

# **KASIKORNBANK (CHINA) COMPANY LIMITED**

## **2021 ANNUAL REPORT**

The English version is only for your reference. If any conflict between Chinese version and its English translation version, the Chinese version will prevail.

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## Part 1 Company Information

### Basic Information

<b>Legal Chinese Name</b>	开泰银行（中国）有限公司
<b>Legal English Name</b>	KASIKORNBANK (China) Company Limited
<b>Paid-up Share Capital</b>	RMB 3,000,000,000
<b>Registered Office</b>	Unit 01, 59/F and Unit 01, 61/F, Tower A, Kingkey 100 Building, 5016 Shennan East Road, Luohu District, Shenzhen, PRC
<b>Legal Representative</b>	Wang Congbao
<b>Registration Date</b>	August 17, 2017
<b>Major Shareholder</b>	100% owned by KASIKORNBANK PUBLIC COMPANY LIMITED
<b>Business Scope</b>	Subject to the approval of the banking supervisory and regulatory authorities, the Bank may engage in the following RMB and foreign exchange businesses to all customers: <ol style="list-style-type: none"><li>(1) taking deposits from the public;</li><li>(2) extending short-term, medium-term and long- term loans;</li><li>(3) acceptance and discounting of negotiable instruments;</li><li>(4) agent issuance, agent redemption and underwriting of government bonds;</li><li>(5) trading of treasury bonds, financial bonds and other foreign exchange securities (other than stocks);</li><li>(6) provision of letter of credit services and guarantees;</li></ol>

- (7) domestic or international settlements;
- (8) sales and purchase of foreign exchange and acting as agent for selling and purchasing foreign exchange;
- (9) insurance agency;
- (10) inter-bank borrowing / lending;
- (11) bank card business;
- (12) safety box services;
- (13) creditability investigation and consultancy services;
- (14) such other businesses as approved from time to time by the banking supervisory and regulatory authorities.

With approval from the People’s Bank of China, the Bank may engage in foreign exchange settlement and sale businesses.

**Customer Service** 0755-88285839

**Complaints Hotline** 0755-82291298

**The Bank’s business institutions and contact information**

Institution Name	Business Address	Contact Number
Head Office in China	Unit 01, 59/F and Unit 01, 61/F, Tower A, Kingkey 100 Building, 5016 Shennan East Road, Luohu District, Shenzhen, PRC	0755 8229 1298
Shenzhen Branch	Unit 02, 59/F, Tower A, Kingkey 100 Building, 5016 Shennan East Road, Luohu District, Shenzhen, PRC	0755 8229 1298
Shanghai Branch	Unit 02, 14/F, Zone 2, Jinmao Tower, 88 Century Avenue, Pudong New Area, Shanghai	021 8011 1515

Chengdu Branch	Units 1801, 1802 & 1803, 18/F, Baiyang Building, 18 Dongyu Street, Jinjiang District, Chengdu	028 6520 9698
Shenzhen Longgang Sub-branch	Units 03, 05 & 06, Mezzanine Floor, Zhengzhong Times Square, 99 Longcheng Avenue, Longcheng Sub-district, Longgang District, Shenzhen	0755 3299 5070

**External Auditor**

KPMG Huazhen LLP Shenzhen Branch

### Financial Highlights

Category	2021	2020	2019
<b>Balance Sheet and Income (in MRMB)</b>			
Total assets	16,622.04	14,222.95	10,930.04
Total liabilities	13,562.32	11,179.79	7,888.93
Net assets	3,059.73	3,043.16	3,041.11
Deposits	3,782.32	3,190.39	2,725.89
Loans	6,441.71	3,677.78	3,572.60
Interest income	274.13	203.74	172.20
Non-interest income	(29.76)	(12.32)	18.68
Net profit	7.88	5.50	8.48
<b>Financial Indicators (%)</b>			
Return on asset	0.05%	0.04%	0.10%
Return on equity	0.26%	0.18%	0.28%
NIM	1.84%	1.65%	1.98%
Cost/Income ratio	80.96%	95.91%	90.18%
<b>Asset Quality (in MRMB):</b>			
Total non-performing loan	0.27	-	-
Net non-performing loan	0.06	-	-
Loan Provision	157.86	89.89	100.42
<b>Capital (in MRMB)</b>			
Net Core Capital	2,917.04	2,925.75	2,945.16
Other Tier 1 capital	-	-	-

Net Tier 1 capital	2,917.04	2,925.75	2,945.16
Tier 2 capital	147.32	79.91	75.48
Net capital	3,064.36	3,005.67	3,020.64
Net risk-weighted assets	12,344.67	10,076.08	7,123.94
Net risk-weighted asset adjusted on & off- balance sheet items	12,344.67	10,076.08	7,123.94
Leverage ratio	17.37%	19.91%	26.22%

<b>Key Indicators in the past 3 years:</b>				
<b>(Unit: %)</b>	<b>Ratio Name &amp; Requirement</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>Capital Adequacy</b>	Capital adequacy ratio ( $\geq 10.5$ )	24.82%	29.83%	42.40%
	Tier-1 capital ratio ( $\geq 8.5$ )	23.63%	29.04%	41.34%
	Core ratio (Common equity Tier-1 ratio) ( $\geq 7.5$ )	23.63%	29.04%	41.34%
<b>Loan Quality</b>	NPL ratio ( $\leq 5$ )	<0.01%	0%	0%
	NPL coverage ( $\geq 120-150$ )	58799.33%	N/A	N/A
	Provision-to-loan coverage ( $\geq 1.5-2.5$ )	2.39%	2.39%	2.81%
<b>Credit Concentration</b>	Single client concentration ( $\leq 10$ )	6.80%	6.59%	6.62%
<b>Liquidity (CNY&amp;FCY)</b>	Liquidity ratio ( $\geq 25$ )	192.88%	229.72%	155.95%
	LMR ( $\geq 100$ )	124.72%	123.20%	119.18%
	HQLAAR ( $\geq 100$ )	433.89%	457.67%	1460.09%
	Loan-to-deposit ratio (monitoring)	167.68%	131.06%	131.06%

## Part 2 Corporate Governance

KASIKORNBANK (China) Company Limited (hereinafter referred to as “KBank China” or the “Bank”) strictly abides by the *Company Law of People’s Republic of China (PRC)*, the *Commercial Bank Law of PRC*, the *Regulations on Administration of Foreign-funded Banks of PRC* and the *Rules for Implementing the Regulations on Administration of Foreign-funded Banks of PRC*, and other relevant rules, regulations and regulatory requirements to establish and continuously improve its corporate governance.

The Bank is a wholly foreign-owned bank and has not held any general meeting. The Board of Directors of the Bank (the “Board”) and the special committees thereunder, Supervisors and the Senior Management exercise their rights and perform their duties independently in accordance with the relevant laws and regulations and the duties assigned to them in the Bank’s Articles of Association (hereinafter referred to as “Articles of Association”). The Board is accountable to the Shareholder and is ultimately responsible for the operation and management of the Bank as a whole.

### 1. Shareholders

KASIKORNBANK (China) Company Limited is a wholly foreign-owned bank founded by KASIKORNBANK PUBLIC COMPANY LIMITED registered in Thailand. The shareholding ratio of KASIKORNBANK PUBLIC COMPANY LIMITED in KBank China is 100%, and the shareholding ratio of KBank China has not changed from the establishment of KBank China to the end of the reporting period.

During the reporting period, KASIKORNBANK PUBLIC COMPANY LIMITED, as the sole shareholder of the Bank, has performed its duties as a shareholder in a lawful and compliant manner. In 2021, there was no transfer or pledge of equity held by its shareholder.

KASIKORNBANK PUBLIC COMPANY LIMITED is a public listed bank registered in Thailand with its registered office at 400/22 Phahon Yothin Road, Sam Sen Nai Sub-District, Phaya Thai District, Bangkok 10400, Thailand. After more than 70 years of development, it has become a full-service financial holding group covering banking,

insurance, securities, financial leasing, equipment financing, fund management, research and technology services.

As of September 9, 2021, the top ten shareholders of KASIKORNBANK PUBLIC COMPANY LIMITED are as follows.

<b>Rank</b>	<b>Shareholders' Name</b>	<b>Number of Common Shares</b>	<b>Percentage of Common Shares</b>
1	THAI NVDR CO., LTD.	433,435,423	18.294
2	STATE STREET EUROPE LIMITED	173,157,647	7.308
3	SOUTH EAST ASIA UK (TYPE C) NOMINEES LIMITED	106,986,273	4.515
4	SOCIAL SECURITY OFFICE	99,045,000	4.180
5	BANK OF NEW YORK MELLON	75,711,456	3.195
6	STATE STREET BANK AND TRUST COMPANY	35,659,437	1.505
7	HSBC BANK PLC-PRUDENTIAL ASSURANCE COMPANY LIMITED	27,958,700	1.180
8	BNY MELLON NOMINEES LIMITED	24,846,299	1.049
9	SOUTH EAST ASIA UK (TYPE A) NOMINEES LIMITED	24,582,885	1.038
10	SE ASIA (TYPE B) NOMINEES LLC	22,035,720	0.930

## **2. Board of Directors and Its Duties**

The Board of Directors assumes the ultimate responsibility for the operation and management of the Bank and exercises the following functions and powers as stipulated in the Articles of Association:

- (1) to report its work to the Shareholder and to implement the resolutions of the Shareholder;
- (2) to formulate the business development strategies and performance objectives



- (including approving policy and direction business operation of the Bank) of the Bank, supervise the implementation of those strategies and report the same to the Shareholder;
- (3) to resolve on the operation plans and investment projects of the Bank;
  - (4) to formulate the Bank's annual financial budgeting plan and the final account proposal;
  - (5) to formulate the plans of increase or reduction of the Bank's registered capital and the bonds issue plan of the Bank;
  - (6) to formulate the plans in connection with the merger, division, dissolution or change of corporate form of the Bank;
  - (7) to formulate the Bank's profits distribution plans and losses remedy plans;
  - (8) to approve important management policies of the Bank (including but not limited to the rules of the procedure of the meetings of Board of Directors) and their amendments;
  - (9) to resolve on the engagement or dismissal of the President of the Bank and the remuneration thereof, and to resolve on the engagement or dismissal of senior vice president, vice presidents and the chief financial officer of the Bank in accordance with the President's nomination and the remunerations thereof;
  - (10) to engage or dismiss the responsible person of the internal auditing department;
  - (11) to resolve the Bank's remuneration strategy in its ability to attract and retain high potential staff;
  - (12) to resolve the various types of risk policy and procedure and ensure that effective risk management and appropriate processes are sufficiently in place to identify, assess, monitor and manage major risks;
  - (13) to ensure that there is an effective process for evaluating the performance of senior management against annual objectives of the Bank in general. Reward or punishment or adoption of other corresponding measures is based its performance;
  - (14) to approve the establishment of internal management departments;
  - (15) to formulate the material investments and material assets disposal plan of the Bank;

(16) such other authorities of the Board of Directors as provided by Laws and Regulations and the AOA or as granted by the Shareholder.

As of the end of 2021, the Board comprises 11 directors, including 3 independent directors, 7 non-executive directors and 1 executive director. All members of the Board are appointed by the Shareholder in accordance with the provisions of the Articles of Association and have been approved for their qualifications by the regulatory authorities.

**Members of the Board of Directors and their Positions:**

<b>Name</b>	<b>Gender</b>	<b>Position</b>	<b>Term</b>
Pipit Aneaknithi	Male	Chairman	3 years
Pattarapong Kanhasuwan	Male	Vice Chairman	3 years
Anan Lapsuksatit	Male	Vice Chairman	3 years
Zhang Jianjun	Male	Independent Director	3 years
Tan Weixian	Male	Independent Director	3 years
Gao Wenkuan	Male	Independent Director	3 years
Worawit Kiatthawee-anand	Male	Non-executive Director	3 years
Khajarin Maintaka	Female	Non-executive Director	3 years
Jarung Kiatsupapong	Male	Non-executive Director	3 years
Jariporn Kijcharoenpaisan	Female	Non-executive Director	3 years
Wang Congbao	Male	Executive Director	3 years

**3. Biographical Information and Concurrent Positions of the Members of the Board of Directors:**

**(1) Mr. Pipit Aneaknithi (Chairman and Non-Executive Director)**

Mr. Pipit Aneaknithi, aged 54, is currently the Chairman and Non-executive Director of KBank China, Vice Chairman of the Remuneration and Nomination Committee of KBank China, and is concurrently the President of KASIKORNBANK PUBLIC COMPANY LIMITED, Director of KASIKORN SECURITIES PUBLIC COMPANY

LIMITED, Director of BEACON VENTURE CAPITAL COMPANY LIMITED, and Director of MUANGTHAI GROUP HOLDING COMPANY LIMITED.

Mr. Pipit Aneaknithi has more than 25 years of rich experience in the banking industry, having served as Senior Executive Vice President and Executive Vice President of KASIKORNBANK PUBLIC COMPANY LIMITED, with rich management experience and outstanding leadership in various areas including corporate business, retail business and international business.

Mr. Pipit Aneaknithi holds a Master of Business Administration degree from the University of Brighton, UK and a Master of Business Administration degree from the Pforzheim University, Germany.

**(2) Mr. Pattarapong Kanhasuwan (Vice Chairman and Non-Executive Director)**

Mr. Pattarapong Kanhasuwan, aged 54, is currently the Vice Chairman and Non-executive Director of KBank China, Chairman of the Strategy Committee, Vice Chairman of the Risk Management Committee, and a member of the Information Technology Committee of KBank China, and is concurrently the Executive Vice President of KASIKORNBANK PUBLIC COMPANY LIMITED and Director of the International Business Headquarters of KASIKORNBANK PUBLIC COMPANY LIMITED, Director of KASIKORN VISION COMPANY LIMITED, Director of KASIKORN VISION INFORMATION TECHNOLOGY LIMITED, Director of KASIKORN VISION FINANCIAL COMPANY PTE. LTD., and Director of THAI PAYMENT NETWORK COMPANY LIMITED.

Mr. Pattarapong Kanhasuwan has held various senior management positions in Marketing and Credit Management Department, Enterprise Risk Management Headquarters, China Business Headquarters, and International Business Headquarters and other departments since he joined KASIKORNBANK PUBLIC COMPANY LIMITED in 1994. He has professional knowledge of strategy, business and risk management and rich experience in banking management.

Mr. Pattarapong Kanhasuwan holds a Master's degree in Finance from the University of Toledo, USA.

**(3) Mr. Anan Lapsuksatit (Vice Chairman and Non-Executive Director)**

Mr. Anan Lapsuksatit, aged 47, is currently the Vice Chairman and Non-executive Director of KBank China, a member of the Related Transaction Control Committee, Vice Chairman of the Strategy Committee and the Information Technology Committee of KBank China, and is concurrently the President of KASIKORN RESEARCH CENTER COMPANY LIMITED.

Mr. Anan Lapsuksatit has held various senior management positions in the Large Corporate Division, China Headquarters and International Business Headquarters during his more than 10 years with KASIKORNBANK. He has led and completed the

legalization of KBank China, laying a solid foundation for the smooth implementation of business development strategy of KASIKORNBANK in China.

Mr. Anan Lapsuksatit holds a Master's degree in International Management from the American Institute of International Management Studies.

**(4) Mr. Worawit Kiatthawee-anand (Non-Executive Director)**

Mr. Worawit Kiatthawee-anand, aged 51, is currently Non-executive Director of KBank China, Vice Chairman of the Related Transactions Control Committee and Chairman of the Risk Management Committee of KBank China, and is concurrently the First Senior Vice President of Risk Management Headquarters of KASIKORNBANK PUBLIC COMPANY LIMITED and Director of K-SME VENTURE CAPITAL CO., LTD.

