

Bangkok Bank (China) Company Limited

2021 Annual Report



Table of Content

PART I	BANK INTRODUCTION.....	2
PART II	FINANCIAL REPORT.....	4
PART III	RISK MANAGEMENT AND CAPITAL ADEQUACY RATIO.....	6
PART IV	CORPORATE GOVERNANCE.....	19
PART V	SOCIAL RESPONSIBILITY REPORT.....	28
PART VI	SIGNIFICANT EVENTS.....	32
PART VII	BANK NETWORK.....	34
APPENDIX Y2021 ANNUAL AUDIT REPORT		

【Note】: The annual report of year 2021 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. Chatsiri 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**

	Y2021	Y2020
Operating Income	320,084,275	226,407,376
Operating Expenses	(281,907,934)	(256,595,268)
Profit / (Loss) Before Taxation	38,146,699	(30,237,156)
Net Profit for the year	52,733,519	5,607,305

Balance Sheet Item

	12/31/2021	12/31/2020
Loans and Advances to Customers	7,699,622,076	6,111,554,231
Total Assets	15,173,057,304	14,270,422,173
Deposits from Customers	9,509,031,314	9,125,721,054
Total Liabilities	10,257,978,370	9,417,319,092
Paid-in Capital	4,000,000,000	4,000,000,000
Total Owners' Equity	4,915,078,934	4,853,103,081

For detail information please refer to enclosed Y2021 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

	2021	2020
Unsecured loans	1,175,606,076	814,788,084
Guaranteed loans	3,041,943,910	2,635,933,845
Secured loans	4,051,980,381	3,187,932,749
- <i>mortgaged</i>	3,604,068,152	2,828,852,735
- <i>pledged</i>	447,912,229	359,080,014
Total loans and advances	8,269,530,367	6,638,654,678
Add: Interest accrued	16,136,244	N/A
Subtotal	8,285,666,611	6,638,654,678
Less: Allowances for impairment losses	(586,044,535)	(527,100,447)
Net book value of loans and advances to customers	7,699,622,076	6,111,554,231

Overdue loans analysed by overdue period

As at 31 December 2021, the Bank has no overdue loans (2020: the Bank has no overdue loans).

3.1.1.2 Loan loss provisions

As at 31 December 2021, the Bank's loan provision ratio was 7.09% (2020: 7.94%), and provision coverage ratio was 8,601% (2020: 4,543%). 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.

On 23 May 2018, the CBIRC issued the Administrative Measures on Liquidity Risk of Commercial Banks (CBIRC Order [2018] No. 3), which revised the previous liquidity management measures for commercial banks. According to the requirements of the Measures, commercial banks with asset scale below RMB 200 billion shall attain the minimum regulatory standards for high-quality liquid asset adequacy ratio, liquidity ratio and liquidity matching rate continuously. As at 31 December 2021, the Bank's high-quality liquid asset adequacy ratio was 383.28%, the liquidity ratio was 171.03%, and the liquidity matching ratio was 117.80%, all of which met regulatory requirements.

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".

	2021							
	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	793,806,262	793,806,262	793,806,262	-	-	-	-	-
Deposits and placements with inter-banks and non-bank financial institutions	2,886,224,966	2,893,149,916	71,146,410	2,059,462,359	535,078,445	227,462,702	-	-
Derivative financial assets	9,569,164	9,569,164	9,569,164	-	-	-	-	-
Loans and advances to customers	7,699,622,076	8,678,052,988	-	652,913,905	1,625,055,421	2,008,453,110	2,473,604,287	1,918,026,265
Other debt investment	3,194,612,931	3,259,296,000	-	258,430,000	416,870,000	1,368,687,000	1,215,309,000	-
Other financial assets	12,200,886	12,200,886	12,200,886	-	-	-	-	-
Total assets	14,596,036,285	15,646,075,216	886,722,722	2,970,806,264	2,577,003,866	3,604,602,812	3,688,913,287	1,918,026,265
Financial liabilities								
Deposits and borrowings from inter-banks	(233,241,720)	(237,755,415)	(739,048)	(31,878,642)	-	(205,137,725)	-	-
Derivative financial liabilities	(6,960,060)	(6,960,060)	(6,960,060)	-	-	-	-	-
Deposits from customers	(9,509,031,314)	(9,633,781,082)	(3,154,600,118)	(398,383,912)	(348,565,377)	(4,242,310,688)	(1,489,920,987)	-
Other financial liabilities	(6,227,167)	(6,227,167)	(6,227,167)	-	-	-	-	-
Total liabilities	(9,755,460,261)	(9,884,723,724)	(3,168,526,393)	(430,262,554)	(348,565,377)	(4,447,448,413)	(1,489,920,987)	-
Net position	4,840,576,024	5,761,351,492	(2,281,803,671)	2,540,543,710	2,228,438,489	(842,845,601)	2,198,992,300	1,918,026,265

	2020							
	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	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

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 mainly includes the mismatching risk of the maturity structure of assets and liabilities from banking books and the risk of positions held in trading books used for trading purposes.

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. Meanwhile, the Bank set the PV01 limit to monitor and control the interest risk in trading book.

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.

	2021				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	19,447,908	774,358,354	-	-	793,806,262
Deposits and placements with inter-banks and non-bank financial institutions	1,663,199	2,662,177,347	222,384,420	-	2,886,224,966
Derivative financial assets	9,569,164	-	-	-	9,569,164
Loans and advances to customers	16,136,244	2,257,897,637	5,425,588,195	-	7,699,622,076
Other debt investment	46,024,341	650,299,600	1,308,980,500	1,189,308,490	3,194,612,931
Other assets	12,200,886	-	-	-	12,200,886
Total assets	105,041,742	6,344,732,938	6,956,953,115	1,189,308,490	14,596,036,285
Liabilities					
Deposits and borrowings from inter-banks	(624,278)	(32,617,442)	(200,000,000)	-	(233,241,720)
Derivative financial liabilities	(6,960,060)	-	-	-	(6,960,060)
Deposits from customers	(142,280,261)	(3,880,340,937)	(4,139,878,006)	(1,346,532,110)	(9,509,031,314)
Other liabilities	(6,227,167)	-	-	-	(6,227,167)
Total liabilities	(156,091,766)	(3,912,958,379)	(4,339,878,006)	(1,346,532,110)	(9,755,460,261)
Net position	(51,050,024)	2,431,774,559	2,617,075,109	(157,223,620)	4,840,576,024

	2020		
	Non-accrual	Non-accrual	Non-accrual
Assets			
Cash on hand and deposits with central bank	43,591,897	Cash on hand and deposits with central bank 43,591,897	Cash on hand and deposits with central bank 43,591,897
Deposits and placements with inter-banks and non-bank financial institutions	-	Deposits and placements with inter-banks and non-bank financial institutions -	Deposits and placements with inter-banks and non-bank financial institutions -
Derivative financial assets	67,805,950	Derivative financial assets 67,805,950	Derivative financial assets 67,805,950
Interest receivable	78,004,434	Interest receivable 78,004,434	Interest receivable 78,004,434
Loans and advances to customers	-	Loans and advances to customers -	Loans and advances to customers -
Available-for-sale financial assets	-	Available-for-sale financial assets -	Available-for-sale financial assets -
Other assets	10,784,475	Other assets 10,784,475	Other assets 10,784,475
Total assets	200,186,756	Total assets 200,186,756	Total assets 200,186,756
Liabilities			
Deposits and borrowings from inter-banks	-	Deposits and borrowings from inter-banks -	Deposits and borrowings from inter-banks -
Derivative financial liabilities	(59,972,957)	Derivative financial liabilities (59,972,957)	Derivative financial liabilities (59,972,957)
Deposits from customers	-	Deposits from customers -	Deposits from customers -
Interest payable	(182,917,780)	Interest payable (182,917,780)	Interest payable (182,917,780)
Other liabilities	(4,548,203)	Other liabilities (4,548,203)	Other liabilities (4,548,203)
Total liabilities	(247,438,940)	Total liabilities (247,438,940)	Total liabilities (247,438,940)
Net position	(47,252,184)	Net position (47,252,184)	Net position (47,252,184)

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.

	2021		2020	
	<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	32,627,469	13,781,302	494,567,489	420,451,878
Decrease 100 basis points	(31,310,164)	(12,055,703)	(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.

	2021			
	RMB	USD (RMB equivalent)	Other currency (RMB equivalent)	Total (RMB equivalent)
Assets				
Cash on hand and deposits with central bank	774,919,123	18,883,325	3,814	793,806,262
Deposits and placements with inter-banks and non-bank financial institutions	1,447,230,108	1,430,251,330	8,743,528	2,886,224,966
Derivative financial assets	9,569,164	-	-	9,569,164
Loans and advances to customers	7,331,616,936	337,571,209	30,433,931	7,699,622,076
Other debt investment	3,194,612,931	-	-	3,194,612,931
Other assets	11,715,285	478	485,123	12,200,886
Total assets	12,769,663,547	1,786,706,342	39,666,396	14,596,036,285
Liabilities				
Deposits and borrowings from inter-banks	(201,352,085)	(31,889,635)	-	(233,241,720)
Derivative financial liabilities	(6,960,060)	-	-	(6,960,060)
Deposits from customers	(9,093,587,549)	(410,536,179)	(4,907,586)	(9,509,031,314)
Other liabilities	(6,212,369)	(14,798)	-	(6,227,167)
Total liabilities	(9,308,112,063)	(442,440,612)	(4,907,586)	(9,755,460,261)
Net position	3,461,551,484	1,344,265,730	34,758,810	4,840,576,024
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

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.

	2021		2020	
	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	10,342,684	10,342,684	10,719,866	10,719,866
Depreciation against RMB by 100 bps	(10,342,684)	(10,342,684)	(10,719,866)	(10,719,866)

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.

3.6 Reputation Risk

Reputational Risk is the risk which may result in receiving negative comments from interested parties with respect to a commercial bank's operation, management or any other act or any external event.

In 2021, according to the requirement of the Notice issued by CBIRC on Measures on Reputational Risk Management for Banking and Insurance Institutions (for trial implementation) ([2021] No.4), RMD reviewed the existing policy and revised to be Reputational Risk Management Policy and Procedure with BOD's approval. The reputational risk management related status is reported to CEO via CRO, as well as report to BOD via RMC at least on a quarterly basis.

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 2021 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 2021 calculated in accordance with the *Administrative Measures on Capitals of Commercial Bank (For Trial Implementation)* and other relevant regulations are as follows:

	2021	2020
Net core tier one capital	4,909,876,495	4,849,668,250
Net tier one capital	4,909,876,495	4,849,668,250
Tier two capital		
Excess loan impairment provision	130,306,405	119,557,990
Net capital	5,040,182,900	4,969,226,240
Credit risk weighted assets	10,554,818,939	9,684,197,168
Market risk weighted assets	91,730,000	63,758,750
Operational risk weighted assets	609,588,800	717,976,250
Total risk weighted assets	11,256,137,739	10,465,932,168
Adequacy ratio of core tier one capital	43.62%	46.34%
Adequacy ratio of tier one capital	43.62%	46.34%
Capital adequacy ratio	44.78%	47.48%

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, 2021, the Leverage Ratio of the bank of 25.36% met the minimum requirement of 4%. (As end of December 31, 2020, the Leverage Ratio of the bank was 26.52%)

Liability Quality Management

The Bank has established a sound liability quality management system. The Board of Directors ("the Board") shall assume the overall responsibility for the operation and management of the Bank and supervise and manage the debt quality of the Bank. At the decision-making and managing department of liability quality management, the Assets/Liabilities Committee is responsible for formulating strategies, policies, procedures, debt limits and contingency plans related to liability quality management; adjusting and managing the Bank's liability business, and pay attention to the interest rate risk, liquidity risk and market risk that may be brought by the liability business; evaluating relevant quality management strategies, systems, processes, limits and emergency plans every year, and revise them if necessary; relevant contents shall be reported to the BOD through the Risk Management Committee or applied for review and approval, so that the Board of Directors ("the Board") could timely grasp the major changes and conditions of debt quality.

The Bank has formulated corresponding policies and procedures for each liability product, and set up internal limits that are in line with our own business characteristics. The business department conducts business in accordance with the liability strategy formulated by the Asset and Liability Committee, strictly abides by the product limits and regulatory requirements, and reports to the Asset and Liability Management Committee on a regular basis. At the same time, the Bank has established a comprehensive liability business risk management system to effectively identify, measure and detect liability business risks. For all liquidity supervision indicators and some monitoring indicators and internal management indicators, BBC has set up alert and trigger warnings respectively to implement early warning management. BBC also establishes liquidity contingency plans and conduct review on an annual basis to ensure business continuity in emergencies.

