net of associated deferred tax liabilities	(3,434,831)	(1,693,844)
Net core tier one capital	4,849,668,250	4,854,996,671
Net tier one capital	4,849,668,250	4,854,996,671
Tier two capital		
Excess loan impairment provision	119,557,990	109,537,700
Net capital	4,969,226,240	4,964,534,371
Credit risk weighted assets	9,684,197,168	8,872,553,711
Market risk weighted assets	63,758,750	82,656,250
Operational risk weighted assets	717,976,250	722,101,250
Total risk weighted assets	10,465,932,168	9,677,311,211
Adequacy ratio of core tier one capital	46.34%	50.17%
Adequacy ratio of tier one capital	46.34%	50.17%
Capital adequacy ratio	47.48%	51.30%

42 Comparative figures

Comparative figures have been adjusted to conform to changes in presentation in the current period.