Mr. Worawit Kiatthawee-Anand has more than 24 years of banking experience and has held various senior management positions in credit and risk management at KASIKORNBANK PUBLIC COMPANY LIMITED and various banks. Also, he is particularly proficient in corporate financial analysis and credit risk management, and has extensive experience in credit analysis and credit risk management.

Mr. Worawit Kiatthawee-anand holds a Master of Business Administration degree from Murray State University, USA.

**(5) Ms. Khajarin Maintaka (Non-Executive Director)**

Ms. Khajarin Maintaka, aged 42, is currently Non-executive Director of KBank China, a member of the Remuneration and Nomination Committee, Audit Committee and Information Technology Committee of KBank China, and is concurrently the First Vice President of and the Co-director of the Financial Planning Department of KASIKORNBANK PUBLIC COMPANY LIMITED.

Ms. Khajarin Maintaka has served as senior analyst/manager of value management in the Financial Planning Department of KASIKORNBANK PUBLIC COMPANY LIMITED, auditor in the Office of the Auditor General of Thailand, part-time lecturer of the auditing course at Dhurakij Pundit University in Thailand, and senior auditor at Ernst & Young LLP (Thailand). Ms. Khajarin Maintaka is particularly proficient in the areas of financial analysis, financial forecasting, budget planning and management, resource management and institutional performance management.

Ms. Khajarin Maintaka holds a Master of Business Administration degree from International University of Japan.

**(6) Mr. Jarung Kiatsupapong (Non-Executive Director)**

Mr. Jarung Kiatsupapong, aged 45, is currently Non-executive Director of KBank China and Chairman of the Information Technology Committee of KBank China, and is concurrently the Chief Information Officer of KASIKORN TECHNOLOGY

GROUP MANAGEMENT LIMITED, Director of KASIKORN SOFT COMPANY LIMITED, Director of KASIKORN VISION INFORMATION TECHNOLOGY LIMITED, and Director of THAI PAYMENT NETWORK COMPANY LIMITED.

Mr. Jarung Kiatsupapong has served as Director, general manager and deputy general manager of KASIKORN TECHNOLOGY GROUP MANAGEMENT LIMITED, Deputy General Manager of KASIKORN SOFT COMPANY LIMITED, Senior Vice President, First Vice President and Vice President of KASIKORNBANK PUBLIC COMPANY LIMITED and other senior management positions in various banks. Mr. Jarung Kiatsupapong has over 24 years of experience in the fields of e-business, e-banking and IT management and is well versed in banking IT and management.

Mr. Jarung Kiatsupapong holds a Bachelor's degree in Engineering from Thailand Agricultural University, a Master's degree in Science from Phanakorn Pak Zonggao Institute of Technology and a Master of Business Administration degree from Chulalongkorn University, Thailand.

**(7) Ms. Jariporn Kijcharoenpaisan (Non-Executive Director)**

Ms. Jariporn Kijcharoenpaisan, aged 47, is currently Non-executive Director of KBank China and a member of the Strategy Committee and Information Technology Committee of KBank China, and is concurrently the First Senior Vice President of the International Business Headquarters of KASIKORNBANK PUBLIC COMPANY LIMITED, Director of KASIKORN VISION COMPANY LIMITED and Director of KASIKORN VISION INFORMATION TECHNOLOGY COMPANY LIMITED.

Ms. Jariporn Kijcharoenpaisan has worked in KASIKORNBANK for more than 21 years. She has held senior management positions in the fields of international business strategy, marketing, business development, customer relationship management, credit and risk management, and has extensive banking management experience.

Ms. Jariporn Kijcharoenpaisan holds a Master of Business Administration degree from Chulalongkorn University, Thailand.

**(8) Mr. Gao Wenkuan (Independent Director)**

Mr. Gao Wenkuan, aged 67, is currently an Independent Director of KBank China, Chairman of the Related Transaction Control Committee and Vice Chairman of the Audit Committee of KBank China, and is concurrently an expert on ASEAN issues at the Foreign Trade Society of the Ministry of Commerce of the People's Republic of China.

Mr. Gao Wenkuan has worked in the Ministry of Commerce of the People's Republic of China and Chinese embassies abroad, actively promoting economic and cultural exchanges and contacts between China and ASEAN, and has profound insights into ASEAN issues.

Mr. Gao holds a Bachelor's degree in Economics from Nankai University.

**(9) Mr. Tan Xianwei (Independent Director)**

Mr. Tan Wei Xian, aged 67, is currently an Independent Director of KBank China, the Chairman of the Audit Committee and a member of the Related Transaction Control Committee of KBank China, and is concurrently the Vice Chairman of Zhejiang Tai Long Commercial Bank Co. Ltd.

Mr. Tan Wei Xian has long been engaged in financial supervision and corporate governance of commercial banks, and has rich experience in supervision and governance of commercial banks.

Mr. Tan Wei Xian graduated from Fudan University with a degree in Economics and Management and holds a Master's degree in International Finance from East China Normal University.

**(10) Mr. Zhang Jianjun (Independent Director)**

Mr. Zhang Jianjun, aged 64, is currently an Independent Director of KBank China, Chairman of the Remuneration and Nomination Committee and a member of the Risk Management Committee of KBank China, and is concurrently an Independent Director of Charm Sun Fund Management Co., Ltd.

Mr. Zhang Jianjun has been engaged in financial supervision for a long time, has extensive experience in commercial bank supervision, and is well versed in economics and finance.

Mr. Zhang Jianjun received a Master's degree in Western Economics from Central South University of Technology and a doctorate degree in Contemporary Western Economics from Wuhan University.

**(11) Mr. Wang Congbao (Executive Director)**

Mr. Wang Congbao, aged 52, joined the Bank in December 2015 and is currently an Executive Director and President of KBank China, a member of the Strategy Committee and Information Technology Committee of KBank China.

Prior to joining KBank China, Mr. Wang Congbao had worked at OCBC Wing Hang Bank (China) Limited (formerly Wing Hang Bank (China) Limited) for over 18 years, during which he held various management positions such as President of Shenzhen Branch, Vice President and Senior Vice President of Head Quarter, and has extensive experience in commercial banking and management.

Mr. Wang Congbao holds a Bachelor's degree in Civil Engineering from Tongji University in Shanghai.

**The Board meetings held throughout 2021 are as follows:**

Meeting Name	Meeting Time	Attendance Percentage	Proxy
2 <sup>nd</sup> meeting of 2 <sup>nd</sup> Board	March 16, 2021	100%	Yes
1 <sup>st</sup> interim meeting of 2 <sup>nd</sup> Board	April 16-23, 2021	100%	Yes
3 <sup>rd</sup> meeting of 2 <sup>nd</sup> Board	June 23, 2021	100%	No
4 <sup>th</sup> meeting of 2 <sup>nd</sup> Board	September 15, 2021	100%	No
5 <sup>th</sup> meeting of 2 <sup>nd</sup> Board	December 15, 2021	100%	No

In 2021, the Bank convened five meetings of the Board, for which the convening procedures, number of attendees, deliberation proceedings, voting procedures and the procedures for making board resolutions and their contents are in compliance with the relevant requirements of laws, regulations and the Articles of Association. The minutes of the Board meetings are true and complete. 88 issues including but not limited to strategy, business, finance, organizational structure, personnel management, risk management, IT, auditing, etc. were considered and 36 resolutions were adopted to continuously improve the Bank's corporate governance and business management, actively supervise the senior management in performing their duties and ensure sound development of the Bank.

Six special committees are set under the Board, including the Audit Committee, the Related Transaction Control Committee, the Remuneration and Nomination Committee, the Risk Management Committee, the Strategy Committee and the Information Technology Committee. The members of each special committee are as follows:

<b>Audit Committee</b>		
Chairman:	Mr. Tan Weixian	Independent Director
Vice Chairman:	Mr. Gao Wenkuan	Independent Director
Member:	Ms. Khajarin Maintaka	Non-executive Director

<b>Related Transaction Control Committee</b>		
Chairman:	Mr. Gao Wenkuan	Independent Director
Vice Chairman:	Mr. Worawit Kiatthawee-anand	Non-executive Director

Member:	Mr. Anan Lapsuksatit	Non-executive Director
Member:	Mr. Tan Weixian	Independent Director

**Risk Management Committee**

Chairman:	Mr. Worawit Kiatthawee-anand	Non-executive Director
Vice Chairman:	Mr. Pattarapong Kanhasuwan	Non-executive Director
Member:	Mr. Zhang Jianjun	Independent Director

**Remuneration and Nomination Committee**

Chairman:	Mr. Zhang Jianjun	Independent Director
Vice Chairman:	Mr. Pipit Aneaknithi	Non-executive Director
Member:	Ms. Khajarin Maintaka	Non-executive Director

**Strategy Committee**

Chairman:	Mr. Pattarapong Kanhasuwan	Non-executive Director
Vice Chairman:	Mr. Anan Lapsuksatit	Non-executive Director
Member:	Ms. Jariporn Kijcharoenpaisan	Non-executive Director
Member:	Mr. Wang Congbao	Executive Director

**Information Technology Committee**

Chairman:	Mr. Jarung Kiatsupapong	Non-executive Director
Vice Chairman:	Mr. Anan Lapsuksatit	Non-executive Director
Member:	Mr. Pattarapong Kanhasuwan	Non-executive Director
Member:	Ms. Khajarin Maintaka	Non-executive Director



Member:	Ms. Jariporn Kijcharoenpaisan	Non-executive Director
Member:	Mr. Wang Congbao	Executive Director

Each special committee has its own clear roles and responsibilities and performed its duties diligently, has considered many issues in the areas of corporate strategy, remuneration and nomination, risk management, related party transaction control, information technology management and internal audit, and has made special opinions and recommendations thereon. Meetings of each special committee were held in 2021 as follows:

Name of Special Committee	Strategy Committee	Remuneration and Nomination Committee	Risk Management Committee	Related Transaction Control Committee	Audit Committee	Information Technology Committee
<b>Times</b>	7	4	14	20	4	10

#### 4. Independent Directors Performance

During the reporting period, the Bank had appointed three independent directors, namely Mr. Zhang Jianjun, Mr. Tan Weixian and Mr. Gao Wenkuan. Mr. Zhang Jianjun was appointed as the Chairman of the Remuneration and Nomination Committee and a member of the Risk Management Committee. Mr. Tan Wei Xian was appointed as the Chairman of the Audit Committee and a member of the Related Transaction Control Committee. Mr. Gao Wenkuan was appointed as the Chairman of the Related Transaction Control Committee and the Vice Chairman of the Audit Committee.

During the reporting period, all Independent Directors attended the Board meetings and relevant committee meetings thereunder. They performed duties with due diligence, carefully reviewed all proposals, made independent judgments and decisions on the Bank's main issues, gave objective and impartial independent opinions. In addition, the Bank's independent directors gave full play to their professional advantages in the relevant special committees of the Board to make professional suggestions on the Bank's corporate governance and operation and management activities, and played active and positive roles in both the Board and committees thereof to assist the Board in gaining an in-depth understanding of China's economic development, the banking industry and regulatory requirements.

#### 5. Supervisor Performance

During the reporting period, the Bank had one supervisor and didn't set a board of supervisors and didn't retain any external supervisors. The nomination of supervisors, their powers and responsibilities, qualifications for appointment, evaluation of

performance, etc. are specified in the Bank's Articles of Incorporation and the Measures for Evaluation of Supervisors' Performance.

From January 2021 to May 2021, Mr. Wirawat Panthawangkun served as the Supervisor of the Bank. On June 1, 2021, Mr. Wirawat Panthawangkun ceased to serve as Supervisor of the Bank due to personal reasons. Mr. Vongpat Bhuncharoen was appointed and authorized by the Shareholder to replace Mr. Wirawat Panthawangkun as Supervisor of the Bank with effect from June 1, 2021. Mr. Vongpat Bhuncharoen has served as President of KBank China and senior management positions in several important departments of KASIKORNBANK, and has extensive banking management experience. Mr. Vongpat Bhuncharoen is currently the First Senior Vice President of the International Business Group of KASIKORNBANK PUBLIC COMPANY LIMITED, and has no other concurrent positions in other organizations.

In 2021, Mr. Wirawat Panthawangkun and Mr. Vongpat Bhuncharoen attended all the Board meetings without voting rights during their term as Supervisor of the Bank and expressed their opinions and recommendations independently, professionally and objectively; kept abreast of the Bank's strategy, business management, financial position, risk management and audit work; and understood and monitored the performance of their duties through active communication and conversation with Board members and senior management.

## **6. Senior Management Composition and Performance**

### **(1) Mr. Wang Congbao (President of the Head Office)**

Mr. Wang Congbao, aged 52, joined the Bank (formerly KASIKORNBANK PUBLIC COMPANY LIMITED Shenzhen Branch) in December 2015 and is currently an Executive Director and President of KBank China, a member of the Strategy Committee and Information Technology Committee of KBank China.

Prior to joining the Bank, Mr. Wang Congbao worked at OCBC Wing Hang Bank (China) Limited (formerly Wing Hang Bank (China) Limited) for over 18 years, during which he held various management positions such as President of Shenzhen Branch, Vice President and Senior Vice President of Head Quarter, and has extensive experience in commercial banking and management.

Mr. Wang Congbao holds a Bachelor's degree in Civil Engineering from Tongji University in Shanghai.

### **(2) Mr. Kittipan Jamprawit (Vice President)**

Mr. Kittipan Jamprawit, aged 58, is currently the vice president of KBank China, in charge of the matters related to capital market business, financial interbank business and business line cooperation.

Mr. Kittipan Jamprawit has been with Kasikornbank Public Company Limited since

January 1987 and has successively held various management positions in the International Trade Department, International Trade Product and Business Process Development Department, Innovation and Strategy Headquarters, etc. He was appointed to serve as president of Kasikornbank (China) Company Limited Shanghai Branch in July 2017. Mr. Kittipan Jamprawit has 35 years of extensive experience in banking operations and team management, with particular expertise in banking business development, product strategy and development, and international trade business process and system building.

Mr. Kittipan Jamprawit holds a Master's degree in Management from Hult International Business School, USA.

**(3) Ms. Chen Qunying (Vice President)**

Ms. Chen Qunying, aged 46, is currently the vice president of KBank China, in charge of the matters related to operation center, operation management and administration.

Ms. Chen Qunying joined OCBC Wing Hang Bank (China) Limited (formerly Wing Hang Bank (China) Limited Shenzhen Branch) in September 1996 and has successively served as the head of Operations Department of, vice president of and head of Loan Operations Department of Wing Hang Bank Shenzhen Branch, and deputy general manager of the Office of the President of the Head Office of Wing Hang Bank. She joined in the Bank (formerly Kasikornbank Public Company Limited Shenzhen Branch) since July 2012, where she served as the director of Operations and Technology in China.

Ms. Chen Qunying holds a Master of Business Administration degree from Shenzhen University.

**(4) Ms. Zhou Juan (Vice President , Secretary of Board of Directors, Compliance Responsible Person)**

Ms. Zhou Juan, aged 43, joined the Bank (formerly KASIKORNBANK PUBLIC COMPANY LIMITED Shenzhen Branch) in August 2011, is currently the Vice President of KBank China, Board Secretary and Head of Compliance of KBank China, and is in charge of legal compliance and Board Secretary-related matters.

Ms. Zhou Juan has been in the banking industry for more than 20 years and has extensive experience in corporate governance and legal compliance management. Ms. Zhou Juan has held senior management positions in compliance field at Public Bank, Standard Chartered Bank and other institutions.