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

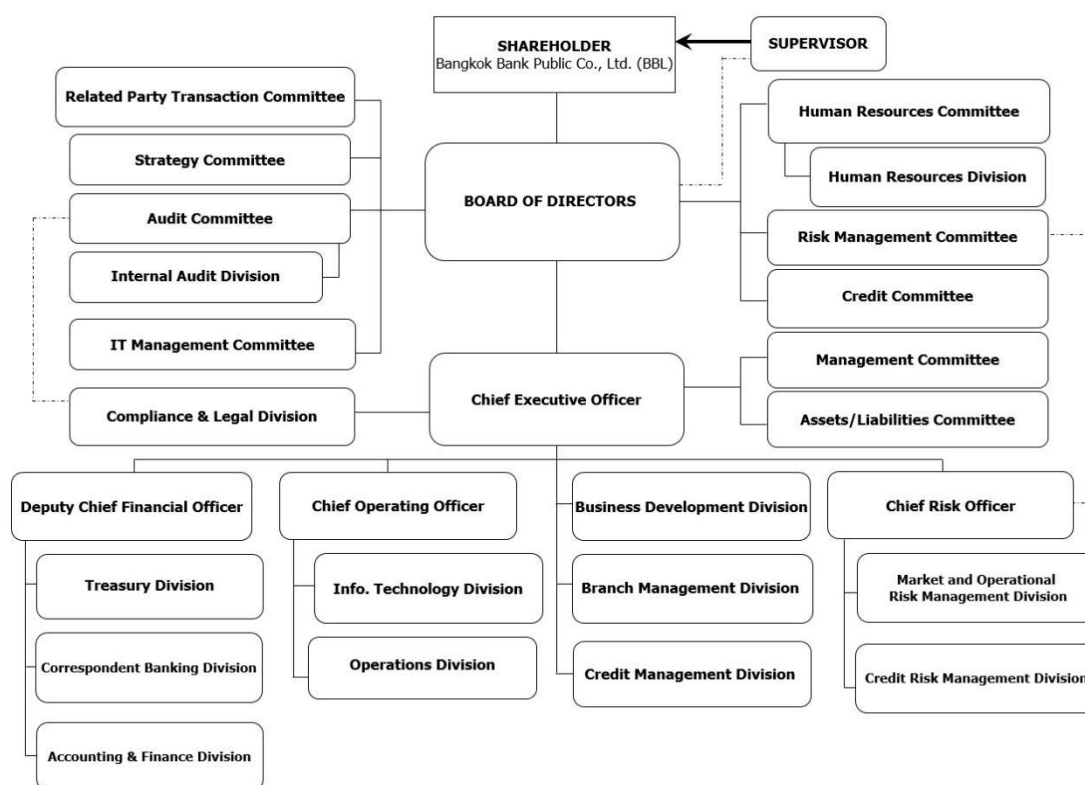
BBC is a foreign-funded bank wholly owned (100%) by Bangkok Bank Public Company Limited, Thailand. Bangkok Bank Public Company Limited, as the sole shareholder of BBC has fulfilled its responsibility earnestly and efficiently as the shareholder.

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

4.2 Governance structure of BBC

As at December 31, 2021, the BBC has established five branches: Shanghai 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, 2021, the Bank’s Board of Directors has twelve (12) members. The composition of the Board consists of three (3) independent directors, two (2) executive directors and seven (7) non-executive directors including the Chairman of the Board. Mr. Suwatchai Songwanich no longer served as non-executive director of the Bank since May 1, 2021. With approval by CBIRC, Ms. Hong Pei Li took office as independent director of the Bank since September 13, 2021.

1	Mr. Chartsiri Sophonpanich (陈智深), Chairman
	<p>Born in 1959, Master of Science in Management, Sloan School of Management, Massachusetts Institute of Technology, U.S.A., has been Chairman of the Bank since December 28, 2009.</p> <p>He is President, Member of the Board of Executive Directors of Bangkok Bank Public Company Limited.</p> <p>He concurrently takes positions as President Commissioner of PT Bank Permata Tbk , member of Committee for Drafting the National Strategy for Enhancement of Competitiveness, member of National Strategy Committee, board of National Science and Technology Development Agency, etc.</p>
2	Mr. Chen Shi (陈石), Independent Director, chairman of Audit Committee and member of Related Party Transaction Committee.
	<p>Born in 1954, Master of Business Administration, Xiamen University, has been independent director of the Bank since March 21, 2016.</p> <p>He was manager of Bank of China Xiamen Branch, Fujian Branch, Zhejiang Branch, etc. and is retired now.</p>
3	Mr. Duncan Clark (邓肯·克拉克), Independent Director, chairman of Related Party Transaction Committee, member of Audit Committee
	<p>Born in 1968, B.Sc Economics degree, London School of Economics and Political Science, has been independent director of the Bank since March 21, 2016.</p> <p>He is chairman of BDA China Limited.</p> <p>He concurrently takes positions as vice chairman of China-Britain Business Council, director of Cambridge Machines PTE. LTD., CIB Production & Media Company and Berrimead</p>

Limited.	
4	Ms. Hong Pei Li (洪佩丽), Independent Director, member of Related Party Transaction Committee
<p>Born in 1964, Master of Economic, International Economics, East China Normal University, has been independent director of the Bank since September 13, 2021.</p> <p>She concurrently takes position as Independent Director of Bank of Ningbo.</p> <p>She was vice chairman, executive director of CASIN GROUP CO.,LTD., chairman of board of Fubon Bank, director of CBIRC CQ, deputy director of CBIRC SH, etc.</p>	
5	Ms. Rushda Theeratharathorn (李璇贞), Director, chairman of Credit Committee, member of Related Party Transaction Committee, member of Strategy Committee.
<p>Born in 1955, Master of Business Administration, Sasin Graduate Institute of Business Administration of Chulalongkorn University, has been director of the Bank since December 28, 2009.</p> <p>She is Senior Executive Vice President of Bangkok Bank Public Company Limited.</p> <p>She concurrently takes position as director of Bangkok Bank Berhad, Malaysia, Sinnsuptawee Asset Management Company Limited and Bualuang Ventures Limited.</p>	
6	Ms. Niramarn Laisathit (赖晓慧), Director, chairman of Risk Management Committee, vice-chairman of Credit Committee
<p>Born in 1967, Master of Business Administration, St. Louis University, U.S.A., has been director of the Bank since December 28, 2009.</p> <p>She is Senior Executive Vice President of Bangkok Bank Public Company Limited, in charge of Corporate Banking.</p> <p>She concurrently takes position as director of Gateaux House Company Limited, Perennial HC Holdings Pte. Ltd., Ratch Group Public Company Limited and Commissioner of PT Bank Permata Tbk.</p>	
7	Mr. Kung Lin Cheng (孔令成), Director, chairman of Strategy Committee and IT Management Committee.
<p>Born in 1957, Bachelor of Business Administration, University of Southern California, has been director of the Bank since December 28, 2009.</p> <p>He is Executive Vice President of Bangkok Bank Public Company Limited, in charge of Business Expansion (Hong Kong and China) and IT (China).</p> <p>He concurrently takes position as director of Ancient Castle Company Limited, Manyulon Properties Limited, Step High Company Limited, Victoria Management Limited, World</p>	

	Guide Corporation Limited, Southern Ocean Investment Limited, Whodun Limited and Helping Hand.
8	<p>Mr. Toh Chong (杜聰), Director, member of Strategy Committee and Audit Committee.</p> <p>Born in 1968, Master of Science (Management), Sloan School of Management, Massachusetts Institute of Technology, U.S.A., has been director of the Bank since December 28, 2009.</p> <p>He is Senior Executive Vice President of Bangkok Bank Public Company Limited.</p> <p>He concurrently takes position as director of Bualuang Securities Public Company Limited, Bumrungrad Hospital Public Company Limited, Cement Public Company Limited, Bangkok Capital Asset Management Company Limited, Asia Landmark Fund Limited, Asia Landmark Master Fund Limited, Asia Landmark (US) Fund Limited, NSR SEA Fund and commissioner of PT Bank Permata Tbk.</p>
9	<p>Mr. Chiu Man Ching (赵文正), Director</p> <p>Born in 1959, Pacific Rim Bankers Program, University of Washington, has been director of the Bank since December 28, 2009.</p> <p>He is Senior Vice President of Bangkok Bank Public Company Limited, in charge of Treasury, Hong Kong and China.</p>
10	<p>Mr. Chaiyarit Anuchitworawong (欧阳景鑫), Director, member of Strategy Committee and vice-chairman of Credit Committee.</p> <p>Born in 1965, Master of Arts in Banking and Finance, University of Wales, United Kingdom, has been director of the Bank since December 2, 2014.</p> <p>He is Senior Executive Vice President of Bangkok Bank Public Company Limited, Head of International Banking Group & Manager, International Branch Division.</p> <p>He concurrently takes position as director of BBL (Cayman) Limited and Bangkok Bank Berhad, Malaysia.</p>
11	<p>Mr. Charoenlarp Thammanichanond, Director, Chief Executive Office, chairman of Human Resources Committee, member of Strategy Committee, Risk Management Committee, Related Party Transaction Committee and IT Management Committee.</p> <p>Born in 1975, Master of Business Administration, University of Pittsburgh, Pennsylvania, U.S.A., has been director of the Bank since January 1, 2020.</p> <p>He was general manager of Bangkok Bank Public Company Limited, Singapore Branch, etc.</p>

12	Ms. Chow Ai Kiow (徐爱娇), Director, Secretary to the Board, Chief Operating Officer, member of Strategy Committee, Credit Committee, IT Management Committee and Human Resources Committee.
Born in 1956, Gen Cert. Cambridge "O" Level - Singapore, has been director of the Bank since December 28, 2009.	
She was Senior Manager of Global Risk Management Services Department of PricewaterhouseCoopers, Shanghai, etc.	

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 2021 and further held another 4 meetings (total 8 meetings in 2021) 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, Board meetings in 2021 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 Resources 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 three (3) Independent Directors on the Board in 2021 namely: Mr. Chen Shi and Mr. Duncan

Clark and Ms. Hong Pei Li. 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 Supervisor is born in 1950. He has Bachelor of Accounting of Thammasat University and is Executive Vice President of Bangkok Bank Public Limited (the Shareholder), in charge of Compliance.

- The main responsibilities of the Supervisor include:
- 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 2021 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 2021, the total compensation for Board of Directors, Supervisor and Senior Management was RMB31,877,156.

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	Year of Birth	Assignment Commencement	Highest Academic Degree	Relevant Years of Experience
Director, Chief Executive Officer	Mr. Charoenlarp Thammanichanond (谭永乐)	1975	Oct 2019	Master Degree	24
Director, Secretary to the Board, Chief Operating Officer	Ms. Chow Ai Kiow (徐爱娇)	1956	Dec 2009	Gen Cert. Cambridge "O" Level - Singapore	48
Chief Risk Officer	Ms. Hou Yixin (侯一昕)	1980	Feb 2020	PhD	10.5
Deputy Chief Financial Officer	Ms. Cai Fei (蔡斐)	1973	Dec 2009	Bachelor Degree	26.5
Manager of Compliance & Legal Division	Ms. Yu Qian (俞茜)	1976	Dec 2010	Master Degree	24
Manager of Internal Audit Division	Mr. Ma Jun (马骏)	1981	Sep 2014	Bachelor Degree	17.5
Branch Manager – Shanghai	Ms. Supamard Yu (余美安)	1971	Jun 2017	Master Degree	28
Branch Manager – Beijing	Mr. Watcharapong Pornchaichanakit (陈华东)	1972	Aug 2019	Master Degree	25.5
Branch Manager – Xiamen	Mr. Yan Shuming (严树明)	1966	Mar 2018	Master Degree	33.5
Branch Manager – Shenzhen	Ms. Yaowaluck Pawijit (许佩佩)	1963	Feb 2020	Master Degree	33.7

Position	Name	Year of Birth	Assignment Commencement	Highest Academic Degree	Relevant Years of Experience
Branch Manager – Chongqing	Mr. Jason Chieh-Shan Wu (伍介山)	1953	May 2017	Master Degree	33

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 work of consumer rights protection and public financial education, and actively enters communities and schools to raise public financial literacy. 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 2021:

5.1.1 Special publicity activity

In 2021, the Bank continued to conduct the activities of “Delivering Financial Knowledge to Class”, and held special lectures for the elderly group and the group from remote & low-income area.

In Jun, the Bank staffs walked into Shanghai Zhongshan Neighborhood Committee of the Bund Street and conducted a financial knowledge promotion activity by holding a lecture for thirty elderly residents there. Through typical cases and video materials sharing, knowledge on the themes related to the prevention of illegal fund-raising in the elderly care sector, telecommunications fraud, deposit insurance, claim for theft of bank card, illegal bank card selling with real cases happened in daily life were introduced, and staffs conducted interactive exchanges on financial hot topics that the elderly are concerned about by answering questions to deliver financial knowledge to the elderly.

In November, the Bank conducted online financial knowledge promotion activity to the teachers from Gulin Cheng Long School in Luzhou, Sichuan Province. Through presentation files and explanation audio materials sharing, typical cases related to prevention of telecom frauds, individual credit investigation, 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 2021, 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
- May “Publicity Month of Deposit Insurance”
- June “Publicity Month of Prevention of Illegal Fund Raising”, Credit Investigation Publicity of “6.14 Credit Record Care Day”, Publicity Month of “Popularizing Financial Knowledge and Keeping Purse String” and “Financial Knowledge Promotion Activity”
- August Concentrated Publicity Month Activities of “Combating and Governing Telecom and Network Fraud & Cross-border Gambling”
- September “Financial Knowledge Promotion Month of Striving to Be Rational Investors and Financial Good Netizens”
- October “National Network Security Publicity Week”

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 create a warmer and more caring learning and growth environment for the left-behind children, and let the light of hope illuminate their future..

In November 2021, the Bank donated winter cotton shoes to all the students from Gulin Cheng Long School in Sichuan Province and conducted annual “The Power of Thai” charity project. Affected by the recent severe epidemic situation, this year’s donation ceremony was held offsite. Volunteers from the Head Office, Beijing Branch and Chongqing Branch prepared encouraging and blessing videos, hoping to encourage the students to study hard and grow up happily. In order to express their gratitude, the students also made hand-painted grateful cards to give back to the bank volunteers, and recorded videos.

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, contribute to sustainable development.