Ms. Zhou Juan holds a Master of Business Administration degree from Renmin University of China.

**(5) Ms. Siriporn Reangjit (Vice President)**

Ms. Siriporn Reangjit, aged 42, is currently the vice president of KBank China, in charge of retail business, and assisting in the formulation of strategic objectives,

execution plans and budget management for retail business.

Ms. Siriporn Reangjit has worked as product expert in China Business Management Department, expert in Overseas Business Development since she joined in KASIKORNBANK PUBLIC COMPANY LIMITED in December 2005. In addition, she served as the corporate business director and president of former KASIKORNBANK PUBLIC COMPANY LIMITED Shenzhen Branch since she was appointed to China in October 2016.

Ms. Siriporn Reangjit holds a Master's degree in Marketing from the Thammasat University, Thailand.

**(6) Mr. Ke Qiang Pu (Chief Risk Control Officer (To be appointed )and Division Head: Enterprise Risk Management Division)**

Mr. Ke Qiang Pu, aged 47, joined the bank in July 2021, by the end of 2021, he is appointed as chief risk control officer and Division Head of Enterprise Risk Management Division of KBank(China), in charge of the matters related to risk management of the Bank.

Mr. Ke Qiang Pu has many years of rich experience in commercial banking and risk management. He has served as senior risk analyst for risk management of Canadian Imperial Bank of Commerce, chief risk officer of Guangdong Infore Puhui Internet Microloan Co., Ltd., and chief consultant of risk management for the Global Financial Advisory Service Department of International Business Machines (China) Co., Ltd.

Mr. Ke Qiang Pu holds a Doctor of Philosophy (Mathematical Statistics) degree from York University, Canada.

**(7) Mr. Weekit Limrattanapan (Division Head: People Management & Development Division; Division Head: Strategy Accelerator Network - Retail Business; Acting Division Head: Business Strategy Management Division)**

Mr. Weekit Limrattanapan, aged 41, is currently Division Head: People Management & Development Division; Division Head: Strategy Accelerator Network - Retail Business; Acting Division Head: Business Strategy Management Division of KBank China, in charge of the matters related to human resources, retail business and strategy.

Mr. Weekit Limrattanapan has successively held management positions in the Financial Management Department, Information Services and Enterprise Resource Planning Department, Corporate Strategy Department since he joined in Kasikornbank Public Company Limited in May 2007, and served as the Finance Director of Kasikornbank Public Company Limited Laos Branch from 2014 to 2017. Mr. Limrattanapan was appointed to serve as director of Financial Management Department the Bank (formerly Kasikornbank (China) Company Limited Shenzhen Branch) since March 2017, and served as chief financial officer of KBank China from December 2017 to January 2018.

Mr. Weekit Limrattanapan holds a Master of Science degree in Finance from Thammasat University, Thailand.

**(8) Mr. Ding Wei (Chief Information Officer (To be appointed), Division Head: IT Division)**

Mr. Ding Wei, aged 40, is currently CIO (to be appointed) and Division Head: IT Division of KBank China, in charge of IT-related matters.

Mr. Ding Wei has more than 10 years of experience in IT-related work in financial platforms and Internet companies. He has served as the chief information officer of Jiangxi Yumin Bank Co., Ltd., the information director of Hangyin Consumer Finance Co., Ltd., and assistant to the president of and product technical officer (CTO) of Shanghai MiCFunding Internet Financial Services Co., Ltd.

Mr. Ding Wei holds a Master's degree in Computer Application from Zhejiang University.

**(9) Ms. Zhuojun Joyce Tan (Chief Financial Officer and Division Head: Finance Division)**

Ms. Zhuojun Joyce Tan, aged 49, is currently the chief financial officer of and Division Head: Finance Division of KBank China, in charge of the matters related to financial planning and fund management.

Ms. Zhuojun Joyce Tan has been engaged in finance management since 1996 and has worked in domestic and international financial institutions such as Scotiabank, Toronto-Dominion Bank and Standard Chartered Bank, with rich professional and management experience in the banking industry. Ms. Zhuojun Joyce Tan joined the Bank (formerly Kasikornbank Public Company Limited Shenzhen Branch) in September 2016 and has successively held various management positions such as general manager and director of the Planning and Financial Management Department in China.

Ms. Zhuojun Joyce Tan holds a Master of Business Administration degree from the Rotman School of Management, University of Toronto.

**(10) Ms. Ye Zhen (Chief Internal Audit Officer (To be appointed), Acting Director of Internal Audit Headquarters)**

Ms. Ye Zhen, aged 46, is currently Audit Responsible Person (to be appointed) and Acting Division Head: IA Division of KBank China, in charge of the matters related to internal audit.

Ms. Ye Zhen has over 10 years of rich experience in risk and internal control management in foreign banks and nearly 10 years of experience in auditing and consulting services in international consulting companies. In addition, she has successively held management positions in Royal Bank of Scotland (China) Limited, HSBC Bank (China) Limited and HSBC Global Services (Hong Kong) Limited.

Ms. Ye Zhen holds a Master's degree in Accounting from Fudan University.

**(11) Mr. Huang Kueiping (President of Shenzhen Branch)**

Mr. Huang Kueiping, aged 47, is currently the Branch Manager of Shenzhen Branch, and is fully responsible for the day-to-day operations and general management of Shenzhen Branch .

Mr. Huang Kueiping has over 20 years of rich experience in the financial and banking industry, with particular expertise in expanding corporate banking business, developing products and integrating business processes, maintaining customer relationships and developing banking business platforms. Mr. Huang Kuibin has worked in a number of foreign banks such as HSBC, Standard Chartered Bank and UOB, where he held management positions such as branch president and sub-branch president.

Mr. Huang Kuibin holds a Bachelor's degree in Accounting from the Chinese Culture University.

**(12) Ms. Chen Le ((Deputy Branch Manager of Shenzhen Branch)**

Ms. Chen Le, aged 47, is currently the Deputy Branch Manager of Shenzhen Branch , in charge of the operations and management of Shenzhen Branch.

Ms. Chen Le has over 27 years of banking experience. She joined the Bank (formerly KASIKORNBANK PUBLIC COMPANY LIMITED Shenzhen Branch) in July 2013 as the vice president of Shenzhen Branch. Ms. Chen Le has worked at Dah Sing Bank Limited Shenzhen Branch and Societe Generale Bank Shenzhen Branch, where she held managerial positions such as vice president and president of the Branch and head of Operations Department of the Head Office.

Ms. Chen holds a Master of Business Administration degree from the School of Management of Huazhong University of Science and Technology.

**(13) Ms. Qing Lin (Chief Compliance Officer of Shenzhen Branch)**

Ms. Qing Lin, aged 42, is currently the head of Department Head of Compliance Department in charge of compliance matters of Shenzhen Branch and managing compliance matters at head office.

Ms. Qing Lin has over 16 years of experience in compliance work in foreign banks and has extensive experience in bank compliance work and management. She joined the Bank (formerly Kasikornbank Public Company Limited Shenzhen Branch) in May 2012, and served as compliance officer of Shanghai Commercial Bank Limited Shenzhen Branch.

Ms. Qing Lin holds a Master's degree in Economics from Nanjing University of Science and Technology.

**(14) Mr. Panu Kijkongkhajohnchai (Branch Manager of Shanghai Branch)**

Mr. Panu Kijkongkhajohnchai, aged 44, is currently the Branch Manager of Shanghai Branch and is fully responsible for the day-to-day operations and general management of Shanghai Branch.

Mr. Panu Kijkongkhajohnchai has been focusing on China-related financial business during his working in financial industry for more than 10 years, and has held management positions such as general manager of Corporate Business Department of KASIKORNBANK (China) Company Limited Shenzhen Branch, vice president of China Financial Institution Management Department of KASIKORNBANK PUBLIC COMPANY LIMITED. Mr. Kijkongkhajohnchai was appointed to KASIKORNBANK (China) Company Limited Shanghai Branch in January 2019, where he served as director of Business Development Department and vice president of the Branch successively, and assumed the position of the president of the Branch in January 2021.

Mr. Panu Kijkongkhajohnchai holds a Master of Business Administration degree from Duke University, USA and a Master of Business Administration degree from Thammasat University, Thailand.

**(15) Ms. Yang Mei (Deputy Branch Manager of Shanghai Branch)**

Ms. Yang Mei is currently the Deputy Branch Manager of Shanghai Branch, assisting the president of Shanghai Branch in building and managing the operation team of Shanghai Branch, setting up team work plans, establishing and improving relevant work processes, improving work efficiency and service quality, effectively controlling operational risks and ensuring legal compliance of business.

Ms. Yang Mei has worked in the financial industry for many years, and has worked successively in China Construction Bank, Citibank Shanghai Branch, ABN AMRO Bank Shanghai Branch, and Royal Bank of Scotland Shanghai Branch for operation management and as compliance manager. In May 2016, she joined the preparatory team of KASIKORNBANK (China) Company Limited Shanghai Branch as a member of the preparatory team and vice president of Shanghai Branch.

Ms. Yang Mei holds a Bachelor's degree from Southeast University and a Master of Business Administration degree from China University of Mining and Technology.

**(16) Ms. Yu Weiyi (Chief Compliance Officer of Shanghai Branch)**

Ms. Yu Weiyi, aged 43, is currently the Chief Compliance Officer of Shanghai Branch, in charge of the overall coordination of the compliance risk management of the Branch.

Ms. Yu has over 20 years of experience in the financial industry and is familiar with various operational procedures and regulatory requirements of banking business. She has successively held management positions such as assistant vice president of United Overseas Bank (China) Co., Ltd. and assistant vice president of Royal Bank of Scotland (China) Co., Ltd. Ms. Yu Weiyi joined KASIKORNBANK (China) Company Limited Shanghai Branch in October 2019 and was approved as the branch compliance officer by the Shanghai Banking and Insurance Regulatory Bureau in March 2021.

Ms. Yu Weiyi holds a bachelor's degree in Investment and Financial Management from Shanghai University of Engineering Science.

**(17) Mr. Ruangchai Sobhavajirakupt (Branch Manager of Chengdu Branch)**

Mr. Ruangchai Sobhavajirakupt, aged 45, is currently the president of Chengdu Branch, and is fully responsible for the day-to-day operations and general management of Chengdu Branch.

Mr. Ruangchai Sobhavajirakupt has over 10 years of experience in the banking industry, having served as legal director at the Royal Bank of Scotland Bangkok Branch (formerly ABN AMRO Bank Bangkok Branch). He joined KASIKORNBANK PUBLIC COMPANY LIMITED in 2014 as first vice president and vice president of Large Corporate Business Division in the Corporate Business Headquarters and was appointed to KASIKORNBANK (China) Company Limited Chengdu Branch as the president thereof in May 2019.

Mr. Ruangchai Sobhavajirakupt holds a LLM degree from Victoria University of Wellington.

**(18) Mr. Chen Yi (Deputy Branch Manager of Chengdu Branch)**

Mr. Chen Yi, aged 50, is currently the Deputy Branch Manager of Chengdu Branch, in charge of the operations, administration, IT and finance of Chengdu Branch.

Mr. Chen has over 20 years of experience in banking management. He has worked in a number of foreign banks including HSBC, Standard Chartered Bank and OCBC Bank Singapore, and has extensive experience in branch operations management. He joined in former KASIKORNBANK PUBLIC COMPANY LIMITED Chengdu Branch in 2012.

Mr. Chen holds a Master of Business Administration degree from UESTC, a Senior Public Accountant FIPA (Australia) and a Senior Financial Accountant FFA (UK).

**(19) Ms. Liu Jin (Chief Compliance Officer Chengdu Branch)**

Ms. Liu Jin, aged 40, is currently the Chief Compliance Officer of Chengdu Branch, and is responsible for the overall coordination of compliance risk management of Chengdu Branch.

Ms. Liu Jin has been engaged in compliance management for a long time and is familiar with various operational procedures and regulatory requirements of banking business. She has rich experience in compliance management. She has been engaged in compliance work in many foreign banks such as HSBC and Sumitomo Mitsui. She joined the former KASIKORNBANK PUBLIC COMPANY LIMITED Chengdu Branch in 2015.

Ms. Liu Jin holds a Master's degree in Law from China University of Political Science and Law.

The senior management personnel of the Bank have extensive professional knowledge and experience in the banking field and perform their duties diligently and in strict accordance with the laws and regulations and the Articles of Association. The president



and other senior management personnel are responsible to the Board for carrying out the Bank's business management activities under the authorization of the Board, formulating business plans for the Bank's daily operations, implementing policies and procedures approved by the Board, improving and monitoring risk management and internal control, and building a good compliance culture.

### **Changes in the Senior Management in 2021**

From January 4, 2021, Mr. Panu Kijkongkhajohnchai served as Branch Manager of Shanghai Branch and Mr. Kittipan Jamprawit no longer served as the position accordingly.

From March 15, 2021, Ms. Weiyi Yu served as the Chief Compliance Officer of Shanghai Branch.

On July 19, 2021, Mr. Ke Qiang Pu joined the Bank and obtained the qualification approval to serve as the CRO on Jan. 17, 2022.

On August 20, 2021, Ms. Jiao Chen, the former Head of Internal Audit Division retired. Due to the needs of internal management, from August 17, 2021 Zhen Ye served as the Acting Head of IA Division.

On December 30, 2021, Wei Ding joined the Bank as the Head of IT Division, to be appointed the Chief Information Officer.

## **7. Compensation management**

The remuneration and welfare policy of the Bank aimed to provide a competitive remuneration level, help the Bank to attract and retain outstanding talents, promote business development and risk management, and ensured compliance with laws and regulations, regulatory requirements, risk management requirements and the corporate culture and values of the Bank. This remuneration policy reflected the effective combination of remuneration management with bank performance, long-term strategy and risk control.

The Bank has always adhered to the policy of sustainable and compliant development. The target setting of performance appraisal fully reflected the requirements of the Bank for risk management and control of departments and employees, including red line indicators such as risk and compliance, took business development as the main line of management, and paid attention to the Bank's corporate governance. While striving to expand business, the Bank also committed to fulfilling its corporate social responsibility and giving back to the society. The overall performance evaluation of the Bank also reflected the Bank's emphasis on social responsibility.

The base salary of employees of the Bank was determined by the market value of the position, personal work experience, responsibility and risk, internal staff salary level and other factors in accordance with the relevant policies of the Bank's remuneration and welfare management. The salary mechanism was in line with fairness, incentives

and constraint. The Bank reviews the salary level of employees every year and adjusts the base salary regularly according to the external market and the company's situation. Variable salary is mainly discretionary bonus, the main factors to be considered include the overall performance of the Bank, the performance of its departments and employee, the annual risk management and compliance, and whether there are violations of discipline.

According to regulatory requirements, the Bank adopted the method of deferring average payment of a portion of discretionary bonus in 3 years (excluding next year) to the Senior Management and employees who have important influence on risks. If it is subsequently confirmed that employee has violations of laws and regulations, fraud and bribery and other behaviors that need to be seriously held accountable, the Bank reserves the right to recover all or part of the bonus paid during the corresponding period and cancel the deferred bonus. The Bank's discretionary bonus is paid by cash transfer, and there is no non-cash incentives such as stock option.

In terms of benefit, in addition to the statutory social insurance and housing fund, the Bank also provided employees with commercial insurance, annual health checking, festival welfare, birthday leave, team building and other benefits, which reflected the Bank's care for employees and corporate culture.