The Bank will increase the investment in green credit under the premise of risk control and continue to deeply explore the environmental benefits of green credit. In the next three years, we plan to increase financial support for low-carbon environmental protection, photovoltaic & solar power generation and other green key areas in order to practice the concept of green development. As of the end of December 2021, the Bank’s green loan balance amounted to RMB 614 million. The existing green loan customers mainly contain industries such as construction of solar energy utilization facilities, biomass energy equipment manufacturing, recycling of waste resources, harmless treatment and disposal of industrial solid waste and comprehensive utilization, and construction of photovoltaic power plant infrastructure. The Bank’s goal is to reach green loan balance of RMB730 million by 2022.

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, increase internal resources such as green credit lines, 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.

5.4 Customer Complaint

In order to ensure the standardization of handling customer complaints, the Bank has formulated the <Customer Complaint Handling Process> and published the customer complaint channels and handling process on the Bank's official website and WeChat. The Bank will conduct complete investigation and follow-up on customer complaints to ensure that they are handled timely and appropriately to effectively protect consumer rights and enhance customer satisfaction. In 2021, the Bank received no customer complaints.

The Bank always attaches great importance to corporate social responsibility, regards the active fulfillment of corporate social responsibility as an important part of its business activities, pays attention to the long-term value of the bank and customers, and actively promotes the development of green economy. While developing the business, the Bank continues to be enthusiastic about public welfare, encourage staffs to participate in voluntary services and give back to the society.

Part VI Significant Events

Bangkok Bank (China) Company Limited Shanghai Pilot Free Trade Zone Sub-branch was closed from 1 November 2021.

PART VII Bank Network

Location of Bangkok Bank China 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

Bangkok Bank (China) Company Limited

ENGLISH TRANSLATION OF FINANCIAL STATEMENTS
FOR THE YEAR 1 JANUARY 2021 TO 31 DECEMBER 2021
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 2200142 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 87, which comprise the balance sheet as at 31 December 2021, 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 2021, 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 2200142 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 2200142 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)
Pan Sheng

Shanghai, China

(Signed on Chinese original)
Hu Yafei

Date: **13 MAY 2022**

Bangkok Bank (China) Company Limited
 Balance sheet
 as at 31 December 2021
 (Expressed in RMB Yuan)

	Note	2021	2020
Assets			
Cash on hand and deposits with central bank	6	793,806,262	1,083,499,267
Deposits with inter-banks	7	815,363,573	1,100,342,386
Placements with inter-banks and non-bank financial institutions	8	2,070,861,393	1,956,614,700
Derivative financial assets	9	9,569,164	67,805,950
Interest receivable		N/A	78,004,434
Loans and advances to customers	10	7,699,622,076	6,111,554,231
Financial investment			
- Other debt investment	11	3,194,612,931	N/A
- Available-for-sale financial assets	12	N/A	3,621,625,500
Fixed assets	13	10,778,499	7,772,833
Right-of-use assets	14	368,847,571	N/A
Intangible assets	15	5,202,439	3,434,831
Deferred tax assets	16	188,761,328	177,255,285
Other assets	17	15,632,068	62,512,756
Total assets		15,173,057,304	14,270,422,173

The notes on pages 9 to 87 form part of these financial statements.

Bangkok Bank (China) Company Limited
Balance sheet
as at 31 December 2021 (continued)
(Expressed in RMB Yuan)

	Note	2021	2020
Liabilities and owners' equity			
Liabilities			
Deposits from inter-banks	18	739,048	941,678
Borrowings from inter-banks	19	232,502,672	-
Derivative financial liabilities	9	6,960,060	59,972,957
Deposits from customers	20	9,509,031,314	9,125,721,054
Employee benefits payable	21	20,109,207	19,758,569
Taxes payable	5(3)	10,962,472	9,819,339
Interest payable		N/A	182,917,780
Lease liability	14	361,583,920	N/A
Provision for Contingencies	22	90,645,767	N/A
Other liabilities	23	25,443,910	18,187,715
Total liabilities		<u>10,257,978,370</u>	<u>9,417,319,092</u>
Owner's equity			
Paid-in capital	24	4,000,000,000	4,000,000,000
Other comprehensive income	25	6,205,278	(4,491,777)
Surplus reserve	26	89,814,809	84,541,457
General reserve	27	208,531,720	208,531,720
Retained earnings	28	610,527,127	564,521,681
Total owners' equity		<u>4,915,078,934</u>	<u>4,853,103,081</u>
Total liabilities and owners' equity		<u>15,173,057,304</u>	<u>14,270,422,173</u>

These financial statements were approved by the Board of Directors of Bangkok Bank (China) Company Limited on 18 April 2022.



Charoenlarp Thammanichanond
Chief Executive Officer



Cai Fei
The person in charge of
accounting affairs



The notes on pages 9 to 87 form part of these financial statements.

Bangkok Bank (China) Company Limited
Income statement
for the year ended 31 December 2021
(Expressed in RMB Yuan)

	Note	2021	2020
Operating income		320,084,275	226,407,376
Net interest income	29	230,680,024	214,369,396
Interest income		439,276,891	408,269,074
Interest expenses		(208,596,867)	(193,899,678)
Net fees and commission income	30	24,580,210	21,887,476
Fees and commission income		25,559,308	22,374,601
Fees and commission expenses		(979,098)	(487,125)
Other income		441,753	1,257,831
Investment income	31	82,020,857	77,876,479
(Losses) / Gains from changes in fair value		(5,223,890)	6,190,794
Foreign exchange losses		(12,477,993)	(95,326,022)
Gains from disposal of assets		63,314	151,422
Operating expenses		(281,907,934)	(256,595,268)
Taxes and surcharges		(2,887,125)	(2,257,272)
General and administrative expenses	32	(216,132,894)	(198,563,420)
Credit impairment losses	33	(62,887,915)	N/A
Asset impairment losses	34	N/A	(55,774,576)
Operating profit / (loss)		38,176,341	(30,187,892)

The notes on pages 9 to 87 form part of these financial statements..

Bangkok Bank (China) Company Limited
Income statement
for the year ended 31 December 2021 (continued)
(Expressed in RMB Yuan)

	<i>Note</i>	<i>2021</i>	<i>2020</i>
Operating profit / (loss) (continued)		38,176,341	(30,187,892)
Less: Non-operating expenses		(29,642)	(49,264)
Profit / (loss) before taxation		38,146,699	(30,237,156)
Less: Income tax expenses	35	14,586,820	35,844,461
Net profit for the year		52,733,519	5,607,305
Other comprehensive income, net of tax:	36		
Item that may be reclassified to profit or loss			
- Fair value changes of other debt investment		9,937,420	N/A
- Changes in expected credit losses ("ECL") in other debt investment		(3,061,445)	N/A
- Gains or losses arising from changes in fair value of available-for-sale financial assets		N/A	(9,194,739)
Total comprehensive income for the year		59,609,494	(3,587,434)

The notes on pages 9 to 87 form part of these financial statements.

Bangkok Bank (China) Company Limited
Cash flow statement
for the year ended 31 December 2021
(Expressed in RMB Yuan)

	Note	2021	2020
Cash flows from operating activities			
Net decrease in deposits with central bank and inter-banks		738,608,534	-
Net decrease in placements with inter-banks and non-bank financial institutions		1,110,608,400	-
Net increase in borrowing from other financial institutions		232,251,500	-
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		248,181,442	2,049,473,207
Proceeds from interest, fee and commission		491,836,234	460,620,947
Proceeds from other operating activities		102,151,791	96,558,464
		<u>2,923,637,901</u>	<u>2,861,735,864</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		(1,638,772,652)	-
Net decrease in deposits from inter-banks		(202,736)	-
Net decrease in borrowings from other financial institutions		-	(1,067,505,500)
Payment for interest, fees and commission		(249,589,205)	(105,154,664)
Payment to and for employees		(138,267,563)	(125,231,895)
Payment for various taxes		(22,512,469)	(52,706,954)
Payment for other operating activities		(70,603,310)	(144,155,996)
		<u>(2,119,947,935)</u>	<u>(2,455,583,475)</u>
Sub-total of cash outflows from operating activities			
Net cash generated from operating activities	37(1)	<u>803,689,966</u>	<u>406,152,389</u>

The notes on pages 9 to 87 form part of these financial statements.

Bangkok Bank (China) Company Limited
Cash flow statement
for the year ended 31 December 2021 (continued)
(Expressed in RMB Yuan)

	Note	2021	2020
Cash flows from investing activities			
Proceeds from redemption of other debt investment		2,782,014,818	N/A
Proceeds from redemption of available-for-sale financial assets		N/A	2,076,172,600
Investment returns received from financial assets		116,880,972	99,443,461
Net proceeds from disposals of fixed assets		63,576	153,096
		<u>2,898,959,366</u>	<u>2,175,769,157</u>
Sub-total of cash inflows from investing activities		<u>2,898,959,366</u>	<u>2,175,769,157</u>
Payment for acquisition of investments		(2,319,534,860)	(3,108,911,530)
Payment for acquisition of fixed assets intangible assets and other long-term assets		(8,596,246)	(7,448,002)
		<u>(2,328,131,106)</u>	<u>(3,116,359,532)</u>
Sub-total of cash outflows from investing activities		<u>(2,328,131,106)</u>	<u>(3,116,359,532)</u>
Net cash generated / (used) from investing activities		<u>570,828,260</u>	<u>(940,590,375)</u>
Cash flows from financing activities			
Repayments of principal and interest of lease liabilities		(43,159,143)	N/A
		<u>(43,159,143)</u>	<u>-</u>
Sub-total of cash outflows from financing activities		<u>(43,159,143)</u>	<u>-</u>
Net cash flow used in financing activities		<u>(43,159,143)</u>	<u>-</u>
Effect of foreign exchange rate changes on cash and cash equivalents		(21,816,317)	(27,025,816)
		<u>(21,816,317)</u>	<u>(27,025,816)</u>
Net increase / (decrease) in cash and cash equivalents	37(2)	1,309,542,766	(561,463,802)
Add: Cash and cash equivalents at the beginning of the year		1,170,294,586	1,731,758,388
		<u>1,170,294,586</u>	<u>1,731,758,388</u>
Cash and cash equivalents at the end of the year	37(3)	<u>2,479,837,352</u>	<u>1,170,294,586</u>

The notes on pages 9 to 87 form part of these financial statements.

Bangkok Bank (China) Company Limited
Statement of changes in owners' equity
for the year ended 31 December 2021
(Expressed in RMB Yuan)

	Note	Paid-in capital	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total
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
Add: change in accounting policy	4		3,821,080			(1,454,721)	2,366,359
Balance at 1 January 2021		<u>4,000,000,000</u>	<u>(670,697)</u>	<u>84,541,457</u>	<u>208,531,720</u>	<u>563,066,960</u>	<u>4,855,469,440</u>
Changes in equity during the year							
1. Total comprehensive income	25	-	6,875,975	-	-	52,733,519	59,609,494
2. Appropriation of profits							
- Appropriation for surplus reserve	26, 28	-	-	5,273,352	-	(5,273,352)	-
Subtotal of 1 and 2		<u>-</u>	<u>6,875,975</u>	<u>5,273,352</u>	<u>-</u>	<u>47,460,167</u>	<u>59,609,494</u>
Balance at 31 December 2021		<u><u>4,000,000,000</u></u>	<u><u>6,205,278</u></u>	<u><u>89,814,809</u></u>	<u><u>208,531,720</u></u>	<u><u>610,527,127</u></u>	<u><u>4,915,078,934</u></u>

The notes on pages 9 to 87 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 RMB 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	25	-	(9,194,739)	-	-	5,607,305	(3,587,434)
2. Appropriation of profits							
- Appropriation for surplus reserve	26, 28	-	-	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 87 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 RMB 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 RMB 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 RMB business as approved by relevant regulators.

As at 31 December 2021, the Bank had five branches in Shanghai, Beijing, Xiamen, Shenzhen, and Chongqing. The Bank’s head office is located in Shanghai.

2 Basis of preparation

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

(1) Statement of compliance

These financial statements present truly and completely the financial position of the Bank as at 31 December 2021, 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 RMB and these financial statements are presented in RMB. 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 RMB at the spot exchange rate at the date of the receipt. Other foreign currency transactions are, on initial recognition, translated to RMB 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 RMB 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 RMB 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, loans and advances to customers, other debt investment, deposits from inter-banks, borrowings from inter-banks, derivative financial liabilities, deposits from customers and paid-in capital, etc.

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

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

Financial assets and financial liabilities are measured initially at fair value. For financial assets and financial liabilities at fair value through profit and loss ("FVTPL"), 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.

(b) Classification and subsequent measurement of financial assets

(i) Classification of financial assets

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

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

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

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

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

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

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

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

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

(ii) Subsequent measurement of financial assets

- Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The gain or loss arising from financial assets measured at amortised cost and not part of any hedging relationship shall be recognised in current profit or loss when the financial asset is derecognised, reclassified and amortized according to the effective interest method process or recognised as impaired.

- Debt investments at FVOCI

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

(c) Classification and subsequent measurement of financial liabilities

The Bank classifies financial liabilities into financial liabilities measured at FVTPL, financial guarantee liabilities and financial liabilities measured at amortized cost.

- Financial liabilities at FVTPL

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

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

- Financial guarantee liabilities

Financial guarantees require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees are initially recognised as deferred income at fair value. The deferred income is amortised in profit or loss during the guarantee period, and its subsequent measurement is in accordance with accounting policies for financial instrument impairment as in Note 3(8)(a).

(d) Offset

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.

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

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

(f) Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date the derivative transaction contract is signed, and are subsequently measured at fair value. Derivative financial instruments with a positive fair value are recognised as an asset, and a negative fair value is recognised as a liability.

When the host included in the hybrid contract is an asset within the scope of new financial instrument standards, derivatives embedded in contracts where the host is a financial asset are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification. When the host included in the mixed contract is not an asset within the scope of new financial instrument standards, and some embedded derivative financial instruments do not have a close relationship with the economic characteristics and risks of their host, they are consistent with separate instruments with the same terms as the embedded derivative, and the hybrid instrument is not measured at FVTPL, the embedded derivative shall be split from the hybrid contract and treated as an independent derivative financial instrument. These embedded derivative financial instruments are measured at FVTPL, the changes in the fair value are through profit or loss.

Gains and losses arising from changes in the fair value of derivative financial instruments are through profit or loss.

(g) 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 RMB 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) Lease

A contract is lease if the lessor conveys the right to control the use of an identified asset to lessee for a period of time in exchange for consideration.

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

To assess whether a contract conveys the right to control the use of an identified asset, the Bank assesses whether:

- the contract involves the use of an identified asset. An identified asset may be specified explicitly in a contract or implicitly specified when available for use by customers and should be physically distinct, or capacity portion or other portion of an asset that is not physically distinct but it represents substantially all of the capacity of the asset and thereby provides the customer with the right to obtain substantially all of the economic benefits from the use of the asset. If the supplier has a substantive substitution right throughout the period of use, then the asset is not identified;
- the lessee has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use;
- the lessee has the right to direct the use of the asset.

For a contract that contains more separate lease components, the lessee separate lease components and account for each lease component as a lease separately. For a contract that contains lease and non-lease components, the lessee separate lease components from non-lease components. For a contract that contains lease and non-lease components, the lessee allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

(a) As a lessee

The Bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, any lease payments made at or before the commencement date (less any lease incentives received), any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is depreciated using the straight-line method. If the lessee is reasonably certain to exercise a purchase option by the end of the lease term, the right-of-use asset is depreciated over the remaining useful lives of the underlying asset. Otherwise, the right-of-use asset is depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Impairment losses of right-of-use assets are accounted for in accordance with the accounting policy described in Note 3(8)(b).

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate.

A constant periodic rate is used to calculate the interest on the lease liability in each period during the lease term with a corresponding charge to profit or loss or included in the cost of assets where appropriate. Variable lease payments not included in the measurement of the lease liability is charged to profit or loss or included in the cost of assets where appropriate as incurred.

Under the following circumstances after the commencement date, the Bank remeasures lease liabilities based on the present value of revised lease payments:

- there is a change in the amounts expected to be payable under a residual value guarantee;
- there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments;
- there is a change in the assessment of whether the Bank will exercise a purchase, extension or termination option, or there is a change in the exercise of the extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(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 on 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 Bank performs impairment accounting and recognises losses for the following items based on ECL:

- Financial assets measured at amortised cost;
- Debt investment at FVOCI.

Financial assets measured at fair value, including derivative financial assets, are not subject to the ECL assessment.

Measurement of ECL

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

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

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

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

The Bank applies a 'three-stage model' for measuring expected credit loss for financial instruments based on the extent of increases in credit risk since initial recognition.

The three stages are defined as follows:

Stage I: For financial instruments with no significant increase in credit risk since initial recognition, the loss provision shall be measured according to the expected credit loss in the next 12 months.

Stage II: For financial instruments whose credit risk has increased significantly since initial recognition but has not been impaired, the loss reserves shall be measured according to the expected credit loss in the whole duration.

Stage III: For financial instruments with credit impairment after initial recognition, the provision for loss shall be measured according to the expected credit loss of the whole duration.

The Bank measures loss allowance at an amount equal to 12-month ECL for the following financial instruments, and at an amount equal to lifetime ECL for all other financial instruments:

- If the financial instrument is determined to have low credit risk at the balance sheet date; or
- If the financial instrument's credit risk has not increased significantly after initial recognition.

Financial instruments that have low credit risk

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

Significant increases in credit risk

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

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

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

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on an individual basis. When evaluating based on the combination of financial instruments, the Bank can classify financial instruments based on common credit risk characteristics, such as overdue information and credit risk rating.

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

Credit-impaired financial assets

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

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

Presentation of allowance for ECL

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

Write-off

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

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

(b) Impairment of other assets

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

- fixed assets
- right-of-use 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 and unemployment insurance plans in the social insurance system established and managed by government organisations. The Bank makes contributions to basic pension insurance and unemployment insurance plans based on the applicable benchmarks and rates stipulated by the government. Basic pension insurance contributions payable 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.

(11) Provision for Contingencies

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, Provision for Contingencies 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 increase in equity, other than increases relating to contributions from owners.

(a) Interest income

Interest income arising from the use by others of the entity's assets is recognised in profit or loss based on the duration and the effective interest rate. 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 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 expense arising from financial liabilities is calculated based on the amortization cost of the financial liabilities and duration by using the effective interest rate and recognised in the corresponding period.

(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 sufficient taxable profits will be available to allow the benefit of the deferred tax asset to 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 assets and liabilities; and
- they related 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 6, 7, 8, 10, 11, 12, 13, 14, 15 and 17: information about Provision for Contingencies for impairment of various types of assets; and Note 41: information about the accounting estimates relating to fair value.

4 Changes in accounting policies

The Ministry of Finance issued the following revised regulations and interpretations for Accounting Standards for Business Enterprises in 2017, 2018, 2020 and 2021:

- Accounting Standards for Business Enterprises No.22 - Financial Instruments: Recognition and Measurement (Revised), Accounting Standards for Business Enterprises No.23 - Transfer of Financial Assets (Revised), Accounting Standards for Business Enterprises No.24 - Hedge Accounting (Revised) and Accounting Standards for Business Enterprises No.37 - Presentation and Disclosures of Financial Instruments (Revised) (collectively "new financial instruments standards")
- Accounting Standards for Business Enterprises No.14 - Revenue (Revised) ("new revenue standard")
- Accounting Standards for Business Enterprises No.21 - Lease (Revised) (35th finance and accounting [2018]) ("new leases standard")
- China Accounting Standards Bulletin No.14 (Caikuai [2021] No.1) ("Bulletin No. 14")

The Bank has implemented the above-mentioned revisions and interpretations of accounting standards for business enterprises and adjusted the relevant content about accounting policies since 1 January 2021.

Major impacts of the adoption of the above revised regulations and interpretations are as follows:

(a) New financial instruments standards

New financial instrument standards introduces new requirements for classification and measurement of financial assets and measurement of impairment for financial assets, which is effective for annual periods beginning on or after 1 January 2021 on a retrospective basis. The Bank plans to use the exemption from restating comparative information and will recognise any transition adjustments against the opening balance of owners' equity at 1 January 2021.

Classification and measurement

New financial instrument standards, including three basic categories for financial assets: (1) financial assets measured at amortised cost; (2) financial assets at FVTPL; (3) financial assets measured at FVOCI, are summarised as follows:

- The classification of debt instruments is based on the Bank's business model in which a financial asset is managed and its contractual cash flow characteristics. On initial recognition the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL Financial assets. If a debt instrument is classified as FVOCI, then interest revenue, impairment, foreign exchange gains/losses and gains/losses on disposal will be recognised in profit or loss.
- No matter which business model is applied, equity investments are classified as financial assets at fair value through profit or loss (FVTPL).

Impairment

Under the new financial instrument standards, a new "ECL" model replaces the original "incurred loss" model. Under the ECL Model, an impairment loss can be recognised before a loss event is occurred. The Bank is required to recognise and measure either a 12-month expected credit loss or lifetime expected credit loss, depending on the asset and the facts and circumstances, which will result in an early recognition of credit losses.

Disclosure

The new financial instruments standards introduce a large number of new disclosure requirements, especially credit risk and expected credit losses.

The following table provides a comparison of the classification and measurement of financial assets under previous and new financial instruments standards:

Previous financial instrument standards (31 December 2020)			New financial instrument standards (1 January 2021)		
<u>Items</u>	<u>Categories</u>	<u>Book Value</u>	<u>Items</u>	<u>Categories</u>	<u>Book Value</u>
Cash on hand and deposits with central bank	Amortized cost (Loans & Receivables)	1,083,499,267	Cash on hand and deposits with central bank	Amortized cost	1,083,955,866
Deposits with inter-banks	Amortized cost (Loans & Receivables)	1,100,342,386	Deposits with inter-banks	Amortized cost	1,100,093,884
Placements with inter-banks and non-bank financial institutions	Amortized cost (Loans & Receivables)	1,956,614,700	Placements with inter-banks and non-bank financial institutions	Amortized cost	2,059,630,972
Derivative financial assets	FVTPL (held-for-trading)	67,805,950	Derivative financial assets	FVTPL (per the standards)	67,805,950
Loans and advances to customers	Amortized cost (Loans & Receivables)	6,111,554,231	Loans and advances to customers	Amortized cost	6,144,544,627
Available-for-sale financial assets	FVOCI (debt instrument)	3,621,625,500	Other debt investment	FVOCI	3,682,771,280

Reconciliation between carrying values of financial instruments under previous financial instrument standards and carrying values under new financial instrument standards on 1 January 2021

	Notes	Previous financial instrument standards 31 December 2020	Reclassification	Re-measurement In other comprehensive income	Re-measurement In retained earnings	Balance under new financial instrument standards 1 January 2021
Amortized cost						
Cash on hand and deposits with central bank						
Balance under previous financial instruments standards		1,083,499,267				
Add: transferred from interest accrued	A		456,599			
Re-measurement: ECL allowance						
Balance under new financial instruments standards						1,083,955,866
Deposits with inter-banks						
Balance under previous financial instruments standards		1,100,342,386				
Add: transferred from interest accrued	A		1,289,510			
Re-measurement: ECL allowance	B				(1,538,012)	
Balance under new financial instruments standards						1,100,093,884
Placements with inter-banks and non-bank financial institutions						
Balance under previous financial instruments standards		1,956,614,700				
Add: transferred from interest accrued	A		2,303,136			
Re-measurement: ECL allowance	B				100,713,136	
Balance under new financial instruments standards						2,059,630,972

	Notes	Previous financial instrument standards 31 December 2020	Reclassification	Re-measurement In other comprehensive income	Re-measurement In retained earnings	Balance under new financial instrument standards 1 January 2021
Amortized cost (continued)						
Loans and advances to customers						
Balance under previous financial instruments standards		6,111,554,231				
Add: transferred from interest accrued	A		12,809,409			
Re-measurement: ECL allowance	B				20,180,987	
Balance under new financial instruments standards						6,144,544,627
Financial assets measured at amortised cost (1)		10,252,010,584	16,858,654		119,356,111	10,388,225,349

	Notes	Previous financial instrument standards 31 December 2020	Reclassification	Re-measurement In other comprehensive income	Re-measurement In retained earnings	Balance under new financial instrument standards 1 January 2021
FVOCI						
Financial investment—Available-for-sale financial assets (previous financial instruments standards)						
Balance under previous financial instruments standards		3,621,625,500				
Less: transferred to FVOCI	C		(3,621,625,500)			
Balance under new financial instruments standards						N/A
Financial investment—Other debt investment						
Balance under previous financial instruments standards			N/A			
Add: transferred from available-for-sale financial assets (previous financial instruments standards)	C		3,621,625,500			
Add: transferred from interest accrued	A		61,145,780			
Re-measurement: ECL allowance	B			5,094,774	(5,094,774)	
Balance under new financial instruments standards						3,682,771,280
FVOCI						
Total financial assets (2)		3,621,625,500	61,145,780	5,094,774	(5,094,774)	3,682,771,280

	Notes	Previous financial instrument standards 31 December 2020	Reclassification	Re-measurement In other comprehensive income	Re-measurement In retained earnings	Balance under new financial instrument standards 1 January 2021
Interest receivable	A					
Balance under previous financial instruments standards		78,004,434				
Less: transferred to cash on hand and deposits with central bank			(456,599)			
Less: transferred to deposits with inter banks			(1,289,510)			
Less: placements with inter-banks and non-bank financial institutions			(2,303,136)			
Less: transferred to loans and advances to customers			(12,809,409)			
Less: transferred to other debt investments			(61,145,780)			
Balance under new financial instruments standards						N/A
Interest receivable (3)		78,004,434	(78,004,434)			N/A
Total financial assets(sub-total of (1) - (3))		13,951,640,518	-	5,094,774	114,261,337	14,070,996,629

	Notes	Previous financial instrument standards 31 December 2020	Reclassification	Re-measurement In other comprehensive income	Re-measurement In retained earnings	Balance under new financial instrument standards 1 January 2021
Financial liabilities measured at amortised cost						
Deposits from inter-banks						
Balance under previous financial instruments standards		941,678				
Add: transferred from interest payable	A		76			
Balance under new financial instruments standards						941,754
Deposits from customers						
Balance under previous financial instruments standards		9,125,721,054				
Add: transferred from interest payable	A		182,917,704			
Balance under new financial instruments standards						9,308,638,758
Total financial liabilities measured at amortized cost (4)		9,126,662,732	182,917,780			9,309,580,512

	Notes	Previous financial instrument standards 31 December 2020	Reclassification	Re-measurement In other comprehensive income	Re-measurement In retained earnings	Balance under new financial instrument standards 1 January 2021
Interest payable						
A						
Balance under previous financial instruments standards		182,917,780				
Less: transferred to deposits from inter-banks				(76)		
Less: transferred to deposits from customers			(182,917,704)			
Balance under new financial instruments standards						N/A
Sub-total of interest payable (5)		182,917,780	(182,917,780)			N/A
Provision for Contingencies						
Balance under previous financial instruments standards		-				-
Re-measurement : loan commitment and financial guarantee contracts	B				(116,200,965)	
Balance under new financial instruments standards						(116,200,965)
Sub-total of Provision for Contingencies (6)					(116,200,965)	(116,200,965)
Sub-total of financial liabilities (sub-total of (4) - (6))		9,309,580,512	-		(116,200,965)	9,193,379,547
Sub-total of (1) - (6)		23,261,221,030	-	5,094,774	(1,939,628)	23,264,376,176
	Notes					
Effect of deferred taxes (7)	16	177,255,285	-	(1,273,694)	484,907	176,466,498
Sub-total of (1) - (7)		23,438,476,315	-	3,821,080	(1,454,721)	23,440,842,674

The table above summarises the changes in the classification and measurement of financial instruments caused by the Bank's application of the new financial instruments standards on classification and measurement. The following are specific explanations:

- A. In accordance to Notice by the Ministry of Finance of Issuing the Amended Formats of Financial Statements of Financial Enterprises for 2018 (Caikuai [2018] No.36) in December 2018, the Bank reclassified interest receivable/payable to the book value of the corresponding financial instruments from 1 January 2021.
- B. On the initial implementation date, the Bank remeasured the expected credit loss Provision for Contingencies in accordance with the new financial instruments standards. The Bank included them in retained earnings at the beginning of the period.
- C. As the previous categories before the revised financial instruments standards are no longer used, the related debt instruments have been reclassified to the new categories under the new financial instrument standards, but their measurement methods have not changed, including financial assets previously classified as available-for sale financial assets are now reclassified to FVOCI.