In order to play the positive role of remuneration in corporate governance, the Bank's Board of Directors has established a Remuneration and Nomination Committee and formulated specific rules of procedure. The Remuneration and Nomination Committee was constituted by an Independent Director as chairman, who was responsible for presiding over the work of the committee, a vice chairman, and a member respectively. The Remuneration and Nomination Committee was responsible for reviewing employee remuneration and welfare, employee performance appraisal, annual remuneration adjustment and bonus distribution plans, remuneration and welfare management system and policy, appointment and removal of the Senior Management, remuneration incentive plans, etc.

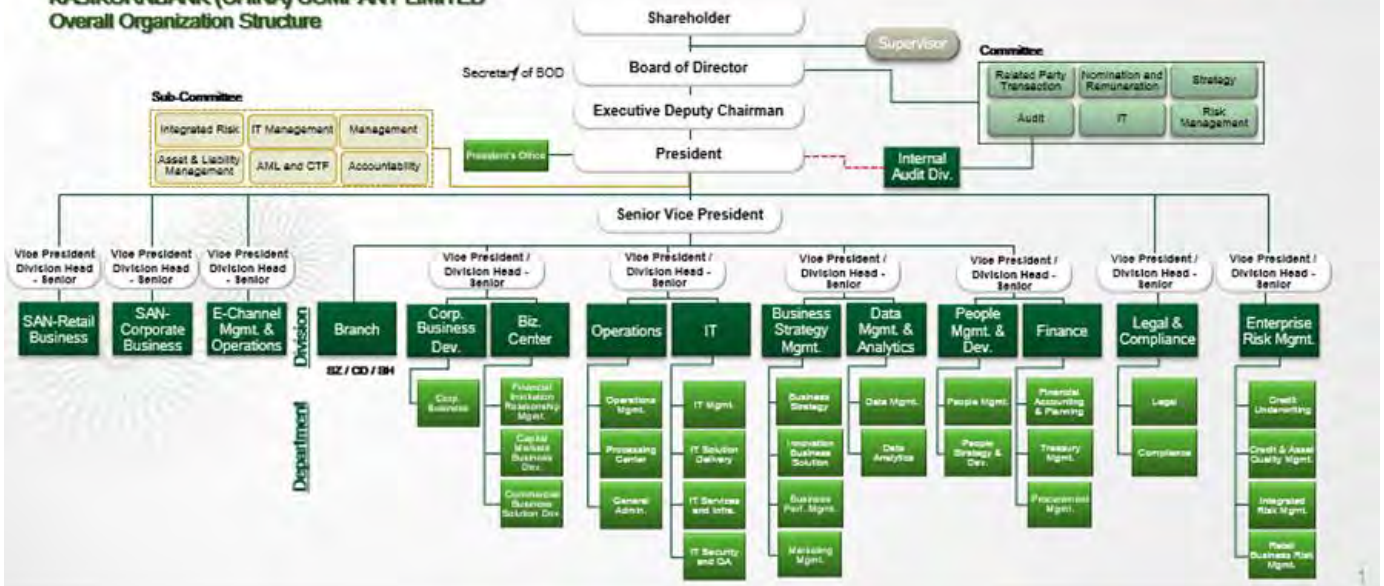
In 2021, there is no exception beyond the original remuneration plan and no remuneration deductions for any reason.

In 2021, except for Independent Directors and executive Directors, other Directors and the Supervisor did not receive remuneration from the Bank. In 2021, the Bank had paid a total of RMB1.17M of allowance to Independent Directors, and a total of RMB32.31M of salary to the Senior Management. 40% of discretionary bonus of the Senior Management will be paid deferred and equally in 3 years (excluding next year).

## **8. Organization Chart**



**KASIKORNBANK (CHINA) COMPANY LIMITED**  
Overall Organization Structure



## 9. Overall Self-assessment

The Bank had a clear shareholding structure and a sound organizational structure, and has established a corporate governance structure including Shareholder, Board of Directors, Supervisor, the Senior Management and other governance subjects in accordance with the corporate governance requirements of corporate banks, and the responsibilities of each subject were clearly defined. The Bank has formulated a scientific development strategy, abided by high standards of professional ethics, established an effective risk management and internal control mechanism, a standardized information disclosure mechanism and a reasonable check and balance supervision, incentive and restraint mechanism, and actively safeguarded the rights and interests of all stakeholders, and earnestly fulfilled social responsibilities.

The qualifications and appointment procedures of the Supervisor, Directors and the Senior Management of the Bank were legal and compliant, who performed their functions diligently, effectively checked and balanced, and exercised their rights and obligations strictly following the provisions of various laws, regulations and policies. During the reporting period, the operation of the Board of Directors was efficient and standardized, and the matters reviewed at the meeting covered various major business and management issues of the Bank. In the Board meetings, the Directors fully discussed the deliberation matters and voted on the approval matters in accordance with the law. All independent directors have played active roles in the Board meetings and special committees, expressed their opinions independently and impartially, and safeguarded the legitimate rights and interests of customers. The supervisors attended

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all board meetings and actively supervised the diligent performance of the Board of Directors and the Senior Management.

In 2021, with the promulgation and implementation of laws and regulations such as Corporate Governance Guidelines for Banking and Insurance Institutions, Measures for the Performance Evaluation of Directors and Supervisors of Banking and Insurance Institutions (Trial), The Notice on Further Strengthening the Commitment Management of Banking and Insurance Institutions' Shareholders for Relevant Matters, and Regulatory Measures on Conduct of Major Shareholders of Banking and Insurance Organizations (For Trial Implementation) , based on the form of a wholly foreign-owned limited liability company and the status of existing corporate governance, the Bank has comprehensively sorted out and revised the Articles of Association and various corporate governance policies, and further improved the working mechanisms on shareholder commitment and behavior management, the composition of the Board of Directors, the appointment and performance evaluation of Directors and Supervisors, information disclosure etc., and continuously improved the level of corporate governance of the Bank.

## Part 3 Risk Management

The Bank maintains sound operations and sustainable development under the existing comprehensive risk management system. For the main risks which encountered in management, the Bank's risk management system and the process have been fully covering credit risk, market risk, liquidity risk, operational risk, country risk, reputation risk, outsourcing risk, information technology risk, strategic risk, compliance and legal risk, and capital management etc. No major risks occurred in 2021, and the overall risks were controllable. The Bank will continue to improve risk management policy and procedure to ensure that the Bank's risk management system updated and improve the accuracy, effectiveness and flexibility of risk management.

### 1. Risk Governance Framework

The Bank established a risk management structure with sound organizational structure and clear responsibilities. It clearly defined the division of responsibilities between the Board of Directors, The Senior Management, various business departments, Enterprise Risk Management, and Internal Audit, and established a multi-level and related interface. And the operating mechanism of effective checks and balances.

The Board of Directors of the Bank assumed the ultimate responsibility for comprehensive risk management. The Board of Directors has set up special committees such as the Risk Management Committee, the Strategy Committee, the IT Committee, the Related Transaction Control Committee, the Remuneration and Nomination Committee, and the Audit Committee, and authorized them to assist the Board of Directors to perform various risk control and internal governance functions. It is to ensure that banks have established effective risk and internal control management mechanisms for various risks, to supervise and audit the Bank's overall risk measurement, risk management strategies, important systems and processes, review the risk appetite and various risk limits, regularly assess the Bank's risk policies, supervise the Senior Management's comprehensive risk management, and review comprehensive risks.

The Risk Management Committee under the Board of Directors assists the Board of Directors in conducting core risk management and provides specific opinions and suggestions to the Board of Directors. The Risk Management Committee was responsible for establishing a comprehensive risk management system, and approved the Bank's risk management systems and procedures, and supervised and reviewed risk management policies, standard procedures, strategies and overall risk measurement.

Lead by Division Head, Enterprise Risk Management ('ERM') is responsible for supporting the Risk Management Committee to perform the day-to-day management duties of comprehensive risks; actively participating in and cooperating with other functional departments to manage daily important risks, and taking the lead in coordinating identification and measurement. To assess, monitor, control or mitigate risks, report to the Risk Management Committee and the Senior Management in a

timely manner; continuously monitor the implementation of risk management strategies, risk appetite, risk limits and risk management policies and procedures, and break through risk appetite and risks Limits and violations of risk management policies and procedures, timely warning, reporting and handling suggestions; organize risk assessments to identify potential risks and management loopholes in a timely manner, and continuously improve the effectiveness of risk management.

## **2. Risk Management Policies and Procedures**

The Bank reviewed risk management policy at least annually, and revised it in accordance with laws and regulations and specific business development timely. The annual review of the policy shall be initiated by the competent department of the policy, and the revised policy was submitted to the integrated risk management committee, management committee and risk management committee for approval, among which important risk management policy shall be submitted to the Board of Directors for approval. The risk management committee shall be composed of at least three directors. The Committee shall meet at least once a month. In case of emergency, Adhoc meetings should be convened.

The risk management policies and procedures of the Bank fully covered credit risk, market risk, liquidity risk, operational risk, country risk, reputation risk, outsourcing risk, capital management and other risks. The Bank will continue to improve its risk management policies and procedures, and improve the accuracy, effectiveness and flexibility of risk management. In order to promote the healthy development of the Bank's off-site credit business and effectively prevent risks of off-site credit business, ERM added new regulations on the management of off-site credit business in 2021. By the end of 2021, the annual review and revision of all policies and procedures have been completed.

## **3. Credit Risk Management System**

The Bank's Business Development Department is responsible for pre-loan investigation and application, the Under Writing Department is responsible for credit examination and approval, and the Credit and Asset Quality Management Department is responsible for post-loan management and settlement. In addition, the early alert working group is responsible for review and discuss the early alert signals, and indicate action plans and solutions. If there is a problem in credit granting, the credit and asset quality management department shall conduct the liquidation work under the guidance of the Integrated Risk Subcommittee and implement the resolution of the committee. In 2021, the Bank's credit risk management system operated stably with no major changes.

In 2021, through risk warning system of the Bank timely and effectively identified some customers which were affected by the negative information of the parent company, high debt pressure and poor management etc. that triggered early warnings. The Bank has successfully resolved the crisis by examining credit risk rating, increasing guarantee methods, extending loan term, and paying close attention to customer market news and enterprise credit reports. The loan customers with early warning all paid the principal

and interest on time, and no problem credit was granted. Under the effective risk control mechanism and comprehensive institutional framework management, the Bank had no non-performing loans in 2021, the overall asset quality was good, the risk indicators met the expectations, and all risk management was orderly and implemented in place. In 2021, the Bank actively carried out online retail loan business and establish a credit risk assessment framework, including but not limited to partner assessment, risk model, anti-fraud, credit approval, approval data, asset portfolio monitoring, collection management etc. Under the continuous improvement of the retail loan risk management system, the overall asset quality was controllable and the risk management capability was continuously enhanced.

### **(1) Credit Risk Measurement and Stress Testing**

In accordance with internal system requirements, the Bank conducted the stress test of credit portfolio every year. The stress test of credit portfolio assumed that under the stress scenario, the stressed individual maintained the current business type, capital structure and management model for a certain period of time, and could not adjust the main aspects of its business in a short period of time to cope with the stress shock. The main pressure indicators include the debtor's sales revenue, cost of sales and working capital turnover period. The Bank's stress scenario was set based on the principle of prudence and conservatism, combined with factors such as market environment and economic cycle. If the debtor's stress-bearing capacity can meet the Bank's standards under the stress scenario and stress-bearing indicator set below, it shows that the debtor still has a strong ability to resist risks even in the period of long-term macro-economic recession. The test content included overall credit asset risk, overdue loan risk, SME loan risk, personal loan risk, customer concentration risk, inter-bank counterparty risk, investment loss risk, bond default risk and off-balance sheet business credit risk. The stress test of credit portfolio in 2021 has been completed. The stress test results showed that under mild, moderate and severe stress scenarios, the Bank's capital adequacy ratio was still much higher than the regulatory requirements and could cover risk losses.

### **(2) Credit Asset Risk Classification Management**

The Bank classified the risks of credit assets including but not limited to loans, bill financing, trade financing, overdraft, guarantee, letter of credit, bank acceptance bill, factoring, loan commitment, bond investment, lending capital, investment in specific-purpose vehicles (corresponding to the ultimate debtor) and other credit assets that were essentially subject to credit risk by the Bank, and classified the credit assets into normal, concerned, subordinated, suspicious and loss according to the probability of the customers paying their debts in full when due.

The Board of Directors assumed ultimately responsible for monitoring the effectiveness of credit asset risk classification management and the adequacy of loan loss reserves. ERM ensured that the risk classification of credit assets and the provision for loan loss reserves complied with the relevant policies and regulations of the regulatory authorities and the Bank, and was responsible for the comprehensive and effective

implementation of the management measures for the risk classification of credit assets and the provision for loan loss reserves to ensure that the risk classification was accurate and the provision for reserves was sufficient. Credit Operation Unit, Banking Operation Unit, Trade Processing Unit and Settlement Operation Unit maintained and updated the risk classification level in the relevant system according to the final credit asset risk classification result. The Financial Accounting and Planning Department performed system entry and accounting treatment, and check the accounting treatment results at the beginning of the month.

By the end of 2021, the Bank had no non-performing loans on corporate business. The borrowers of retail loan projects with overdue for more than 90 days will be considered non-performing loans. The overall loan balance of 2021 is RMB0.2685M. The overall asset quality was good.

#### **4. Country Risk**

The Bank implemented country risk classification to determine the country risk level, so as to set the country risk limit and obtained the approval of the Risk Management Committee. By fully considering the qualitative and quantitative factors of the economic, political and social conditions of a country or region, the Bank assessed the relevant risk of each country or region where it had been carried out or intended to carry out business. In case of instability or impending crisis in a country or region, the risk assessment of that country or region was updated in time, and the stress test of country risk was conducted regularly every year. In the process of formulating of enterprise development strategy, credit approval, borrower payment ability assessment, country risk rating and country risk limit, the risk assessment result of various countries was fully taken into account.

In 2021, the Bank conducted an annual review of the country risk management system, determined the risk limit of the relevant country, and adjusted the risk level and conducted a stress test on the existing country risk exposure. In the country risk stress test scenario it's fully considered the influence on the debtor's payment ability, bank profitability, capital adequacy ratio and other factors involved in the relevant risk exposure when the risk level rose to a higher level. ERM monitored the country risk exposure every month and regularly reported the monitoring result to the Board of Directors according to the system requirement. In 2021, there was no monitoring result that exceeded the limit. By the end of December 2021, the proportion of the Bank's businesses with country risk was relatively low (accounting for about 2.43% of the total credit assets), which was not the main risk factor of the Bank. However, considering the indivisibility of the business with the parent bank country Thailand and ASEAN region, the Bank also focused on the influence of these regions on China's economy political factors to monitor and prevent the potential country risks of related businesses.

#### **5. Liquidity Risk**



Based on the internal Liquidity Risk Management Policy & Liquidity Risk Management Procedure, the Bank selects a centralized management model and limit control method to monitor the Bank's liquidity risk. The Bank sets various liquidity risk management limits according to the structure of assets and liabilities, maturities of assets and liabilities, liquidity gap, liability concentration, business development status, financing strategies, and market liquidity, etc. The Bank monitors the liquidity status on daily basis, calculates the liquidity gap monthly and conducts the liquidity stress testing quarterly. The related risk control status is reported to Risk Management Committee periodically.

The Bank conducts the liquidity contingency drill once a year, to ensure that the Bank has the ability and effective measurements to cope with liquidity risk in case of a liquidity crisis. The Bank already conducted the annual liquidity contingency drill in December 2021, and the result showed that the whole process met the expectation.