The Bank implemented the new financial instruments standards on 1 January 2021, and compared with previous financial instruments standards before revising, the other comprehensive income has a net increase of RMB 3,821,080 and the retained earnings after tax has a net decrease of RMB 1,454,721.

On the date of initial implementation, the reconciliation of financial asset impairment reserves at the end of the period under the original financial instruments standards and the new financial instruments standards are set as below:

	<i>Provision under the original financial instruments standards/Provision under Contingencies standards 31 December 2020</i>	<i>Remeasurement</i>	<i>Remeasurement of impairment provision under the new financial instruments standards 1 January 2021</i>
Deposits from banks and other financial institutions	880,000	1,538,012	2,418,012
Placements with banks and other financial institutions	105,450,000	(100,713,136)	4,736,864
Loans and advances to customers	527,100,447	(20,180,987)	506,919,460
Available-for-sale financial assets/Other debt investment	-	5,094,774	5,094,774
Provision for Contingencies	-	116,200,965	116,200,965
Total	633,430,447	1,939,628	635,370,075

(b) New revenue standard

The standard includes a single model that is applicable to the recognition of revenue from customer contracts and two methods of revenue recognition: revenue recognition at a point in time or revenue recognition over time. The characteristics of this model are based on a contract and a five-step analysis to determine whether a transaction can be recognised as revenue, how much revenue is recognised, and when revenue is recognised.

The new revenue standard introduces extensive qualitative and quantitative disclosure requirements, to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows from customers' contracts.

The adoption of this standard did not have a significant impact on the Bank's financial position and operating results.

(c) New standard on leases

New leases standard has revised CAS No.21 – Leases issued by the MOF in 2006 (“previous leases standard”).

New leases standard refines the definition of a lease. The Bank assesses whether a contract is or contains a lease in accordance with the definition in new leases standard. For contracts existed before the date of initial application, the Bank has elected not to reassess whether a contract is or contains a lease at the date of initial application and surplus.

- As a lessee

Under previous leases standard, the Bank classifies leases as operating or finance leases based on its assessment of whether the lease transfers significantly all of the risks and rewards incidental to ownership of the underlying asset to the Bank.

Under new leases standard, the Bank no longer distinguishes between operating leases and finance leases. The Bank recognises right-of-use assets and lease liabilities for all leases (except for short-term leases and leases of low-value assets which are accounted for using practical expedient).

For a contract that contains lease and non-lease components, the Bank allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Bank has elected to recognise the cumulative effect of adopting new leases standard as an adjustment to the opening balances of retained earnings and other related items in the financial statement in the initial year of application. Comparative information has not been restated.

For leases classified as operating leases before the date of initial application, lease liabilities were measured at the present value of the remaining lease payments, discounted using the Bank's incremental borrowing rate at the date of initial application. Right-of-use assets are measured at:

- an amount equal to the lease liability, adjusted by the amount of any prepaid lease payments – the Bank applied this approach to all other leases.
- Effect of the application of new leases standard since 1 January 2021 on financial statements

When measuring lease liabilities, the incremental borrowing rate as at 1 January 2021 is used to discount the lease payments. The organisations of the Bank uses the interest rate that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment, as the incremental borrowing rate.

The total future minimum lease payments of significant operating leases disclosed in the financial statements as at 31 December 2020 and lease liabilities adjustment as at 1 January 2021.

The total future minimum lease payments of significant operating leases disclosed in the financial statements as at 31 December 2020	518,841,689
Less: Lease contract payments for low value assets	4,319,836
Contract payments not within the scope of the new lease standards	<u>38,518,663</u>
Minimum lease payments of operating leases	<u><u>476,003,190</u></u>
Present value discounted using the Bank's incremental borrowing rate	390,761,365
Lease liabilities under new leases standard at 1 January 2021	<u><u>(390,761,365)</u></u>

The impact of adoption new leases standard on the balance sheets as at 1 January 2021 are summarised as follows:

	<i>31 December 2020</i>	<i>1 January 2021</i>	<i>Adjustments</i>
Assets			
Right-of-use assets	<u>N/A</u>	<u>415,873,746</u>	<u>415,873,746</u>
Liabilities and owners' equity			
Lease liabilities	<u>N/A</u>	<u>(390,761,365)</u>	<u>(390,761,365)</u>

(d) The impact of adoption new leases standard on the balance sheets as at 1 January 2021 are summarised as follows:

	<u>31 December 2020</u>	<u>New financial instruments standards</u>	<u>New leases standards</u>	<u>1 January 2021</u>
Assets				
Cash on hand and deposits with central bank	1,083,499,267	456,599	-	1,083,955,866
Deposits with inter-banks	1,100,342,386	(248,502)	-	1,100,093,884
Placements with inter-banks and non-bank financial institutions	1,956,614,700	103,016,272	-	2,059,630,972
Derivative financial assets	67,805,950	-	-	67,805,950
Interest receivable	78,004,434	(78,004,434)	-	N/A
Loans and advances to customers	6,111,554,231	32,990,396	-	6,144,544,627
Available-for-sale financial assets	3,621,625,500	(3,621,625,500)	-	N/A
Other debt investments	N/A	3,682,771,280	-	3,682,771,280
Fixed assets	7,772,833	-	-	7,772,833
Right-of-use assets	N/A	-	415,873,746	415,873,746
Intangible assets	3,434,831	-	-	3,434,831
Deferred tax assets	177,255,285	(788,787)	-	176,466,498
Other assets	62,512,756	-	(25,112,381)	37,400,375
Total assets	14,270,422,173	118,567,324	390,761,365	14,779,750,862
Liabilities				
Deposits from inter-banks	941,678	76	-	941,754
Derivative financial liabilities	59,972,957	-	-	59,972,957
Deposits from customers	9,125,721,054	182,917,704	-	9,308,638,758
Employee benefits payable	19,758,569	-	-	19,758,569
Taxes payable	9,819,339	-	-	9,819,339
Interest payable	182,917,780	(182,917,780)	-	N/A
Lease liability	N/A	-	390,761,365	390,761,365
Provision for Contingencies	-	116,200,965	-	116,200,965
Other liabilities	18,187,715	-	-	18,187,715
Total liabilities	9,417,319,092	116,200,965	390,761,365	9,924,281,422
Owners' equity:				
Paid-in capital	4,000,000,000	-	-	4,000,000,000
Other comprehensive income	(4,491,777)	3,821,080	-	(670,697)
Surplus reserve	84,541,457	-	-	84,541,457
General reserve	208,531,720	-	-	208,531,720
Retained earnings	564,521,681	(1,454,721)	-	563,066,960
Total owners' equity	4,853,103,081	2,366,359	-	4,855,469,440
Total liabilities and owners' equity	14,270,422,173	118,567,324	390,761,365	14,779,750,862

(e) Bulletin No.14

Bulletin No.14 takes effect on 26 January 2021 (implementation date).

(i) Benchmark interest rate reform

Bulletin No.14 introduces the accounting and disclosure requirements for the modification of financial instruments and lease liabilities resulting from the benchmark interest rate reform. Transactions related to the benchmark interest rate reform that occurred before 31 December 2020 and during 1 January 2021 to the implementation date are subject to retrospective adjustments. Cumulative effects are adjusted to the opening retained earnings or other comprehensive income for the year 2021. Comparative information is not restated. The adoption of Bulletin No.14 does not have significant effect on the financial position and 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 (2020: 25%).

(3) Taxes payable

	2021	2020
Withholding non-resident corporate income tax payable	5,377,224	6,236,857
VAT and surcharges payable	2,707,647	1,500,111
Withholding individual income tax payable	1,620,392	1,410,827
Withholding indirect taxes and surcharges payable	1,257,209	671,544
Total	<u>10,962,472</u>	<u>9,819,339</u>

(4) As at 31 December 2021, the Bank's refundable income tax was RMB 212,566 (refer to note 17) (2020: RMB 23,679,180).

6 Cash on hand and deposits with central bank

	<i>Note</i>	2021	2020
Cash on hand		528,653	718,151
Statutory deposit reserves with central bank	(1)	695,275,668	908,993,506
Surplus deposit reserves with central bank	(2)	97,661,476	140,055,249
Foreign currency risk reserves with central bank	(3)	-	33,732,361
Subtotal		<u>793,465,797</u>	<u>1,083,499,267</u>
Add: Interest accrued		<u>340,465</u>	N/A
Total		<u>793,806,262</u>	<u>1,083,499,267</u>

(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:

	2021	2020
RMB deposits reserve rate	8%	10.5%
Foreign currency deposits reserve rate	9%	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

	<i>Note</i>	<i>2021</i>	<i>2020</i>
Deposits with inter-banks in Mainland China		779,144,210	1,036,828,921
Deposits with inter-banks outside Mainland China		42,733,113	64,393,465
Subtotal		<u>821,877,323</u>	<u>1,101,222,386</u>
Add: Interest accrued		<u>510,889</u>	N/A
Subtotal		822,388,212	1,101,222,386
Less: Allowances for impairment losses	(2)	<u>(7,024,639)</u>	<u>(880,000)</u>
Net book value of deposits with inter-banks		<u><u>815,363,573</u></u>	<u><u>1,100,342,386</u></u>

- (2) Movement of allowances for impairment losses

	<i>2021</i>
1 January 2020	2,528,000
Reversal for the year	<u>(1,648,000)</u>
31 December 2020	880,000
Changes in accounting policies	<u>1,538,012</u>
1 January 2021	<u><u>2,418,012</u></u>

	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
1 January 2021	2,418,012	-	-	2,418,012
Transfer:				
- to stage 1	-	-	-	-
- to stage 2	-	-	-	-
- to stage 3	-	-	-	-
Charge during the year	4,620,670	-	-	4,620,670
Exchange difference	(14,043)	-	-	(14,043)
31 December 2021	<u><u>7,024,639</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>7,024,639</u></u>

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

(1) Analysed by counterparty

	<i>Notes</i>	<i>2021</i>	<i>2020</i>
Placements with inter-banks in Mainland China		431,271,000	337,946,200
Placements with non-bank financial institutions in Mainland China		460,000,000	1,300,000,000
Placements with inter-banks outside Mainland China		<u>1,192,255,900</u>	<u>424,118,500</u>
Subtotal		2,083,526,900	2,062,064,700
Add: Interest accrued		<u>1,152,310</u>	-
Subtotal		2,084,679,210	2,062,064,700
Less: Allowances for impairment losses	(2)	<u>(13,817,817)</u>	<u>(105,450,000)</u>
Net book value of placements with inter-banks and non-bank financial institutions		<u><u>2,070,861,393</u></u>	<u><u>1,956,614,700</u></u>

(2) Movement of allowances for impairment losses

	<i>2021</i>
1 January 2020	35,055,000
Charge for the year	<u>70,395,000</u>
31 December 2020	105,450,000
Changes in accounting policies	<u>(100,713,136)</u>
1 January 2021	<u><u>4,736,864</u></u>

	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
1 January 2021	4,736,864	-	-	4,736,864
Transfer:				
- to stage 1	-	-	-	-
- to stage 2	-	-	-	-
- to stage 3	-	-	-	-
Charge during the year	9,152,228	-	-	9,152,228
Exchange difference	<u>(71,275)</u>	-	-	<u>(71,275)</u>
31 December 2021	<u><u>13,817,817</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>13,817,817</u></u>

9 Derivatives financial instruments

	<i>2021</i>		
	<u><i>Nominal amount</i></u>	<u><i>Fair value</i></u>	
	<i>Total</i>	<i>Assets</i>	<i>Liabilities</i>
Foreign exchange swap	1,898,527,483	2,125,015	(6,778,902)
Foreign exchange forward	1,083,632,200	7,444,149	(181,158)
Total	<u><u>2,982,159,683</u></u>	<u><u>9,569,164</u></u>	<u><u>(6,960,060)</u></u>
	<i>2020</i>		
	<u><i>Nominal amount</i></u>	<u><i>Fair value</i></u>	
	<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	<u><u>2,935,575,199</u></u>	<u><u>67,805,950</u></u>	<u><u>(59,972,957)</u></u>

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 Loans and advances to customers