Currently, the Bank's liquidity status is good, and the liquidity ratio is much higher than the regulatory requirements. As of end of 2021, the Bank's liquidity ratios in RMB and FCY exceeded the regulatory requirement of 25% as well as the Bank's internal limit. Both the high-quality liquid asset adequacy ratio (HQLAAR) and the liquidity matching ratio (LMR) exceeded the regulatory requirement of 100% as well as the Bank's internal limits. Other internal liquidity risk ratios are controlled with the acceptable risk level.

## **6. Market Risk**

The Bank drafted Market Risk Management Policy & Market Risk Management Procedure to manage and control market risk, which was monitored by Enterprise Risk Management Division and reported to Risk Management Committee periodically. According to the current business structure of the Bank, the main market risks faced by the Bank were interest rate risk and exchange rate risk.

For the interest rate risk in banking book, the Bank uses sensitive analysis (gap analysis & duration analysis) to measure interest rate risk. BY the end of 2021, the Net Interest Income Sensitivity Ratio and Economic Value Sensitivity Ratio were controlled with the Bank's internal limits.

For the foreign exchange rate risk ('FX risk'), the Bank adopted limit control, marked to market and discount method to measure and manage FX risk. The Bank calculated the FX Open Position through the system, and revalued the position by mark to market method to ensure the position was kept in the internal FX Open Position Limit and Stop Loss Limit. Meanwhile, the Bank adopted discount method/mark to market method to revalue the FX forward, FX Swap transactions to ensure the market risk indicators related to derivatives were controlled within the basis point USD value and stop loss limit. BY the end of 2021, the Bank's total FX Open Position Limit and related market risk limits were well controlled with the internal limits.

## 7. Operational Risk

Operational risk was defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The Bank was dedicated to improve the operational risk management in the reporting period.

The Bank enhanced the internal control, focused on operation compliance, identified, assessed, mitigated and monitored operational risk arising from various business processes via periodic Risk Control Self-Assessment and Key Risk Indicators. In 2021, the Bank had no operational risk events that caused major loss.

## 8. Internal Control

The Bank summarized and integrated over all methodologies and resources of operational risk management, internal audit and department level's internal control review outcomes, conducted internal control testing by policy and process owners, participators and operation management executors, which identified the inherent risks of the Bank's business processes and operation management activities, validated the control design and implementation effectiveness, evaluated the risk status and overall control outcome on both quantitative and qualitative basis, and implemented corrective actions of internal control defects.

Through validation and evaluation, the Bank's internal control design was considered adequate with fairly effective implementation as per Defect Criteria, with neither significant nor important internal control defect observed in the reporting period.

## 9. Capital Adequacy Ratio

The Bank adhered to a prudent and stable capital management philosophy and set a risk appetite for capital to ensure that the Bank's capital was maintained at a sufficient level in all circumstances to suit the business development plan; and adjusted the capital adequacy ratio to a reasonable level timely and effectively whenever necessary

### 9.1 Calculation Scope of Capital Adequacy Ratio

The Bank's capital definition was consistent with the *Administrative Measures for the Capital of Commercial Banks (for Trial Implementation)*, which included core Tier 1 capital, Tier 1 capital and Tier 2 capital. The calculation scope of the Bank's capital adequacy ratio included all branches in KBank China.

### 9.2 Capital Amount, Composition and Capital Adequacy Ratio at All Levels

The Bank calculated the capital adequacy ratio as of December 31, 2021 in accordance with the *Administrative Measures for the Capital of Commercial Banks (for Trial Implementation)* and other relevant regulations, and the calculation results met the relevant regulatory requirements. The capital adequacy ratios are as follows.

Unit: MRMB

Indicator	Balance
Total Risk Weighted Assets	12,344.67
Net Capital	3,064.36
Of which: Net Core Tier 1 Capital	2,917.04
Capital Adequacy Ratio	24.82%
Tier 1 Capital Adequacy Ratio	23.63%
Core Tier 1 Capital Adequacy Ratio	23.63%

## 10. Legal & Compliance Risk

The Bank has established and continuously improved a comprehensive legal and compliance risk management structure and mechanism. The Board of Directors was ultimately responsible for the legality and compliance of the Bank's business activities, and reviewed and approved the compliance policies and compliance risk management reports of commercial banks. The Board of Directors authorized the Risk Management Committee and Audit Committee to carry out daily supervision on the legal and compliance risk management. The Supervisor supervised the performance of legal and compliance management by the Board of Directors and the Senior Management. The Senior Management strictly implemented the laws and regulations and the policies and procedures of the Bank, effectively identified and managed the legal and compliance risks faced by the Bank, and ensured the operation in accordance with the law.

Under the guidance of the Senior Management, the Legal & Compliance division of the Bank identifies, evaluates and manages the legal and compliance risk in accordance with relevant laws, regulations and internal policies efficiently. In 2021, the Bank has not subjected to any regulatory punishment and the overall legal and compliance risk is controllable.

## 11. Money Laundering and Terrorist Financing Risk

The Bank has established a top-down Anti-Money Laundering and Anti-Terrorism Financing management mechanism. The Board of Directors was ultimately responsible for the effectiveness Anti-Money Laundering and Anti-Terrorism Financing management mechanism. The Bank has respectively set up the Anti-Money Laundering and Anti-Terrorism Financing sub-committee in head office and leading group in all branches to comprehensively manage the Anti-Money Laundering and Anti-Terrorism Financing work. In addition, the Bank designated the Anti-Money Laundering and Anti-Terrorism Financing management department and assigned full-time money laundering risk management professional in the head office, further clarified the Anti-Money Laundering and Anti-Terrorism Financing responsibilities of each functional department and established the related Anti-Money Laundering and Anti-Terrorism Financing policy hierarchy.

In 2021, the Bank actively fulfilled its anti money laundering obligations in accordance with regulatory requirements and risk-based good standards, and took various measures to improve the effectiveness of the Bank's money laundering risk control. First, further

improved the Bank's anti money laundering internal control system, revised and improved anti money laundering and anti-terrorism financing policies, money laundering and terrorist financing risk self-assessment management measures and other anti money laundering systems. Second, further improved the support ability of the system for money laundering risk management, optimized and improved the functions of the anti money laundering system, customized the suspicious transaction monitoring model for new businesses and completed the system optimization. Third, comprehensively carried out the pilot assessment of money laundering risk, and improved the ability of risk identification and the effectiveness of control measures. Fourth, deepen internal inspection and supervision and management, and effectively implemented anti money laundering inspection and audit. The Bank fairly performed anti-money laundering and counter-terrorism financing management in 2021, money laundering and terrorist financing risks was well under controlled.

The internal audit department regularly audited and evaluated the adequacy and effectiveness of the Bank's comprehensive risk management. During the audit period, the overall risk management and relevant internal control were good.

## Part 4 Corporate Social Responsibilities

The Bank actively responded to the national development strategy, followed the relevant contents of the *Guidelines for Establishing the Green Financial System*, the *Green Credit Guidelines* and combined with own development, the Bank formulated the green strategy in December 2020 and obtained the approval from the Board of Directors in March 2021. The Bank's green strategy was a development strategy based on sustainable risk management and good corporate governance principles, aimed at achieving green environmental protection, embedded three elements of environment, society and governance, comprehensively promoted the development of green strategy, established and improved a green low-carbon circular development economic system and created sustainable long-term returns. At present, the Bank's green finance business mainly includes green credit business. In addition, in order to ensure the smooth implementation of the green strategy, the Bank established an organizational management system with a sound structure and clear responsibilities, defining the responsibilities of the Board of Directors, Strategy Committee, the Senior Management and relevant departments, established and improved relevant policies, systems and processes of green credit in 2021, incorporated the development of green business into the performance appraisal system, and carried out relevant assessment work regularly. By the end of 2021, with the efforts of all branches, the Bank had successfully completed the green credit target set at the beginning of the year, with a completion rate of more than 100%.

The Bank fully implemented the government's decision-making, deployment and work requirements on pandemic prevention and control, supported and cooperated with the government's relevant pandemic prevention measures, and demonstrated the social responsibility of financial enterprise. The Bank made every effort to protect the health and life safety of the customers and employees and ensured the smooth operation of financial services through online investigation, external reporting and approval and other measures. In the second quarter of 2021, on pandemic prevention and control, the Bank, the sub-district office of government and the foreign affairs office carried out sympathy activities for the front-line anti pandemic staff, presented silk banners and anti pandemic materials including antibacterial hand gel, medical masks and drinks, and showed care for the front-line anti pandemic staff.

In the fourth quarter of 2021, the Bank and Shenzhen Charity Association purchased agricultural aid products on Shenzhen agricultural aid platform Shenzhen Poverty Alleviation, and donated the purchased agricultural aid products to poor families in Laowei community of Luohu District, expressed the Bank's concern and condolences to poor families, so as to overcome difficulties.

## Part 5 Consumer Rights Protection

The Bank has established a management mechanism for the protection of financial consumers' rights and interests and continued to improve the effectiveness of its work. The Board of Directors bear the ultimately responsible for the effective management of consumer rights protection. The Strategy Committee that under the BOD was responsible for the management and supervision of consumer rights protection. Management Sub-Committee, which was led by the President, undertakes daily management of consumer rights protection, so as to ensure the target from the aspects of strategy, policy implementation of consumer rights protection is achieved. In addition, the Bank has clarified roles and responsibilities of three lines of defense that includes pre-event coordination, in-event control and post-event supervision, and established an effective cooperation mechanism of mutual checks and balances. In 2021, such mechanism played its role in consumer rights protection.

In 2021, the Bank formulated the Personal Information Protection System in accordance with the Personal Information Protection Law, and further clarified the Bank's standards, responsibilities and authorities for processing personal information. In 2021, the Bank strengthened the training, inspection, education and publicity on the protection of financial consumers' rights and interests, and further improved the ability of financial consumers' rights and interest protection, and effectively protected the rights and interests of financial consumers.

In 2021, the Bank received two customer complaints related to consumer loans. The complaints were occurred in Guangdong, and all complaints were handled in a timely and proper manner.

## Part 6 Important Highlights

1. On May 24, 2021, Nutcharee Nuntivacharin resigned from the Board of Directors due to personal reasons and no longer served as a Director of KASIKORNBANK (China) Co., Ltd.
2. On June 1, 2021, Vongpat Bhuncharoen has succeeded Wirawat Panthawangkun as Supervisor of KASIKORNBANK (China) Co., Ltd. Meanwhile , Vongpat Bhuncharoen resigned from being the Director of KASIKORNBANK (China) Co., Ltd.
3. On June 1, 2021 , Pattarapong Kanhasuwan served as the Vice Chairman of KASIKORNBANK (China) Co., Ltd.
4. On June 1, 2021 , Jarison Kijcharoenpaisan served as the a Director of KASIKORNBANK (China) Co., Ltd.
5. On June 1, 2021 , Hataiporn Chiemprasert served as the a Director of KASIKORNBANK (China) Co., Ltd.
6. On December 13, 2021, Hataiporn Chiemprasert resigned from the Board of Directors due to personal reasons and no longer served as a Director of KASIKORNBANK (China) Co., Ltd.
7. According to the Regulations of the People's Republic of China on the Administration of Foreign-funded Banks and relevant laws and regulations, KASIKORNBANK (China) Co., Ltd. completed the change of financial license on December 16, 2021, added "agent issuance, agent redemption and underwriting of government bonds" and " agent collection and payment business" to the original approved business scope. The changed business scope is as follows. Operating foreign exchange business and RMB business for various customers within the following scope: taking deposits from the public; extending short-term, medium-term and long-term loans; acceptance and discounting of negotiable instruments; agent issuance, agent redemption and underwriting of government bonds; trading of treasury bonds, financial bonds and other foreign exchange 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 agent for selling and purchasing foreign exchange; insurance agency; inter-bank borrowing / lending; bank card business; safety box services; creditability investigation and consultancy services; such other businesses as approved from time to time by the banking supervisory and regulatory authorities..

The Branches of the Bank are authorized to carry out business within the business

scope approved by the Bank.

## **Part 7 Audited Financial Report and Notes to the Financial Report**



KASIKORNBANK (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

毕马威华振深审字第 2200740 号

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

### Opinion

We have audited the accompanying financial statements of KASIKORNBANK (China) Company Limited set out on pages 1 to 76, which comprise the balance sheet as at 31 December 2021, the income statement, the cash flow statement, the statement of changes in owners' equity for the year ended 31 December 2021, and notes to the financial statements.

In our opinion, the accompanying financial statements have been prepared, in all material respects, in accordance with the preparation basis as stated in Note 2 to the financial statements for the accrual of loan loss provisions and in other aspects in accordance with the requirements of Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China. The financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 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 KASIKORNBANK (China) Company Limited in accordance with the China Code of Ethics for Certified Public Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Information

Management is responsible for the other information. The other information comprises all the information included in 2021 annual report of KASIKORNBANK (China) Company Limited, other than the financial statements and our auditor's report thereon.

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

## **AUDITOR'S REPORT (continued)**

毕马威华振深审字第 2200740 号

### **Other Information (continued)**

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

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

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

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

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

## **AUDITOR'S REPORT (continued)**

毕马威华振深审字第 2200740 号

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

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

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

## AUDITOR'S REPORT (continued)

毕马威华振深审字第 2200740 号

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

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

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

KPMG Huazhen LLP  
Shenzhen branch

Certified Public Accountants

GOH GUAN CHUA

Shenzhen, China

Li Lulan

KASIKORNBANK (China) Company Limited  
 Balance sheet  
 as at 31 December 2021  
 (Expressed in Renminbi Yuan)

	Note	31 December 2021	31 December 2020
<b>Assets</b>			
Cash and balances with central bank	6	283,233,284	305,551,724
Balances with banks and other financial institutions	7	603,568,550	544,014,137
Placements with banks and other financial institutions	8	4,926,030,655	4,405,650,605
Derivative financial assets	9	5,900,433	6,451,835
Loans and advances to customers	10	6,441,710,554	3,677,779,971
Financial investment			
-Debt investments	11	2,820,608,453	2,905,895,253
-Other debt investments	12	811,782,474	1,888,714,853
Fixed assets	13	17,644,576	13,290,086
Construction in progress	14	11,756,630	3,759,626
Intangible assets	15	69,656,819	67,968,637
Long-term deferred expenses	16	2,252,347	2,861,566
Deferred tax assets	17	73,029,766	49,436,553
Other assets	18	554,866,322	351,570,567
		<u>16,622,040,863</u>	<u>14,222,945,413</u>
<b>Total assets</b>		<b>16,622,040,863</b>	<b>14,222,945,413</b>

The Notes on pages 10 to 76 form part of these financial statements.

KASIKORNBANK (China) Company Limited  
 Balance sheet  
 as at 31 December 2021 (continued)  
 (Expressed in Renminbi Yuan)

	Note	31 December 2021	31 December 2020
Liabilities and owners' equity			
Liabilities			
Balances with banks and other financial institutions	19	29,501,419	304,026,049
Placements from banks and other financial institutions	20	7,665,775,447	7,434,163,829
Derivative financial liabilities	9	23,046,600	54,307,640
Financial assets sold under repurchase agreements	21	1,960,812,399	155,264,291
Deposits from customers	22	3,782,319,307	3,190,392,398
Employee benefits payable	23	28,415,146	25,047,332
Taxes payable	5(3)	4,954,114	3,178,400
Provisions	24	2,454,018	674,865
Other liabilities	25	65,037,167	12,732,698
		<u>13,562,315,617</u>	<u>11,179,787,502</u>
Total liabilities		<u>13,562,315,617</u>	<u>11,179,787,502</u>

The Notes on pages 10 to 76 form part of these financial statements.

KASIKORNBANK (China) Company Limited  
 Balance sheet  
 as at 31 December 2021(continued)  
 (Expressed in Renminbi Yuan)

	Note	31 December 2021	31 December 2020
Liabilities and owners' equity (continued)			
Owner's equity			
Paid-in capital	26	3,000,000,000	3,000,000,000
Other comprehensive income	27	5,694,780	(2,996,082)
Surplus reserve	28	5,348,079	4,560,432
General risk reserve		48,682,387	-
Retained earnings		-	41,593,561
Total owners' equity		<u>3,059,725,246</u>	<u>3,043,157,911</u>
Total liabilities and owners' equity		<u>16,622,040,863</u>	<u>14,222,945,413</u>

These financial statements were approved by the Board of Directors of KASIKORNBANK (China) Company Limited on 30 March 2022.

\_\_\_\_\_  
 Wang Congbao  
 President

\_\_\_\_\_  
 Tan Zhuojun  
 Finance Division  
 Head

\_\_\_\_\_  
 Chen Yanjun  
 Financial  
 Accounting and  
 Planning  
 Department  
 Senior Team  
 Manager

\_\_\_\_\_  
 (Company stamp)

The Notes on pages 10 to 76 form part of these financial statements.



KASIKORNBANK (China) Company Limited  
Income statement  
for the year ended 31 December 2021  
*(Expressed in Renminbi Yuan)*

	Note	<u>2021</u>	<u>2020</u>
Operating income			
Interest income	30	570,987,332	416,712,710
Interest expense	31	<u>(296,861,234)</u>	<u>(212,977,273)</u>
Net interest income		<u>274,126,098</u>	<u>203,735,437</u>
Fee and commission income		10,418,353	7,197,866
Fee and commission expense		<u>(41,844,629)</u>	<u>(19,880,661)</u>
Net fee and commission expense	32	<u>(31,426,276)</u>	<u>(12,682,795)</u>
Investment income	33	4,624,314	1,381,360
Government grants	34	8,528,680	7,702,996
Profit/(loss) from arising from fair value changes	35	30,359,280	(48,169,921)
Net (loss)/gains from exchange differences	36	(43,736,585)	38,039,283
Other operating income	37	1,895,160	1,410,396
Loss from asset disposals		<u>(9,268)</u>	<u>-</u>
Other net income		<u>1,661,581</u>	<u>364,114</u>
Total operating income		<u>244,361,403</u>	<u>191,416,756</u>
Taxes and surcharges	38	(1,261,186)	(1,147,855)
Operating and administrative expenses	39	(197,825,350)	(183,584,139)
Credit impairment losses	40	<u>(63,832,140)</u>	<u>(24,095,529)</u>
Operating expenses		<u>(262,918,676)</u>	<u>(208,827,523)</u>
Operating loss		<u>(18,557,273)</u>	<u>(17,410,767)</u>

The Notes on pages 10 to 76 form part of these financial statements.

KASIKORNBANK (China) Company Limited  
Income statement  
for the year ended 31 December 2021 (continued)  
*(Expressed in Renminbi Yuan)*

	Note	<u>2021</u>	<u>2020</u>
Operating loss		(18,557,273)	(17,410,767)
Add: Non-operating Income		41,885	81,213
Less: Non-operating expenses		<u>(98,306)</u>	<u>(63,109)</u>
Loss before income tax		(18,613,694)	(17,392,663)
Less: Income tax expenses	41	<u>26,490,167</u>	<u>22,889,212</u>
Net profit		<u>7,876,473</u>	<u>5,496,549</u>
Net profit from continuing operations		7,876,473	5,496,549
Other comprehensive income, net of tax	42		
Items that may be reclassified to profit or loss			
- Credit impairment losses of debt investments		(1,371,629)	2,967,422
- Changes in fair value of other debt investments		<u>10,062,491</u>	<u>(6,633,900)</u>
Total comprehensive income		<u>16,567,335</u>	<u>1,830,071</u>

The Notes on pages 10 to 76 form part of these financial statements.

KASIKORNBANK (China) Company Limited  
Cash flow statement  
for the year ended 31 December 2021  
(Expressed in Renminbi Yuan)

	Note	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:			
Proceeds from interest income		483,476,643	337,577,124
Proceeds from fee and commission		10,418,353	7,197,866
Net decrease in balances with central bank		15,388,636	-
Net decrease in balances with banks and other financial institutions		100,284,988	-
Net decrease in placements with banks and other financial institutions		3,388,271,071	-
Net increase balances from banks and other financial institutions		-	289,187,185
Net increase in placements from banks and other institutions		231,611,618	2,361,116,829
Net increase in financial assets sold under repurchase agreements		1,805,548,108	155,264,291
Net increase in deposits from customers		591,926,909	464,502,445
Proceeds from other operating activities		10,465,725	5,474,111
		<u>6,637,392,051</u>	<u>3,620,319,851</u>
Sub-total of cash inflows			
Payment for interest expense		(295,576,070)	(256,318,417)
Payment for fee and commission		(41,844,629)	(19,880,661)
Net increase in cash and balances with central bank		-	(51,117,568)
Net increase in balances with banks and other financial institutions		-	(24,434,972)
Net increase in placements from banks and other financial institutions		-	(2,064,397,911)
Net decrease in balances from banks and other financial institutions		(274,524,630)	-
Net increase in loans and advances to customers		(2,832,300,908)	(205,067,018)
Payment to and for employees		(121,714,720)	(110,000,121)
Payment of various taxes		(8,821,486)	(9,332,953)
Payment for other operating activities		(87,945,378)	(47,337,746)
		<u>(3,662,727,821)</u>	<u>(2,787,887,367)</u>
Sub-total of cash outflows			
Net cash flow from operating activities	43(a)	<u>2,974,664,230</u>	<u>832,432,484</u>

The Notes on pages 10 to 76 form part of these financial statements.

KASIKORNBANK (China) Company Limited  
Cash flow statement  
for the year ended 31 December 2021 (continued)  
(Expressed in Renminbi Yuan)

	Note	<u>2021</u>	<u>2020</u>
Cash flows from investing activities:			
Proceeds from disposal of investments		3,340,000,000	1,661,381,360
Proceeds from returns on investments		<u>60,017,627</u>	<u>54,536,266</u>
Sub-total of cash inflows		<u>3,400,017,627</u>	<u>1,715,917,626</u>
Payment for acquisition of fixed assets and other long-term assets		(202,322,906)	(356,458,917)
Payment for acquisition of investment		<u>(2,114,320,755)</u>	<u>(2,560,890,959)</u>
Sub-total of cash outflows		<u>(2,316,643,661)</u>	<u>(2,917,349,876)</u>
Net cash flows generated/(used) by investing activities		<u>1,083,373,966</u>	<u>(1,201,432,250)</u>
Cash flow from financing activities:			
Repayment of lease liabilities		<u>(13,742,392)</u>	<u>NA</u>
Sub-total of cash outflows		<u>(13,742,392)</u>	<u>NA</u>
Effect of foreign exchange rate changes on cash and cash equivalents		<u>12,608,081</u>	<u>41,759,777</u>
Net increase/(decrease) in cash and cash equivalents	43(b)	4,056,903,885	(327,239,989)
Add: Cash and cash equivalents at the beginning of the year		<u>1,143,965,094</u>	<u>1,471,205,083</u>
Cash and cash equivalents at the end of the year	43(c)	<u>5,200,868,979</u>	<u>1,143,965,094</u>

The Notes on pages 10 to 76 form part of these financial statements.

KASIKORNBANK (China) Company Limited  
Statement of changes in owner's equity  
For the year ended 31 December 2020 and 2021  
(Expressed in Renminbi Yuan)

	Note	<u>Share capital</u>	<u>Other comprehensive income</u>	<u>Surplus reserve</u>	<u>General risk reserve</u>	<u>Retained earnings</u>	<u>Total</u>
Balance at 1 January 2021		3,000,000,000	(2,996,082)	4,560,432	-	41,593,561	3,043,157,911
1. Total comprehensive income for the year		-	8,690,862	-	-	7,876,473	16,567,335
2. Appropriation of profits							
- Appropriation of surplus reserves	28	-	-	787,647	-	(787,647)	-
- Appropriation of general risk reserve	29	-	-	-	48,682,387	(48,682,387)	-
Sub-total of 1 to 2		-	8,690,862	787,647	48,682,387	(41,593,561)	16,567,335
Balance at 31 December 2021		3,000,000,000	5,694,780	5,348,079	48,682,387	-	3,059,725,246

The Notes on pages 10 to 76 form part of these financial statements.

KASIKORNBANK (China) Company Limited  
Statement of changes in owner's equity  
For the year ended 31 December 2020 and 2021  
(Expressed in Renminbi Yuan)

	Note	<u>Share capital</u>	<u>Other comprehensive income</u>	<u>Surplus reserve</u>	<u>Retained earnings</u>	<u>Total</u>
Balance at 31 January 2019		3,000,000,000	454,775	4,010,777	36,646,667	3,041,112,219
Changes in accounting policy		-	215,621	-	-	215,621
Adjusted balance at 1 January 2020		3,000,000,000	670,396	4,010,777	36,646,667	3,041,327,840
1. Total comprehensive income for the year		-	(3,666,478)	-	5,496,549	1,830,071
2. Appropriation of profits						
- Appropriation of surplus reserve	28	-	-	549,655	(549,655)	-
Sub-total of 1 to 2		-	(3,666,478)	549,655	4,946,894	1,830,071
Balance at 31 December 2020		3,000,000,000	(2,996,082)	4,560,432	41,593,561	3,043,157,911

The Notes on pages 10 to 76 form part of these financial statements.

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

1 Basic information

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

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

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

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

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

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

In accordance with "Regulations of the People's Republic of China on the Administration of Foreign-funded Banks" (Amended in 2019) and relevant acts, the Bank completed the change of finance permit on December 16, 2021, adding "acting as an agent for issuance, redemption and underwriting of government bonds" and "acting as an agent for payments and receipts" of the original approved business scope. The business scope after the change is as follows: the Bank engages in foreign currency business and RMB business for various clients within the following scope: accept public deposits; offer short-term, mid-term and long-term loans; handle acceptance and discount of receipts; act as an agent for issuance, redemption and underwriting of government bonds; buy and sell treasury bonds, financial bonds and other securities priced in foreign currencies other than shares; provide letters of credit and guarantees; process domestic and overseas settlement; buy and sell foreign exchange whether on its own or acting as an agent; act as an agent for collection of monies and engage in insurance agency businesses; engage in interbank borrowing; provide safe deposit boxes; provide credit checks and consultancy services; and engage in any other business approved by the banking supervision and regulatory authorities of the State Council.

## 2 Basis of preparation

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

The financial statements are for the use of the Bank and for the submission to the relevant regulatory authorities only. Accordingly, this financial statement is not intended for other purposes.

The financial statements have been prepared in accordance with the requirement of the Accounting Standards for Business Enterprises published by the Ministry of Finance of the People's Republic of China. The Bank makes loan loss provision with reference to the Administrative Measures for the Loan Loss Provision of Commercial Bank (Yin Jian Hui Ling [2011] No.4) and the Notice on Adjustment of Regulation requirements for Loan Loss Provision of Commercial Banks (Yin Jian Fa [2018] No.7) published by the CBRC, the minimum provisioning ratio is 1.5% and the minimum provisioning coverage ratio is 120%. The Bank calculates the loan loss provision amount in accordance with the requirements of the Accounting Standards for Business Enterprises published by the Ministry of Finance of the People's Republic of China (see Note 3(5)(g)) and the above regulatory standards to determine the higher amount for loan loss provision of the Bank. These accounting policies are in compliance with laws and regulations and reporting requirements of relevant authorities.

In addition to provision for loan impairment, this financial statement is prepared in accordance with the accounting policies stated in Note 3 below. These accounting policies are in compliance with the requirement of the Accounting Standards for Business Enterprises published by the Ministry of Finance of the People's Republic of China.



### 3 Significant accounting policies and accounting estimates

#### (1) Accounting year

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

#### (2) Functional currency and presentation currency

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

#### (3) Cash and cash equivalents

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

#### (4) Translation of foreign currencies

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

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

#### (5) Financial instruments

Financial instruments refers to the contracts that give rise to financial assets of one party and the financial liabilities or equity instruments of another party. Financial instruments include balances with central bank, balances with banks and other financial institutions, placements with banks and other financial institutions, derivative financial assets, loans and advances to customers, debt investments, other debt investments, deposits from banks and other financial institutions, derivative financial liabilities, financial assets sold under repurchase agreements, deposits from customers, employee benefits payable, and paid-in capital.

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

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

Financial assets and financial liabilities are measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs.

(b) Classification and subsequent measurement of financial asset

(i) Classification of financial assets

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

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

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

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

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

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

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

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

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

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

(ii) Subsequent measurement of financial assets

- Financial assets at FVTPL

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

- Financial assets at amortised cost

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

- Debt investments at FVOCI

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

- Equity investments at FVOCI

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

(c) Classification and subsequent measurement of financial liabilities

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

- Financial liabilities at FVTPL

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

Financial liabilities at FVTPL are subsequently measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss, unless:

- the financial liabilities are part of hedging;
- the financial liabilities are designated to be measured at its fair value and of which the variation is included into the profits and losses of the current period, the variation of the fair value of the liability incurred by the variation of its own credit risk shall be included into other comprehensive income.

- Other financial liabilities

Other financial liabilities are measured at amortized cost pursuant by applying the effective interest rate method, except for the financial liabilities, financial guarantee contracts and loan commitments arising from the transfer of financial assets that does not meet the conditions for derecognition or from the continuous involvement in the transferred financial (see Note3(5)(d)).

(d) Loan commitments

Loan commitments refers to definite commitments to provide credit pursuant to terms and conditions prescribed in advance.

Impairment of loan commitments provided by the Bank are measured based on expected credit impairment losses. The Bank does not commit to make loans at the price lower than market interest rates, nor make cash payments or issue other financial instruments as a net settlement of loan commitments.

The Bank presents the impairment of the loan commitments under the provision caption. But if one instrument contains both loan and unused commitment and the Bank is unable to distinguish the expected credit loss between the part of loan and the part of unused commitment, both of the impairment loss are presented in the provision for impairment of the loan, unless both of the provision for impairment exceeds the loan balance. In this case, the provision for impairment is presented under the provision caption.

(e) Offsetting

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

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

(f) Derecognition of financial assets and financial liabilities

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

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

If the financial asset has been transferred, but the Bank neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, and it retains its control over the transferred asset, the Bank shall continue to recognize the financial asset to the extent of its continuing involvement in the transferred financial asset, and recognize the associated liabilities.

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 recognized directly in other comprehensive income for the part derecognised.

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

(g) Impairment

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

- the financial asset is measured at amortised cost;
- debt instrument measured at FVOCI;
- financial guarantee contracts issued, which are not measured at FVTPL.

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

### *Measurement of ECLs*

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

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

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

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

Based on whether the credit risks of financial instrument have significantly increased from its initial recognition, the Bank divides each business into three risk stages and calculates loss provision.

The main definitions of the three risk stages of financial instruments are as follows:

- Stage 1: For financial instruments whose credit risks have not been significantly increased from initial recognition, the loss provision is measured at an amount equal to the expected credit loss of the financial instrument for the next 12 months.
- Stage 2: For financial instruments whose credit risks have been significantly increased from initial recognition but that have not suffered credit impairment, the loss provision is measured at an amount equal to the expected credit impairment losses for the whole duration.
- Stage 3: For financial instruments whose credit risks have suffered credit impairment, the loss provision is measured at an amount equal to the expected credit impairment losses for the whole duration.