(1) Analysed by nature

	2021	2020
Corporate loans and advances		
- loans	8,046,851,127	6,475,368,036
- trade finance	222,679,240	163,286,642
	8,269,530,367	6,638,654,678
Total loans and advances	8,269,530,367	6,638,654,678
Add: Interest accrued	16,136,244	N/A
	8,285,666,611	6,638,654,678
Subtotal	8,285,666,611	6,638,654,678
Less: Allowances for impairment losses	(586,044,535)	(527,100,447)
	7,699,622,076	6,111,554,231
Net book value of loans and advances to customer	7,699,622,076	6,111,554,231

(2) Analysed by industry sector

	2021		2020	
	Net book value	%	Net book value	%
Manufacturing	4,681,044,682	56.61%	3,818,329,529	57.52%
Leasing and commercial services	802,496,406	9.70%	560,000,000	8.44%
Production and supply of electricity, gas and water	755,297,260	9.13%	854,659,593	12.87%
Real estate services	521,660,125	6.31%	576,467,020	8.68%
Transportation and storage services	488,710,952	5.91%	319,825,409	4.82%
Wholesale and retail trade	396,888,717	4.80%	320,868,677	4.83%
Agriculture, forestry, husbandry and fishery	310,000,000	3.75%	-	-
Construction industry	157,500,000	1.90%	-	-
Hotel and restaurant	155,932,225	1.89%	188,504,450	2.84%
	8,269,530,367	100.00%	6,638,654,678	100.00%
Total loans and advances	8,269,530,367	100.00%	6,638,654,678	100.00%
Add: Interest accrued	16,136,244		N/A	
	8,285,666,611		6,638,654,678	
Subtotal	8,285,666,611		6,638,654,678	
Less: Allowances for impairment losses	(586,044,535)		(527,100,447)	
	7,699,622,076		6,111,554,231	
Net book value of loans and advances to customers	7,699,622,076		6,111,554,231	

(3) Analysed by geographical sector

	<u>2021</u>		<u>2020</u>	
	<i>Net book value</i>	%	<i>Net book value</i>	%
East China	3,451,555,768	41.74%	2,109,469,244	31.77%
South China	1,788,002,150	21.62%	1,785,327,169	26.89%
North China	1,697,166,287	20.53%	1,264,376,489	19.05%
Southwest China	739,409,770	8.94%	677,892,950	10.21%
Northeast China	326,813,983	3.95%	683,014,204	10.29%
Central China	171,053,188	2.07%	118,574,622	1.79%
Overseas	95,529,221	1.15%	-	-
Total loans and advances	8,269,530,367	100.00%	6,638,654,678	100.00%
Add: Interest accrued	16,136,244		N/A	
Subtotal	8,285,666,611		6,638,654,678	
Less: Allowances for impairment losses	(586,044,535)		(527,100,447)	
Net book value of loans and advances to customers	7,699,622,076		6,111,554,231	

(4) Analysed by security type

	<u>2021</u>	<u>2020</u>
Unsecured loans	1,175,606,076	814,788,084
Guaranteed loans	3,041,943,910	2,635,933,845
Secured loans	4,051,980,381	3,187,932,749
- <i>mortgaged</i>	3,604,068,152	2,828,852,735
- <i>pledged</i>	447,912,229	359,080,014
Total loans and advances	8,269,530,367	6,638,654,678
Add: Interest accrued	16,136,244	N/A
Subtotal	8,285,666,611	6,638,654,678
Less: Allowances for impairment losses	(586,044,535)	(527,100,447)
Net book value of loans and advances to customers	7,699,622,076	6,111,554,231

- (5) As at 31 December 2021, the Bank has no overdue loans (31 December 2020: the Bank has no overdue loans).
- (6) Movements of allowances for expected credit losses / impairment losses

Movements of allowances for expected credit losses in 2021

	<i>2021</i>			<i>Total</i>
	<i>Stage1</i>	<i>Stage2</i>	<i>Stage 3</i>	
1 January 2021	485,214,362	11,761,794	9,943,304	506,919,460
Transfer:				
- to stage 1	530,848	(530,848)	-	-
- to stage 2	-	-	-	-
- to stage 3	-	-	-	-
Charge/(reversals) during the year	96,956,812	(11,230,946)	(9,865,135)	75,860,731
Recover of written-off loans and advances to customers	-	-	4,807,935	4,807,935
Exchange differences	(1,543,591)	-	-	(1,543,591)
31 December 2021	<u>581,158,431</u>	<u>-</u>	<u>4,886,104</u>	<u>586,044,535</u>

Movements of allowances for impairment losses in 2020

	<i>2020</i>		<i>Total</i>
	<i>Collective assessment</i>	<i>Individual assessment</i>	
1 January 2020	541,802,619	-	541,802,619
(Reversal) / charge for the year	(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)
31 December 2020	<u>524,199,829</u>	<u>2,900,618</u>	<u>527,100,447</u>

- (7) As at 31 December 2021, the amount of loans and advances for which impairment losses are based on life-time ECL-credit impaired is RMB 6,828,974 (1 January 2021: RMB 11,602,471). The amount of the loans which collaterals could secure was RMB 6,828,974 (1 January 2021: RMB 11,602,471). For such loans, the impairment losses based on lifetime ECL-credit impaired were RMB 4,886,104 (1 January 2021: RMB 9,943,304).

The fair value of the collateral above-mentioned is determined based on the collateral disposal experience and market conditions and is adjusted to the latest available external evaluation value.

- (8) Restructured loans and advances to customers

As at 31 December 2021, the Bank had restructured loans and advances to customers of RMB 6,813,983 (31 December 2020: RMB 9,244,145).

11 Financial investment - Other debt investment

	2021	2020
FVOCI		
- Bonds investment	3,148,588,590	N/A
Add: Interest accrued	<u>46,024,341</u>	<u>N/A</u>
Total	<u><u>3,194,612,931</u></u>	<u><u>N/A</u></u>

Other debt investment is issued by the following institutions and stated at fair value:

	2021	2020
Ministry of Finance	3,143,173,860	N/A
Commercial Banks	<u>51,439,071</u>	<u>N/A</u>
Total	<u><u>3,194,612,931</u></u>	<u><u>N/A</u></u>

As at the balance sheet date, these other debt investment have no major restriction for cashing.

Impairment Provision for Contingencies for other debt investment (including accrued interest) are recognised in other comprehensive income (see Note 25). Their movements in 2021 are as follows:

31 December 2020	N/A
Changes in accounting policies	5,094,774
	<hr/>
1 January 2021	5,094,774
	<hr/> <hr/>

	Stage 1	Stage 2	Stage 3	Total
1 January 2021	5,094,774	-	-	5,094,774
Transfer:				
- to stage 1	-	-	-	-
- to stage 2	-	-	-	-
- to stage 3	-	-	-	-
Reversal during the year	(4,081,929)	-	-	(4,081,929)
	<hr/>	<hr/>	<hr/>	<hr/>
31 December 2021	1,012,845	-	-	1,012,845
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

12 Financial investment - Available-for-sale financial assets

	2021	2020
Bonds	N/A	3,262,838,680
Negotiable certificate of deposit	N/A	358,786,820
	<hr/>	<hr/>
Total	N/A	3,621,625,500
	<hr/> <hr/>	<hr/> <hr/>

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

	2021	2020
The Ministry of Finance	N/A	3,232,821,250
Commercial banks	N/A	358,786,820
Domestic enterprises	N/A	30,017,430
	<hr/>	<hr/>
Total	N/A	3,621,625,500
	<hr/> <hr/>	<hr/> <hr/>

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

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 2020	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	6,546,660	29,406,212	13,090,072	49,042,944
Additions	-	5,130,767	468,476	5,599,243
Disposals	(666,851)	(2,104,365)	(1,011,412)	(3,782,628)
	<u>5,879,809</u>	<u>32,432,614</u>	<u>12,547,136</u>	<u>50,859,559</u>
As at 31 December 2021	<u>5,879,809</u>	<u>32,432,614</u>	<u>12,547,136</u>	<u>50,859,559</u>
Less: Accumulated depreciation				
As at 1 January 2020	(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	(5,799,672)	(23,147,841)	(12,322,598)	(41,270,111)
Charge	(263,856)	(2,043,537)	(285,922)	(2,593,315)
Written off on disposals	666,850	2,104,113	1,011,403	3,782,366
	<u>(5,396,678)</u>	<u>(23,087,265)</u>	<u>(11,597,117)</u>	<u>(40,081,060)</u>
As at 31 December 2021	<u>(5,396,678)</u>	<u>(23,087,265)</u>	<u>(11,597,117)</u>	<u>(40,081,060)</u>
Net book value				
Balance at 31 December 2021	<u>483,131</u>	<u>9,345,349</u>	<u>950,019</u>	<u>10,778,499</u>
Balance 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 2021, the Bank considered that no impairment provision for fixed assets was necessary (31 December 2020: nil).

14 Lease

(1) Right-of-use assets

	<i>Plant & buildings</i>
Cost	
Balance at 1 January 2021	415,873,746
Additions during the year	-
Disposals during the year	-
	-
Balance at 31 December 2021	415,873,746
Less: Accumulated depreciation	
Balance at 1 January 2021	-
Charge for the year	(47,026,175)
Written off on disposals	-
	-
Balance at 31 December 2021	(47,026,175)
Book Value	
Balance at 31 December 2021	368,847,571
Balance at 1 January 2021	415,873,746

As at 31 December 2021, the Bank considers that no impairment provision for right use of assets is necessary (31 December 2020: N/A).

(2) Lease liability

	<i>2021</i>	<i>2020</i>
Lease liabilities	361,583,920	N/A

15 Intangible assets

	<i>Software</i>
Cost	
As at 1 January 2020	20,526,862
Additions during the year	2,453,091
	<hr/>
As at 31 December 2020	22,979,953
Additions during the year	2,997,003
Disposal during the year	(32,626)
	<hr/>
As at 31 December 2021	25,944,330
	<hr style="border-top: 1px dashed black;"/>
Less: Accumulated amortisation	
As at 1 January 2020	(18,833,018)
Additions during the year	(712,104)
	<hr/>
As at 31 December 2020	(19,545,122)
Additions during the year	(1,229,395)
Disposal during the year	32,626
	<hr/>
As at 31 December 2021	(20,741,891)
	<hr style="border-top: 1px dashed black;"/>
Carrying amounts	
As at 31 December 2021	5,202,439
	<hr style="border-top: 3px double black;"/>
As at 31 December 2020	3,434,831
	<hr style="border-top: 3px double black;"/>

As at 31 December 2021, the Bank considered that no impairment provision of intangible assets was necessary (31 December 2020: nil).

16 Deferred tax assets

	<i>Deferred tax assets</i>				
	<i>As at</i>	<i>Charge to</i>			<i>As at</i>
	<i>31 December</i>	<i>Reclassification</i>	<i>other</i>	<i>Charge to</i>	<i>1 January 2021</i>
	<i>2020</i>		<i>comprehensive</i>	<i>retained</i>	
			<i>income</i>	<i>earnings</i>	
Provision for Contingencies of asset impairment	151,689,482	-	-	(788,787)	150,900,695
ECL allowance for other debt investment	-	-	(1,273,694)	1,273,694	-
Non-accrual interest	2,235,790	-	-	-	2,235,790
Deductible losses	23,791,003	-	-	-	23,791,003
Fair value change of derivative financial liabilities / assets	(1,958,249)	-	-	-	(1,958,249)
Change in fair value of other debt investment	-	1,497,259	-	-	1,497,259
Fair value change of available-for-sale financial assets	1,497,259	(1,497,259)	-	-	-
	<hr/>				
Total	177,255,285	-	(1,273,694)	484,907	176,466,498
	<hr style="border-top: 3px double black;"/>				

<i>Deferred tax assets</i>				
	<i>As at 1 January 2021</i>	<i>Charged to profit or loss during the year</i>	<i>Charged to equity during the year</i>	<i>As at 31 December 2021</i>
Provision for Contingencies of asset impairment	150,900,695	12,618,647	-	163,519,342
ECL allowance for other debt investment		(1,020,484)	1,020,484	
Non-accrual interest	2,235,790	-	-	2,235,790
Deductible losses	23,791,003	(11,201,685)	-	12,589,318
Fair value change of derivative financial liabilities / assets	(1,958,249)	1,305,974	-	(652,275)
Change in fair value of other debt investment	1,497,259	-	(3,312,474)	(1,815,215)
National debt interest income	-	10,556,226	-	10,556,226
Others	-	2,328,142	-	2,328,142
Total	176,466,498	14,586,820	(2,291,990)	188,761,328

17 Other assets

	<i>2021</i>	<i>2020</i>
Other receivables	7,080,369	3,646,078
Refundable deposits	5,114,753	5,104,573
Deferred expenses	2,463,290	2,365,924
Leasehold improvements	613,810	93,890
Refundable income tax	212,566	23,679,180
Prepaid rental expenses	141,517	25,589,287
Others	5,763	2,033,824
Total	15,632,068	62,512,756

18 Deposits from inter-banks

Analysed by counterparty

	<i>2021</i>	<i>2020</i>
Deposits from inter-banks outside Mainland China	738,942	941,678
Add: Interest accrued	106	N/A
Total	739,048	941,678

19 Borrowings from inter-banks

Analysed by counterparty

	2021	2020
Borrowings from inter-banks in Mainland China	231,878,500	-
Add: Interest accrued	624,172	N/A
	232,502,672	-
Total	232,502,672	-