### *Financial instruments that have low credit risk*

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

### *Significant increases in credit risk*

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

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

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

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

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

#### *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.
- more than 90 days past due.

#### *Presentation of allowance for ECL*

ECLs are remeasured at each balance sheet date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Bank recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for debt investments that are measured at FVOCI, for which the loss allowance is recognised in other comprehensive income. For loan commitments measured at non-FVTPL, the Bank recognized an impairment loss under the provisions caption (see Note 24).

### *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.

#### (h) Equity instruments

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

#### (i) Financial assets purchased under resale agreements and Financial assets sold under repurchase agreements

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

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

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

#### (j) Derivative instruments

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

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

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



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

(6) Fixed assets and construction in progress

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

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see Note 3(10)). Construction in progress is stated in the balance sheet at cost less accumulated impairment losses (see Note 3(10)).

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

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

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

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

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

	<u>Estimated useful life</u>	<u>Residual value rate</u>	<u>Depreciation rate</u>
Office and other equipment	8 years	10.00%	11.25%
Motor vehicles	5 years	10.00%	18.00%
Computers and electronic devices	5 years, 10 years	10.00%	18.00%, 9.00%

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

## (7) Leases

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 or implicitly specified in a contract 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 and the lessor 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 and the lessor separate lease components from non-lease components. However, for the leases of land and buildings in which it is a lessee, the Bank has elected not to separate lease components from non-lease components and account for the lease and non-lease components as a single lease component.

### 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(10).

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.

The Bank has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Bank recognises the lease payments associated with these leases in profit or loss or as the cost of the assets where appropriate using the straight-line method over the lease term.

#### (8) 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(10)).

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

	<u>Amortisation period</u>
Software	5 to 15 years
Members fee	10 years

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

(9) 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(10)).

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

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

(10) Impairment of assets other than financial assets

Impairment of other assets is treated as the following principles except for impairment of assets in Note 3(13):

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

- Fixed assets
- Construction in progress
- Right-of-use asset
- Intangible assets
- Long-term deferred expenses

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

The recoverable amount of an asset (or asset group, set of asset groups) is the higher of its fair value (see Note 3(11)) 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 first to reduce the carrying amount of any goodwill allocated to the asset group or set of asset groups, and then to reduce the carrying amount of the other 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.

(11) 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.

(12) Employee benefits

(a) Short-term employee benefits

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

(b) Post-employment benefits— defined contribution plans

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

(c) Termination benefits

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

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

(d) Other long-term employee benefits

Deferral payment of employee benefits on the basis of actual business operations for important positions employee, measured at the amount accrued, 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.

(13) Income tax

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

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

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

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

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

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

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

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

- the taxable entity has a legally enforceable right to offset current tax liabilities and assets, and
- they relate to income taxes levied by the same tax authority on either:
  - the same taxable entity; or
  - different taxable entities which intend either to settle the current tax liabilities and current tax 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 deferred tax assets are expected to be settled or recovered.

(14) Provisions and contingent liability

A contingent liability is a possible obligation that arises from past transactions or events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events; or a present obligation that arises from past transactions or events but not recognised either because it is not probable that an outflow of economic benefits from the enterprise will be required to settle the obligation or because the amount of the obligation cannot be measured reliably. The Bank does not recognise the obligation, but disclose the contingent liability in Note 45 Contingent liabilities and commitments.

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.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where there is a continuous range of possible outcomes for the expenditure required, and each possible outcome in that range is as likely as any other, the best estimate is the mid-point of that range. In other cases, the best estimate is determined according to the following circumstances:

- Where the contingency involves a single item, the best estimate is the most likely outcome.
- Where the contingency involves a large population of items, the best estimate is determined by weighting all possible outcomes by their associated probabilities.

The Bank reviews the carrying amount of a provision at the balance sheet date and adjusts the carrying amount to the current best estimate.

(15) Revenue recognition

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

(a) Interest income

For all financial assets measured at amortized cost and FVOCI, interest income is recognised using the effective interest rate. The effective interest rate refers to the interest rate adopted to discount the estimated future cash flow of a financial asset or financial liability within its duration into the book balance of the financial asset or into the amortized cost of the financial liability. When the effective interest rate is determined, all the contractual provisions concerning the financial instruments (such as prepayment) and all expenses and transaction costs attributable to the components of the effective interest rate shall be taken into account, but the prospective credit loss shall not be taken into account.

The Bank determines interest income by multiplying the book balance of the financial asset by the effective interest rate, except that:

- For a purchased or derived financial asset of which the credit impairment has occurred, as of its initial recognition, the interest income is calculated and determined on the basis of the amortized cost of the financial asset and the effective interest rate adjusted by the credit.
- For a purchased or derived financial of which the credit impairment has not occurred but becomes one that has incurred credit impairment in the subsequent period, in the subsequent period, the interest income is calculated and determined based on the amortized cost of the financial asset and the effective interest rate. If the financial instrument no longer suffers credit impairment in subsequent period(s) due to improvement in credit risks, and such improvement is objectively related to a certain event which occurs after application of the aforesaid, the interest income is calculated and determined using the effective interest rate multiplied by the book balance of the financial asset.



(b) Fee and commission income

The Bank receives fee and commission income by providing various services to the clients. Fee and commission income is recognised when the Bank has satisfied the performance obligation in the contract by transferring the control over relevant goods or services to the customers.

The Bank satisfies a performance obligation over time if one of the following criteria is met; or otherwise, a performance obligation is satisfied at a point in time:

- the customer simultaneously receives and consumes the benefits provided by the Bank's performance as the Bank performs;
- the customer can control the service created or enhanced during the Bank's performance; or
- the Bank's performance does not create an asset with an alternative use to it and the Bank has an enforceable right to payment for performance completed to date.

(16) Government grants

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

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

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

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

(17) Profit distributions

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

(18) 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.

(19) Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Bank's internal organisation, management requirements and internal reporting system after taking materiality principle into account. Two or more operating segments may be aggregated into a single operating segment if the segments have the similar economic characteristics and are same or similar in respect of: the nature of each segment's products and services, the nature of production processes, the types or classes of customers for the products and services, the methods used to distribute the products or provide the services and the nature of the regulatory environment.

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

(20) Significant accounting estimates and judgements

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

Notes 3(6) and 3(8) contain information about the accounting estimates relating to depreciation and amortisation of assets such as fixed assets and intangible assets. Note 3(10) contain information about the accounting estimates relating to provisions for impairment of various types of assets. Other significant accounting estimates are as follows:

Note 17 - Recognition of deferred tax assets; and  
Note 48 - Valuation of fair value of financial instruments.

#### 4 Changes in accounting policies

##### Changes in accounting policies and their reasons

In 2021, the Bank has adopted the following newly revised accounting standards:

- CAS No.14 - Revenue (Revised) (“new revenue standard”)
- CAS No.21 - Lease (Revised) (Caikuai [2018] No.35) (“new lease standard”)
- The Accounting Treatment of COVID-19-Related Rent Concessions (Caikuai [2020] No.10) and Notice of Extending the Applicable Period of ‘Accounting Treatment of COVID-19 Related Rent Concessions’ (Caikuai [2021] No.9)
- CAS Bulletin No.14 (Caikuai [2021] No.1) (“Bulletin No.14”)

##### (a) New revenue standards

New revenue standard replaces CAS No.14 – Revenue and CAS No.15 - Construction Contracts issued by the MOF in 2006 (“previous revenue standard”).

Under previous revenue standard, the Bank recognised revenue when the risks and rewards had passed to the customers. Under new revenue standard, revenue is recognised when the customer obtains control of the promised goods or services in the contract. The new revenue standard introduces a wide range of qualitative and quantitative disclosure requirements designed to enable users of financial statements to understand the nature, amount, time distribution and uncertainty of revenue and cash flows arising from contracts with clients.

The adoption of the above standards does not have significant effect on the financial position and financial performance of the Bank.

##### (b) New leases standard

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 either:

- 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.

The Bank uses the following practical expedients to account for leases classified as operating leases before the date of initial application:

- accounted for the leases for which the lease term ends within 12 months of the date of initial application as short-term leases;
  - applied a single discount rate to leases with similar characteristics when measuring lease liabilities;
  - excluded initial direct costs from measuring the right-of-use assets;
  - determined the lease term according to the actual implementation or other updates of options before the date of initial application if the contract contains options to extend or terminate the lease;
  - adjusted the right-of-use assets by the amount of onerous contract provision applying CAS No.13 – Contingencies immediately before the date of initial application, as an alternative to an impairment review;
  - accounted for lease modifications before the initial year of application according to the final arrangement of the change under new leases standard without retrospective adjustments.
- Effect of the application of new leases standard since 1 January 2021 on financial statements

When measuring lease liabilities, the Bank discounted lease payments using its incremental borrowing rate at 1 January 2021. The weighted average rate applied by the Company is 3.41%.

The reconciliation between the unpaid minimum lease payments for significant operating leases disclosed on 31 December 2020 and the lease liabilities as of 1 January 2021:

	The Bank
The total future minimum lease payments of significant operating leases disclosed in the financial statements as at 31 December 2020	56,136,912
Present value discounted using the Bank's incremental borrowing rate at 1 January 2021	46,118,051
Less: the affected amounts of short-term leases that will be completed within 12 months from January 1 2021	(749,193)
the affected amounts of leases of low-value assets	(141,921)
	45,226,937
Lease liabilities under new lease standard at 1 January 2021	45,226,937

(c) Caikuai [2020] No.10 and Caikuai [2021] No.9

The Accounting Treatment of COVID-19 Related Rent Concessions (Caikuai [2020] No.10) provides practical expedient under certain conditions for rent concessions occurring as a direct consequence of the COVID-19 pandemic. If the Bank choose to adopt the practical expedient, then there is no need to assess whether there is a lease change or reassess the lease classification. In combination of the requirements of Caikuai [2021] No.9, such practical expedient is only applicable to any reduction in lease payments due before 30 June 2022.

The adoption of the above regulations does not have significant effect on the financial position and financial performance of the Bank.

(d) Bulletin No.14

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

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.

The adoption of Bulletin No.14 does not have significant effect on the financial position and financial performance of the Bank.

## 5 Taxation

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

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

- (2) Income tax

The statutory income tax rate of the Bank is 25%. The applicable income tax rate for the year is the statutory rate (2020: 25%).

- (3) Taxes payable

	31 December 2021 RMB	31 December 2020 RMB
VAT	3,174,962	1,433,992
Individual income tax	1,482,153	1,434,185
Taxes and surcharges and others	<u>296,999</u>	<u>310,223</u>
<b>Total</b>	<b><u>4,954,114</u></b>	<b><u>3,178,400</u></b>

## 6 Cash and balances with central bank

	Note	31 December 2021 RMB	31 December 2020 RMB
Balances with central bank			
Statutory deposit reserves - RMB	(1)	265,691,440	281,380,509
Statutory deposit reserves - foreign currencies	(1)	14,364,452	14,064,019
Surplus deposit reserves	(2)	<u>3,359,010</u>	<u>10,277,325</u>
Subtotal		283,414,902	305,721,853
Less: Provision for impairment		<u>(181,618)</u>	<u>(170,129)</u>
<b>Total</b>		<b><u>283,233,284</u></b>	<b><u>305,551,724</u></b>

- (1) The Bank deposits statutory reserve with the People's Bank of China. These statutory reserves cannot be used for the daily operation of the Bank.

At the balance sheet date, the Bank's statutory reserve ratio in the Mainland of China is:

	<u>2021</u>	<u>2020</u>
- Proportion of RMB deposits deposited	8%	10.5%
- Proportion of foreign currency deposits	9%	5%

The deposit reserve ratio of RMB of the Bank in Mainland China is in accordance with the relevant regulations of the People's Bank of China.

- (2) The excess deposit reserve includes cash deposited with the People's Bank of China for capital clearing purposes and other non-restricted funds.

7 Balances with banks and other financial institutions

	31 December 2021 RMB	31 December 2020 RMB
Balance with commercial banks - in Chinese Mainland	409,221,106	408,191,688
Balance with commercial banks - outside Chinese Mainland	195,774,863	137,089,208
Subtotal	604,995,969	545,280,896
Interest receivable	826,198	776,249
Less: Provision for impairment	(2,253,617)	(2,043,008)
Total	603,568,550	544,014,137

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

In 2021 and 2020, the balances with banks and other financial institutions are all measured in stage one, and the impairment provision is calculated based on the amount of expected credit impairment losses within the next 12 months. The balances and impairment provision does not involve the transfer between different stages.

8 Placements with banks and other financial institutions

	31 December 2021 RMB	31 December 2020 RMB
Placements with commercial banks - in Chinese Mainland	127,514,000	80,904,296
Placements with other financial institutions - in Chinese Mainland		
-Financial leasing company	2,422,276,600	2,172,498,000
-Consumer financing company	1,785,000,000	790,000,000
-Auto financing company	621,000,000	1,401,500,000
Subtotal	4,955,790,600	4,444,902,296
Interest receivable	12,818,860	8,288,466
Less: Provision for impairment	(42,578,805)	(47,540,157)
Total	4,926,030,655	4,405,650,605

In 2021 and 2020, placements with banks and other financial institutions are all measured in stage one, and the impairment provision is calculated based on the amount of expected credit impairment losses within the next 12 months. The balances and impairment provision does not involve the transfer between different stages.

9 Derivative financial instruments

	31 December 2021			31 December 2020		
	Notional amount	Fair value		Notional amount	Fair value	
	RMB	Assets RMB	Liabilities RMB	RMB	Assets RMB	Liabilities RMB
Foreign currency derivatives						
- Forward foreign exchange settlement	588,972,237	2,675,371	(4,589,574)	202,271,900	6,096,256	(4,760,541)
- Swap contracts	1,043,143,883	2,526,116	(18,416,268)	874,336,600	-	(49,479,598)
Structural derivatives	456,000,000	698,946	(40,758)	80,000,000	355,579	(67,501)
Total	2,088,116,120	5,900,433	(23,046,600)	1,156,608,500	6,451,835	(54,307,640)



10 Loans and advances to customers  
(1) Analysed by corporate and personal

	31 December 2021 RMB	31 December 2020 RMB
Corporate loans and advances measured at amortised cost		
- Loans	4,677,877,257	3,113,941,480
- Discounted bills	<u>7,157,230</u>	<u>13,530,620</u>
Sub-total	<u>4,685,034,487</u>	<u>3,127,472,100</u>
Personal business loans		
- Residential mortgages loans	2,610,213	3,020,531
- Other personal loans	<u>1,894,988,689</u>	<u>628,169,145</u>
Subtotal	<u>1,897,598,902</u>	<u>631,189,676</u>
Interest receivable	16,935,719	9,012,049
Total loans and advances to customers	<u>6,599,569,108</u>	<u>3,767,673,825</u>
Less: Provision for impairment	<u>(157,858,554)</u>	<u>(89,893,854)</u>
Net loans and advances to customers	<u>6,441,710,554</u>	<u>3,677,779,971</u>