20 Deposits from customers

	2021	2020
Current deposits		
- corporate customers	1,497,126,209	1,152,221,007
- retail customers	25,426,493	27,422,378
	1,522,552,702	1,179,643,385
Subtotal of current deposits	1,522,552,702	1,179,643,385
Term deposits (including call deposits)		
- corporate customers	7,244,367,523	7,202,356,897
- retail customers	193,112,718	200,244,990
	7,437,480,241	7,402,601,887
Subtotal of term deposits	7,437,480,241	7,402,601,887
Margin deposits	406,568,619	543,359,582
Other deposits	149,490	116,200
	9,366,751,052	9,125,721,054
Subtotal	9,366,751,052	9,125,721,054
Interest accrued	142,280,262	N/A
	9,509,031,314	9,125,721,054
Total	9,509,031,314	9,125,721,054

21 Employee benefits payable

	Note	2021	2020
Short-term employee benefits	(1)	20,092,824	19,758,569
Post-employment benefits			
- defined contribution plans	(2)	16,383	-
		20,109,207	19,758,569
Total		20,109,207	19,758,569

(1) Short-term employee benefits

	2021	2020
Salaries, bonuses, allowances	18,836,797	18,698,627
Social insurance		
- <i>Medical insurance</i>	312,491	287,812
- <i>Work-related injury insurance</i>	5,422	-
- <i>Maternity insurance</i>	28,396	26,457
Labour union fee, staff and workers' education fee	8,280	-
Others	901,438	745,673
	<u>20,092,824</u>	<u>19,758,569</u>
Total	<u>20,092,824</u>	<u>19,758,569</u>

(2) Post-employment benefits - defined contribution plans

	2021	2020
Basic pension insurance	-	-
Unemployment insurance	16,383	-
	<u>16,383</u>	<u>-</u>
Total	<u>16,383</u>	<u>-</u>

22 Provision for Contingencies

As of 31 December 2021, all of the Bank's Provision for Contingencies are off-balance sheet ECL, the changes are set out below:

31 December 2020	N/A
Changes in accounting policies	116,200,965
	<u>116,200,965</u>
1 January 2021	<u>116,200,965</u>

	Stage 1	Stage 2	Stage 3	Total
1 January 2021	116,200,965	-	-	116,200,965
Transfer:				
- to stage 1	-	-	-	-
- to stage 2	-	-	-	-
- to stage 3	-	-	-	-
Reversals during the year	(22,663,785)	-	-	(22,663,785)
Exchange differences	(2,891,413)	-	-	(2,891,413)
	<u>90,645,767</u>	<u>-</u>	<u>-</u>	<u>90,645,767</u>
31 December 2021	<u>90,645,767</u>	<u>-</u>	<u>-</u>	<u>90,645,767</u>

23 Other liabilities

	2021	2020
Deferred income	18,867,794	13,306,594
Accrued expenses	5,484,421	2,590,009
Others	1,091,695	2,291,112
	25,443,910	18,187,715

24 Paid-in capital

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

	<i>2021 and 2020</i>	
	<i>Amount</i>	<i>Percentage</i>
Bangkok Bank	4,000,000,000	100%

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

25 Other comprehensive income

	<i>Movements in fair value of other debt investment</i>	<i>ECL allowance of other debt investment</i>	<i>Effective portion of gains arising from cash flow hedging instruments</i>	<i>Total</i>
As at 1 January 2020	N/A	N/A	4,702,962	4,702,962
Reduction	N/A	N/A	(12,259,652)	(12,259,652)
Less: Effects of deferred tax	N/A	N/A	3,064,913	3,064,913
	N/A	N/A	(4,491,777)	(4,491,777)
As at 31 December 2020	N/A	N/A	(4,491,777)	(4,491,777)
Changes in accounting policies	(4,491,777)	3,821,080	4,491,777	3,821,080
	(4,491,777)	3,821,080	N/A	(670,697)
As at 1 January 2021	(4,491,777)	3,821,080	N/A	(670,697)
Additions/(reduction)	13,249,894	(4,081,929)	N/A	9,167,965
Less: Effects of deferred tax	(3,312,474)	1,020,484	N/A	(2,291,990)
	5,445,643	759,635	N/A	6,205,278

The amount is presented as the fair value change of other debt investment net of the impact of deferred tax.

26 Surplus reserve

	<i>Note</i>	<i>Statutory surplus reserve</i>
Balance at 1 January 2020		83,980,726
Profit appropriation	28(1)	560,731
		<hr/>
Balance at 31 December 2020		84,541,457
Profit appropriation	28(1)	5,273,352
		<hr/>
Balance at 31 December 2021		<u>89,814,809</u>

27 General reserve

	<i>General reserve appropriated in accordance with the regulations issued by the MOF</i>
Balance at 1 January 2020, 31 December 2020 and 31 December 2021	<u>208,531,720</u>

According to the *Notice on Administrative Measures on Accrual of Provision for Contingencies 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 2021, 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 (31 December 2020: 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).

28 Profit appropriation

	<i>Note</i>	<i>2021</i>	<i>2020</i>
Appropriation to surplus reserve	26	<u>5,273,352</u>	<u>560,731</u>

(1) Appropriation to surplus reserve

In 2021, the Bank appropriated an amount of RMB 5,273,352 (2020: RMB 560,731), representing 10% of profit after tax for the year as statutory surplus reserve in accordance with relevant regulations and its articles.

29 Net interest income

	2021	2020
Loans and advances to customers	349,920,140	316,638,624
Placements with inter-banks and non-bank financial institutions	64,744,298	58,173,814
Deposits with central bank	15,209,583	13,575,744
Deposits with inter-banks	9,402,870	19,880,892
	<u>439,276,891</u>	<u>408,269,074</u>
Total interest income	----- 439,276,891	----- 408,269,074
Deposits from customers	(190,828,463)	(178,187,459)
Lease liability	(13,981,489)	-
Borrowings from inter-banks	(3,783,815)	(15,704,459)
Deposits from inter-banks	(3,100)	(7,760)
	<u>(208,596,867)</u>	<u>(193,899,678)</u>
Total interest expenses	----- (208,596,867)	----- (193,899,678)
Net interest income	<u>230,680,024</u>	<u>214,369,396</u>

30 Net fees and commission income

	2021	2020
Credit commitment fees	14,548,329	13,895,647
Settlement and clearing fees	11,010,979	8,478,954
	<u>25,559,308</u>	<u>22,374,601</u>
Total fees and commission income	----- 25,559,308	----- 22,374,601
Commission expenses	<u>(979,098)</u>	<u>(487,125)</u>
Net fees and commission income	<u>24,580,210</u>	<u>21,887,476</u>

31 Investment income

	2021	2020
Other debt investment interest income		
- The interest generated during the holding period	82,034,619	77,934,335
Investment interest income output tax	(13,762)	(57,856)
	<u>82,020,857</u>	<u>77,876,479</u>
Total	----- 82,020,857	----- 77,876,479

32 General and administrative expenses

	2021	2020
Staff costs		
- Salaries, bonuses and allowances	116,231,793	111,600,634
- Statutory welfare expenses	18,835,001	9,335,974
- Directors remunerations	1,563,793	1,490,000
- Others	2,105,632	2,591,996
	<hr/>	<hr/>
Subtotal	138,736,219	125,018,604
Depreciation of right-of-use assets	47,026,175	N/A
IT equipment maintenance fees	8,107,106	6,378,087
Telecommunication fees	3,984,316	3,589,769
Depreciation and amortisation	3,866,307	2,861,767
Rental and property maintenance fees	2,729,235	52,994,599
Utilities	1,036,615	987,806
Others	10,646,921	6,732,788
	<hr/>	<hr/>
Total	<u>216,132,894</u>	<u>198,563,420</u>

33 Credit impairment losses

	<i>Note</i>	2021	2020
Loans and advances to customers	10(6)	75,860,731	N/A
Placements with inter-banks and non-bank financial institutions	8(2)	9,152,228	N/A
Deposits with inter-banks	7(2)	4,620,670	N/A
Interbank negotiable certificates of deposit and other debt investment	11	(4,081,929)	N/A
Financial guarantee and credit commitment	22	(22,663,785)	N/A
		<hr/>	<hr/>
Total		<u>62,887,915</u>	<u>N/A</u>

34 Asset impairment losses

	<i>Note</i>	2021	2020
Placements with inter-banks and non-bank financial institutions	8(2)	N/A	70,395,000
Deposits with inter-banks	7(2)	N/A	(1,648,000)
Loans and advances to customers	10(6)	N/A	(12,972,424)
		<hr/>	<hr/>
Total		<u>N/A</u>	<u>55,774,576</u>

35 Income tax expense

(1) Income tax expense for the year represents

	2021	2020
Current tax expense for the year	-	-
Tax filing difference adjustments	-	(19,133,682)
Changes in deferred tax	(14,586,820)	(16,710,779)
	(14,586,820)	(35,844,461)
Total	(14,586,820)	(35,844,461)

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

	2021	2020
Profits/(losses) before taxation	38,146,699	(30,237,156)
Expected income tax expense at tax rate of 25%	9,536,675	(7,559,289)
Add / (deduct) the tax effects as follows:		
- Non-deductible expenses	41,802	40,319
- Non-taxable income	(24,210,126)	(28,242,183)
- Tax filing difference adjustments	-	(19,133,682)
- Adjustments in respect of deferred tax of prior years	44,829	19,050,374
	44,829	19,050,374
Income tax expense	(14,586,820)	(35,844,461)

36 Other comprehensive income, net of tax

	2021	2020
Items that may be reclassified to profit or loss:		
Changes in fair value of other debt investments	13,249,894	N/A
Less: deferred tax	(3,312,474)	N/A
Sub-total	<u>9,937,420</u>	<u>N/A</u>
Expected credit losses of other debt investments	(4,081,929)	N/A
Add: deferred tax	1,020,484	N/A
Sub-total	<u>(3,061,445)</u>	<u>N/A</u>
(Losses) / gains arising from changes in fair value of available-for-sale financial assets	N/A	(12,259,652)
Less: deferred tax	N/A	3,064,913
Sub-total	<u>N/A</u>	<u>(9,194,739)</u>
Total	<u><u>6,875,975</u></u>	<u><u>(9,194,739)</u></u>

37 Supplement to cash flow statement

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

	2021	2020
Net profit	52,733,519	5,607,305
Add: Credit Impairment losses	62,887,915	N/A
Assets Impairment losses	N/A	55,774,576
Depreciation of fixed assets	2,593,315	1,991,259
Interest expenses of lease liability	13,981,489	N/A
Amortization of intangible assets	1,229,395	712,104
Depreciation of right-of-use assets	47,026,175	N/A
Amortization of leasehold improvements	43,597	158,404
Gains from disposal of fixed assets	(63,314)	(151,422)
Investment income	(82,020,857)	(77,876,479)
Losses/ (gains) from changes in fair value	5,223,890	(6,190,794)
Unrealised foreign exchange losses	27,001,200	95,582,353
Increase in deferred tax	(14,586,820)	(16,710,779)
Decrease / (increase) in operating receivables	230,675,536	(709,210,395)
Increase in operating payables	456,964,926	1,056,466,257
	<u>803,689,966</u>	<u>406,152,389</u>
Net cash inflow from operating activities	<u>803,689,966</u>	<u>406,152,389</u>

(2) Change in cash and cash equivalents:

	2021	2020
Cash and cash equivalents at the end of the year	2,479,837,352	1,170,294,586
Less: Cash and cash equivalents at the beginning of the year	(1,170,294,586)	(1,731,758,388)
	<u>1,309,542,766</u>	<u>(561,463,802)</u>
Net increase/ (decrease) in cash and cash equivalents	<u>1,309,542,766</u>	<u>(561,463,802)</u>

(3) Cash and cash equivalents

	2021	2020
Cash on hand	528,653	718,151
Central bank deposits available on demand	97,661,476	140,055,249
Deposits with inter-banks with a maturity of 3 months or less	821,877,323	605,402,686
Placements with inter-banks and non-bank financial institutions with a maturity of 3 months or less	1,559,769,900	424,118,500
Total	<u>2,479,837,352</u>	<u>1,170,294,586</u>

38 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:

	2021	2020
Remuneration of key management personnel	29,759,595	27,860,204
	<u>29,759,595</u>	<u>27,860,204</u>

(3) Transactions with the Bank's parent

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

	2021	2020
Interest income	940,183	858,273
Interest expenses	(371)	(123,195)
Fees and commission income	3,005	8,370
General and administrative expenses	(20,744,551)	(24,276,003)
Standby letters of credit issued by the parent bank	4,310,000	46,695,300

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

	2021	2020
Deposits with inter-banks	11,204,927	30,685,195
Placements with inter-banks and non-bank financial institutions	-	424,118,500
Derivative financial assets	577,277	42,846
Interest receivable	N/A	77,432
Deposits from inter-banks	(738,942)	(941,678)
Derivative financial liabilities	(467,872)	(4,290,129)
Balance of standby letter of credit issued by the parent bank	76,961,400	107,069,800

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

	2021	2020
Foreign exchange swap	126,269,076	106,734,043

- (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:

	2021	2020
Operating lease commitments	363,745,984	394,058,021

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

39 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:

	Note	2021					Total
		East China	North China	South China	Southwest China	Eliminations	
External net interest income		132,564,343	23,925,246	43,121,957	31,068,478	-	230,680,024
Internal net interest income / (expenses)		11,269,392	21,621,633	(22,438,280)	(10,452,745)	-	-
Net interest income		143,833,735	45,546,879	20,683,677	20,615,733	-	230,680,024
Fees and commission income		12,388,910	8,665,990	3,810,994	693,414	-	25,559,308
Fees and commission expenses		(975,489)	(483)	(2,235)	(891)	-	(979,098)
Net fees and commission income		11,413,421	8,665,507	3,808,759	692,523	-	24,580,210
Other net operating income / (expenses)	(a)	65,272,803	2,185,511	(2,949,227)	314,954	-	64,824,041
Taxes and surcharges		(1,454,038)	(689,426)	(393,654)	(350,007)	-	(2,887,125)
General and administrative expenses		(154,458,024)	(23,582,004)	(24,257,983)	(13,834,883)	-	(216,132,894)
- Depreciation of fixed assets, Amortization of intangible assets, right of use assets and long term deferred expenses		(30,681,642)	(6,470,653)	(9,003,396)	(4,736,791)	-	(50,892,482)
Impairment losses charge		(36,601,561)	(2,613,690)	(15,850,842)	(7,821,822)	-	(62,887,915)
Non-operating expenses		(29,642)	-	-	-	-	(29,642)
Segment profits / (losses) before tax		27,976,694	29,512,777	(18,959,270)	(383,502)	-	38,146,699
Less: Income tax expense							14,586,820
Net profit							52,733,519

	<i>2021</i>					
	<i>East China</i>	<i>North China</i>	<i>South China</i>	<i>Southwest China</i>	<i>Eliminations</i>	<i>Total</i>
Capital expenditure	<u>8,353,438</u>	<u>6,748</u>	<u>27,323</u>	<u>208,737</u>	<u>-</u>	<u>8,596,246</u>
Segment assets	<u>14,821,575,428</u>	<u>2,513,483,326</u>	<u>1,314,889,168</u>	<u>1,151,618,619</u>	<u>(4,628,509,237)</u>	<u>15,173,057,304</u>
Segment liabilities	<u>9,682,782,943</u>	<u>2,435,152,998</u>	<u>1,179,975,849</u>	<u>1,088,575,817</u>	<u>(4,128,509,237)</u>	<u>10,257,978,370</u>
Credit commitments	<u>1,558,629,018</u>	<u>1,882,160,831</u>	<u>335,990,581</u>	<u>102,374,364</u>	<u>-</u>	<u>3,879,154,794</u>

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>(21,808,333)</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

- (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>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
In Mainland China	552,792,281	514,547,614	385,442,319	11,301,554
Outside Mainland China	4,379,016	853,035	-	-
	<u>557,171,297</u>	<u>515,400,649</u>	<u>385,442,319</u>	<u>11,301,554</u>

(3) Major customers

Both in 2021 and 2020, the Bank's interest income from single loan customer was lower than 5% of the total operating income from external customers of the Bank.

40 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 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.

(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

Pass	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 (China Banking and Insurance Regulatory Commission) as follows:

<i>Internal Credit Grading</i>	<i>Definition</i>	<i>Five-tier Grading</i>	<i>Definition</i>
Pass	No evident weaknesses.	Pass	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

Without considering the collaterals or other credit enhancements corresponding assets, the maximum exposure to credit risk is represented by the carrying amount of financial assets minus Provision for Contingencies. Except for the financial guarantee contracts and credit commitments given by the Bank as set out in Note 42, the Bank does not provide any other contracts and commitments which would expose the Bank to credit risk.

Distribution of loans and advances to customers in terms of credit quality

	<i>Note</i>	<i>2020</i>
Impaired		
Individually assessed and impaired gross amount	<i>(i)</i>	11,602,471
Allowances for impairment losses		<u>(2,900,618)</u>
Carrying amount		<u>8,701,853</u>
Overdue but not impaired		
Gross amount	<i>(ii)</i>	-
Allowances for impairment losses	<i>(iii)</i>	<u>-</u>
Carrying amount		<u>-</u>
Neither overdue nor impaired		
Gross amount		6,627,052,207
Allowances for impairment losses	<i>(iii)</i>	<u>(524,199,829)</u>
Carrying amount		<u>6,102,852,378</u>
Total		<u><u>6,111,554,231</u></u>

- (i) Movement of impaired loans and advances to customers in 2021 is shown as below:

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

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

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

	2021	2020
- AAA to BBB-	2,755,404,223	3,013,287,086
- BB+ to B-	150,000,000	150,000,000
	2,905,404,223	3,163,287,086
Gross amount	2,905,404,223	3,163,287,086

(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.

	2021	2020
Standard & Poor's		
- AA-	3,148,588,590	3,232,821,250
Domestic rating agencies recognised by the PBOC		
- AAA	-	388,804,250
	3,148,588,590	3,621,625,500
Gross amount	3,148,588,590	3,621,625,500

Debt securities include bonds classified as other debt investment 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 RMB 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 RMB 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.

	<i>2021</i>				<i>Total</i>
	<i>Non-accrual</i>	<i>Within 3 months</i>	<i>Between 3 months and 1 year</i>	<i>Between 1 year and 5 years</i>	
Assets					
Cash on hand and deposits with central bank	19,447,908	774,358,354	-	-	793,806,262
Deposits and placements with inter-banks and non-bank financial institutions	1,663,199	2,662,177,347	222,384,420	-	2,886,224,966
Derivative financial assets	9,569,164	-	-	-	9,569,164
Loans and advances to customers	16,136,244	2,257,897,637	5,425,588,195	-	7,699,622,076
Other debt investment	46,024,341	650,299,600	1,308,980,500	1,189,308,490	3,194,612,931
Other assets	12,200,886	-	-	-	12,200,886
Total assets	105,041,742	6,344,732,938	6,956,953,115	1,189,308,490	14,596,036,285
Liabilities					
Deposits and borrowings from inter-banks	(624,278)	(32,617,442)	(200,000,000)	-	(233,241,720)
Derivative financial liabilities	(6,960,060)	-	-	-	(6,960,060)
Deposits from customers	(142,280,261)	(3,880,340,937)	(4,139,878,006)	(1,346,532,110)	(9,509,031,314)
Other liabilities	(6,227,167)	-	-	-	(6,227,167)
Total liabilities	(156,091,766)	(3,912,958,379)	(4,339,878,006)	(1,346,532,110)	(9,755,460,261)
Net position	(51,050,024)	2,431,774,559	2,617,075,109	(157,223,620)	4,840,576,024
2020					
	<i>Non-accrual</i>	<i>Within 3 months</i>	<i>Between 3 months and 1 year</i>	<i>Between 1 year and 5 years</i>	<i>Total</i>
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

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.

	2021		2020	
	<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	32,627,469	13,781,302	34,966,749	11,560,799
Decrease 100 basis points	(31,310,164)	(12,055,703)	(37,280,542)	(13,695,904)

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 RMB and is converted by the rates at the balance sheet dates.

	2021			
	RMB	USD (RMB equivalent)	Other currency (RMB equivalent)	Total (RMB equivalent)
Assets				
Cash on hand and deposits with central bank	774,919,123	18,883,325	3,814	793,806,262
Deposits and placements with inter-banks and non-bank financial institutions	1,447,230,108	1,430,251,330	8,743,528	2,886,224,966
Derivative financial assets	9,569,164	-	-	9,569,164
Loans and advances to customers	7,331,616,936	337,571,209	30,433,931	7,699,622,076
Other debt investment	3,194,612,931	-	-	3,194,612,931
Other assets	11,715,285	478	485,123	12,200,886
Total assets	12,769,663,547	1,786,706,342	39,666,396	14,596,036,285
Liabilities				
Deposits and borrowings from inter-banks	(201,352,085)	(31,889,635)	-	(233,241,720)
Derivative financial liabilities	(6,960,060)	-	-	(6,960,060)
Deposits from customers	(9,093,587,549)	(410,536,179)	(4,907,586)	(9,509,031,314)
Other liabilities	(6,212,369)	(14,798)	-	(6,227,167)
Total liabilities	(9,308,112,063)	(442,440,612)	(4,907,586)	(9,755,460,261)
Net position	3,461,551,484	1,344,265,730	34,758,810	4,840,576,024

	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

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.

	2021		2020	
	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	10,342,684	10,342,684	10,719,866	10,719,866
Depreciation against RMB by 100 bps	(10,342,684)	(10,342,684)	(10,719,866)	(10,719,866)

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".

	2021							
	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	793,806,262	793,806,262	793,806,262	-	-	-	-	-
Deposits and placements with inter-banks and non-bank financial institutions	2,886,224,966	2,893,149,916	71,146,410	2,059,462,359	535,078,445	227,462,702	-	-
Derivative financial assets	9,569,164	9,569,164	9,569,164	-	-	-	-	-
Loans and advances to customers	7,699,622,076	8,678,052,988	-	652,913,905	1,625,055,421	2,008,453,110	2,473,604,287	1,918,026,265
Other debt investment	3,194,612,931	3,259,296,000	-	258,430,000	416,870,000	1,368,687,000	1,215,309,000	-
Other financial assets	12,200,886	12,200,886	12,200,886	-	-	-	-	-
Total assets	14,596,036,285	15,646,075,216	886,722,722	2,970,806,264	2,577,003,866	3,604,602,812	3,688,913,287	1,918,026,265
Financial liabilities								
Deposits and borrowings from inter-banks	(233,241,720)	(237,755,415)	(739,048)	(31,878,642)	-	(205,137,725)	-	-
Derivative financial liabilities	(6,960,060)	(6,960,060)	(6,960,060)	-	-	-	-	-
Deposits from customers	(9,509,031,314)	(9,633,781,082)	(3,154,600,118)	(398,383,912)	(348,565,377)	(4,242,310,688)	(1,489,920,987)	-
Other financial liabilities	(6,227,167)	(6,227,167)	(6,227,167)	-	-	-	-	-
Total liabilities	(9,755,460,261)	(9,884,723,724)	(3,168,526,393)	(430,262,554)	(348,565,377)	(4,447,448,413)	(1,489,920,987)	-
Net position	4,840,576,024	5,761,351,492	(2,281,803,671)	2,540,543,710	2,228,438,489	(842,845,601)	2,198,992,300	1,918,026,265

	2020							
	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	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

(4) Reputation risk

Reputational Risk is the risk which may result in receiving negative comments from interested parties with respect to a commercial bank's operation, management or any other act or any external event.

In 2021, according to the requirement of the Notice issued by CBIRC on Measures on Reputational Risk Management for Banking and Insurance Institutions (for trial implementation) ([2021] No.4), Risk Management Division reviewed the existing policy and revised to be Reputational Risk Management Policy and Procedure with the approval of Board of Directors. The reputational risk management related status is reported to Chief Executive Officer via Chief Risk Officer, as well as report to Board of Directors via Risk Management Committee at least on a quarterly basis.

41 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 2021			
		Total	Level 1	Level 2	Level 3
Recurring fair value measurements					
Assets					
Derivative financial assets	9	9,569,164	-	9,569,164	-
Other debt investment	11	3,194,612,931	-	3,194,612,931	-
Total		<u>3,204,182,095</u>	<u>-</u>	<u>3,204,182,095</u>	<u>-</u>
Liabilities					
Derivative financial liabilities	9	(6,960,060)	-	(6,960,060)	-

	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)	-

For the year ended 31 December 2021, 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 2021, 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.

42 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 recognizes 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>2021</i>	<i>2020</i>
Standby letters of credit	2,262,001,981	2,393,339,480
Letters of credit accepted	814,070,990	844,591,523
Bank acceptances	429,826,742	370,188,127
Loan commitments with an original maturity of one year or over (inclusive)	192,150,527	186,059,538
Letters of credit issued	180,089,754	136,300,744
Guarantee issued	1,014,800	4,067,406
	<hr/>	<hr/>
Subtotal	3,879,154,794	3,934,546,818
Less: Allowance for impairment losses	(90,645,767)	-
	<hr/>	<hr/>
Total	<u>3,788,509,027</u>	<u>3,934,546,818</u>

The above credit businesses are the credit risks the Bank may undertake. The Bank periodically assesses and makes allowances for any probable losses if necessary. As the facilities may expire without being drawn upon, the contract amounts do not represent expected future cash outflows.

(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>2021</i>	<i>2020</i>
Within 1 year (inclusive)	N/A	47,726,031
After 1 year but within 2 years (inclusive)	N/A	57,013,484
After 2 years but within 3 years (inclusive)	N/A	58,182,600
After 3 years	N/A	355,919,574
	<hr/>	<hr/>
Total	<u>N/A</u>	<u>518,841,689</u>

43 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 located in mainland China. Currently, the Bank does not have any overseas branches.

As at 31 December 2021, 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 2021 calculated in accordance with the *Administrative Measures on Capitals of Commercial Bank (For Trial Implementation)* and other relevant regulations are as follows:

	2021	2020
Core tier one capital		
Paid-in capital	4,000,000,000	4,000,000,000
Other comprehensive income	6,205,278	(4,491,777)
Surplus reserve	89,814,809	84,541,457
General reserve	208,531,720	208,531,720
Retained earnings	610,527,127	564,521,681
Deductible item in core tier one capital		
Intangible assets net of associated deferred tax liabilities	(5,202,439)	(3,434,831)
Net core tier one capital	<u>4,909,876,495</u>	<u>4,849,668,250</u>
Net tier one capital	4,909,876,495	4,849,668,250
Tier two capital		
Excess loan impairment provision	<u>130,306,405</u>	<u>119,557,990</u>
Net capital	<u><u>5,040,182,900</u></u>	<u><u>4,969,226,240</u></u>
Credit risk weighted assets	10,554,818,939	9,684,197,168
Market risk weighted assets	91,730,000	63,758,750
Operational risk weighted assets	<u>609,588,800</u>	<u>717,976,250</u>
Total risk weighted assets	<u><u>11,256,137,739</u></u>	<u><u>10,465,932,168</u></u>
Adequacy ratio of core tier one capital	<u>43.62%</u>	<u>46.34%</u>
Adequacy ratio of tier one capital	<u>43.62%</u>	<u>46.34%</u>
Capital adequacy ratio	<u><u>44.78%</u></u>	<u><u>47.48%</u></u>