(2) Analysed by industry

	31 December 2021		31 December 2020	
	RMB	Percentage	RMB	Percentage
Finance	1,528,125,689	23.15%	999,446,667	26.51%
Wholesale and retail business	1,475,487,361	22.36%	588,057,490	15.61%
Lease and commercial services	882,065,448	13.37%	363,177,851	9.64%
Manufacturing	351,865,615	5.33%	410,185,722	10.89%
Information transmission, software and IT services	196,157,802	2.97%	360,000,000	9.55%
Power,heat,gas,water industry	135,858,866	2.06%	139,396,870	3.70%
Research and technology	50,000,000	0.76%	50,000,000	1.33%
Transportation, warehousing and postal services	35,974,400	0.55%	60,598,080	1.61%
Agriculture, forestry, stock-breeding, and fishery	20,000,000	0.30%	-	0.00%
Construction	2,342,076	0.04%	-	0.00%
Culture, sport and entertainment	-	0.00%	143,078,800	3.80%
<b>Corporate loans and advances</b>	<b>4,677,877,257</b>	<b>70.89%</b>	<b>3,113,941,480</b>	<b>82.64%</b>
Discounted bills	7,157,230	0.11%	3,530,620	0.09%
Transfer Discounted bills	-	0.00%	10,000,000	0.27%
<b>Total of (transfer) discounted bills</b>	<b>7,157,230</b>	<b>0.11%</b>	<b>13,530,620</b>	<b>0.36%</b>
Residential mortgages loans	2,610,213	0.04%	3,020,531	0.08%
Other personal loans	1,894,988,689	28.70%	628,169,145	16.68%
<b>Personal loans and advances</b>	<b>1,897,598,902</b>	<b>28.74%</b>	<b>631,189,676</b>	<b>16.76%</b>
Interest receivable	16,935,719	0.26%	9,012,049	0.24%
<b>Total loans and advances to customers</b>	<b>6,599,569,108</b>	<b>100.00%</b>	<b>3,767,673,825</b>	<b>100.00%</b>
Less:Provision for impairment	(157,858,554)		(89,893,854)	
<b>Net loans and advances to customers</b>	<b>6,441,710,554</b>		<b>3,677,779,971</b>	

(3) Analysed by type of collateral

	31 December 2021 RMB	31 December 2020 RMB
Mortgage loans	2,345,652,833	1,046,026,671
Guaranteed loans	2,294,558,097	1,232,712,294
Credit loans	1,942,422,459	1,479,922,811
<b>Subtotal</b>	<b>6,582,633,389</b>	<b>3,758,661,776</b>
Interest receivable	16,935,719	9,012,049
<b>Total loans and advances to customers</b>	<b>6,599,569,108</b>	<b>3,767,673,825</b>
Less:Provision for impairment	(157,858,554)	(89,893,854)
<b>Net loans and advances to customers</b>	<b>6,441,710,554</b>	<b>3,677,779,971</b>

(4) Movement of impairment allowances

	2021			Total RMB
	12-month ECL not credit impaired loans and advances RMB	Lifetime ECL not credit impaired loans and advances RMB	Lifetime ECL credit impaired loans and advances RMB	
Balance at the beginning of the year	87,797,833	2,096,021	-	89,893,854
Move to:				
-12-month expected credit loss	350,807	(350,807)	-	-
Lifetime expected credit impairment losses				
- Not credit impaired loans and advances	(213,371)	213,371	-	-
- Credit impaired loans and advances	(13,297)	-	13,297	-
Charge for the year	116,018,258	230,007	198,021	116,446,286
Reverse for the year	(46,445,649)	(1,630,312)	-	(48,075,961)
Write-off	-	-	-	-
Changes in exchange rate	(405,625)	-	-	(405,625)
Balance at the end of year	<u>157,088,956</u>	<u>558,280</u>	<u>211,318</u>	<u>157,858,554</u>
	2020			
	12-month ECL not credit impaired loans and advances RMB	Lifetime ECL not credit impaired loans and advances RMB	Lifetime ECL credit impaired loans and advances RMB	Total RMB
Balance at the beginning of the year	90,891,064	500,824	-	91,391,888
Move to:				
-12-month expected credit loss	2,494	(2,494)	-	-
- Not credit impaired loans and advances	(29,531)	29,531	-	-
Reverse for the year	(2,108,728)	1,568,160	-	(540,568)
Write-off	-	-	-	-
Changes in exchange rate	(957,466)	-	-	(957,466)
Balance at the end of year	<u>87,797,833</u>	<u>2,096,021</u>	<u>-</u>	<u>89,893,854</u>

11 Financial investments – Debt investments

	31 December 2021 RMB	31 December 2020 RMB
Bonds issued by the Chinese government	2,786,519,750	2,464,449,065
Policy bank bonds	<u>-</u>	<u>400,519,985</u>
Subtotal	2,786,519,750	2,864,969,050
Accrued interest	35,895,970	42,586,670
Less: Provision for impairment	<u>(1,807,267)</u>	<u>(1,660,467)</u>
Total	<u>2,820,608,453</u>	<u>2,905,895,253</u>

As at 31 December 2021, movements of provisions for impairment are as follows:

	2021				2020			
	12-month ECL RMB	Lifetime ECL -Not credit impaired RMB	Lifetime ECL -Credit impaired RMB	Total RMB	12-month ECL RMB	Lifetime ECL -Not credit impaired RMB	Lifetime ECL -Credit impaired RMB	Total RMB
Balance at the beginning of the year	1,660,467	-	-	1,660,467	3,481,642	-	-	3,481,642
Charge(reverse) for the year	146,800	-	-	146,800	(1,821,175)	-	-	(1,821,175)
Write-off	-	-	-	-	-	-	-	-
Balance at the end of the year	<u>1,807,267</u>	<u>-</u>	<u>-</u>	<u>1,807,267</u>	<u>1,660,467</u>	<u>-</u>	<u>-</u>	<u>1,660,467</u>

On 31 December, 2021, the book value of bonds in debt investments as collateral is RMB 2,068,500,000(31 December, 2020: RMB 159,993,762), see Note 21.

## 12 Financial investments – Other debt investments

	31 December 2021 RMB	31 December 2020 RMB
Bonds issued by the Chinese government	476,541,900	1,157,532,961
Policy bank bonds	150,567,681	399,981,500
Corporate bonds	<u>170,378,652</u>	<u>303,793,650</u>
Subtotal	797,488,233	1,861,308,111
Accrued interest	<u>14,294,241</u>	<u>27,406,742</u>
Total	<u>811,782,474</u>	<u>1,888,714,853</u>
Accumulated credit impairment losses recognised in other comprehensive income	<u>(2,415,219)</u>	<u>(4,244,058)</u>

As at 31 December 2021, movements of provisions for impairment are as follows:

	2021				2020			
	12-month ECL RMB	Lifetime ECL -Not credit impaired RMB	Lifetime ECL -Credit impaired RMB	Total RMB	12-month ECL RMB	Lifetime ECL -Not credit impaired RMB	Lifetime ECL -Credit impaired RMB	Total RMB
Balance at the beginning of the year	4,244,058	-	-	4,244,058	287,495	-	-	287,495
(Reverse)/charge for the year	(1,828,839)	-	-	(1,828,839)	3,956,563	-	-	3,956,563
Write-off	-	-	-	-	-	-	-	-
Balance at the end of the year	<u>2,415,219</u>	<u>-</u>	<u>-</u>	<u>2,415,219</u>	<u>4,244,058</u>	<u>-</u>	<u>-</u>	<u>4,244,058</u>

The change in fair value recognized by the Bank in other comprehensive income for the current year is RMB 13,416,655 (2020: RMB 8,845,201), and the amount transferred to profit and loss from other comprehensive income in 2021 is RMB 5,694,780 (2020: RMB 2,996,082).

### 13 Fixed assets

	<u>Office and other equipment</u> RMB	<u>Motor vehicles</u> RMB	<u>Computers and electronic devices</u> RMB	<u>Total</u> RMB
<b>Cost</b>				
Balance at 1 January 2020	5,777,160	2,082,601	24,030,169	31,889,930
Additions during the year	162,903	-	538,573	701,476
Transfers from construction in progress	1,903	-	3,369,305	3,371,208
Disposals during the year	<u>(112,597)</u>	<u>-</u>	<u>(67,154)</u>	<u>(179,751)</u>
Balance at 31 December 2020	5,829,369	2,082,601	27,870,893	35,782,863
Additions during the year	109,901	-	2,663,439	2,773,340
Transfers from construction in progress	18,652	-	5,928,710	5,947,362
Disposals during the year	<u>(50,086)</u>	<u>-</u>	<u>-</u>	<u>(50,086)</u>
Balance at 31 December 2021	<u>5,907,836</u>	<u>2,082,601</u>	<u>36,463,042</u>	<u>44,453,479</u>
<b>Less: Accumulated depreciation</b>				
Balance at 1 January 2020	(3,191,385)	(473,900)	(15,125,716)	(18,791,001)
Charge for the year	(668,872)	(659,208)	(2,518,469)	(3,846,549)
Written off on disposals	<u>86,343</u>	<u>-</u>	<u>58,430</u>	<u>144,773</u>
Balance at 31 December 2020	(3,773,914)	(1,133,108)	(17,585,755)	(22,492,777)
Charge for the year	(597,743)	(374,868)	(3,384,105)	(4,356,716)
Written off on disposals	<u>40,590</u>	<u>-</u>	<u>-</u>	<u>40,590</u>
Balance at 31 December 2021	<u>(4,331,067)</u>	<u>(1,507,976)</u>	<u>(20,969,860)</u>	<u>(26,808,903)</u>
<b>Carrying amounts</b>				
As at 31 December 2021	<u>1,576,769</u>	<u>574,625</u>	<u>15,493,182</u>	<u>17,644,576</u>
As at 31 December 2020	<u>2,055,455</u>	<u>949,493</u>	<u>10,285,138</u>	<u>13,290,086</u>

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

### 14 Construction in progress

	RMB
<b>Cost</b>	
Balance at 1 January 2020	2,214,438
Additions during the year	10,362,750
Transfers to fixed assets	<u>(8,817,562)</u>
Balance at 31 December 2020	3,759,626
Additions during the year	20,870,654
Transfers to fixed assets	<u>(12,873,650)</u>
Balance at 31 December 2021	<u>11,756,630</u>
<b>Carrying amounts</b>	
As at 31 December 2021	<u>11,756,630</u>
As at 31 December 2020	<u>3,759,626</u>

15 Intangible assets

	<u>Software</u> RMB	<u>Membership fee</u> RMB	<u>Total</u> RMB
Cost			
Balance at 1 January 2020	118,894,895	988,000	119,882,895
Additions during the year	1,060,770	-	1,060,770
Transfers from construction in progress	<u>5,446,354</u>	<u>-</u>	<u>5,446,354</u>
Balance at 31 December 2020	125,402,019	988,000	126,390,019
Additions during the year	4,807,971	-	4,807,971
Transfers from construction in progress	<u>6,926,288</u>	<u>-</u>	<u>6,926,288</u>
Balance at 31 December 2021	<u>137,136,278</u>	<u>988,000</u>	<u>138,124,278</u>
Less: Accumulated amortization			
Balance at 1 January 2020	(48,637,129)	(711,360)	(49,348,489)
Additions during the year	<u>(8,993,853)</u>	<u>(79,040)</u>	<u>(9,072,893)</u>
Balance at 31 December 2020	(57,630,982)	(790,400)	(58,421,382)
Additions during the year	<u>(10,046,077)</u>	<u>-</u>	<u>(10,046,077)</u>
Balance at 31 December 2021	<u>(67,677,059)</u>	<u>(790,400)</u>	<u>(68,467,459)</u>
Carrying amounts			
Balance at 31 December 2021	<u>69,459,219</u>	<u>197,600</u>	<u>69,656,819</u>
Balance at 31 December 2020	<u>67,771,037</u>	<u>197,600</u>	<u>67,968,637</u>

16 Long-term deferred expenses

	31 December 2021 RMB	31 December 2020 RMB
Leasehold improvements	<u>2,252,347</u>	<u>2,861,566</u>

17 Deferred tax assets

	Deferred tax assets			
	Balance at 31 December 2020 RMB	Current year charged to profit or loss RMB	Current year recognised directly in equity RMB	Balance at 31 December 2021 RMB
Assets impairment losses	19,832,445	5,207,706	457,210	25,497,361
Fair value changes	14,030,316	(7,589,820)	(3,354,164)	3,086,332
Deductible loss	9,966,504	25,856,339	-	35,822,843
Provisions	172,283	450,172	-	622,455
Others	<u>5,435,005</u>	<u>2,565,770</u>	<u>-</u>	<u>8,000,775</u>
Total	<u>49,436,553</u>	<u>26,490,167</u>	<u>(2,896,954)</u>	<u>73,029,766</u>

	Deferred tax assets						Balance at 31 December 2020 RMB
	Balance at 31 December 2019 RMB	Changes in accounting policies RMB	Balance at 1 January 2020 RMB	Current year charged to profit or loss RMB	Current year recognised directly in equity RMB	Changes in exchange rate RMB	
Assets impairment losses	20,691,734	(335,513)	20,356,221	487,272	(989,141)	(21,907)	19,832,445
Fair value changes	(151,591)	(71,874)	(223,465)	12,042,480	2,211,301	-	14,030,316
Deductible loss	2,522,289	-	2,522,289	7,444,215	-	-	9,966,504
Provisions	-	335,513	335,513	(163,230)	-	-	172,283
Others	2,356,530	-	2,356,530	3,078,475	-	-	5,435,005
<b>Total</b>	<b>25,418,962</b>	<b>(71,874)</b>	<b>25,347,088</b>	<b>22,889,212</b>	<b>1,222,160</b>	<b>(21,907)</b>	<b>49,436,553</b>

## 18 Other assets

Other assets are analysed by category as follows:

	Note	31 December 2021 RMB	31 December 2020 RMB
Prepayment of office building	(1)	515,422,980	343,615,320
Right-of-use assets	(2)	28,782,542	NA
Prepayment for software		5,095,334	3,263,517
Deposits		3,560,246	3,723,447
Amounts to be settled and cleared		511,858	-
Interest receivable		341,961	222,265
Other		1,151,401	746,018
Less: Provision for impairment		-	-
<b>Total</b>		<b>554,866,322</b>	<b>351,570,567</b>

- (1) On November 5, 2020, the Bank signed a memorandum with Shenzhen Sungang China Resources Land Development Co., Ltd. to purchase T2 office buildings, which agreed to pay in installments with RMB 572,692,200 as the transaction consideration. The Bank has paid 60% of the transaction consideration, i.e. RMB 343,615,320, as agreed in the memorandum in 2020. The Bank has paid 30% of the transaction consideration, i.e. RMB 171,807,660, as agreed in the memorandum in 2021. The Bank expects to pay the remaining transaction consideration of RMB 57,269,220 in December 2022.

(2) Right-of-use assets

	<u>Plant &amp; Buildings</u> RMB	<u>Motor vehicles</u> RMB	<u>Total</u> RMB
Cost			
Balance at 1 January 2021	44,236,328	990,609	45,226,937
Decrease during the year	<u>(2,454,641)</u>	<u>-</u>	<u>(2,454,641)</u>
Balance at 31 December 2021	<u>41,781,687</u>	<u>990,609</u>	<u>42,772,296</u>
Less: Accumulated depreciation			
Balance at 1 January 2021	-	-	-
Charge for the year	<u>(13,324,997)</u>	<u>(664,757)</u>	<u>(13,989,754)</u>
Balance at 31 December 2021	<u>(13,324,997)</u>	<u>(664,757)</u>	<u>(13,989,754)</u>
Carrying amounts			
Balance at 31 December 2021	<u>28,456,690</u>	<u>325,852</u>	<u>28,782,542</u>
Balance at 1 January 2021	<u>44,236,328</u>	<u>990,609</u>	<u>45,226,937</u>

19 Balances with banks and other financial institutions

	31 December 2021 RMB	31 December 2020 RMB
Balances with commercial banks - in Chinese		
Mainland	984,790	2,034,835
Balances with other financial institutions - in		
Chinese Mainland	1,647,393	10,092,382
Balances with commercial banks - outside Chinese		
Mainland	<u>26,864,493</u>	<u>289,588,703</u>
Subtotal	29,496,676	301,715,920
Interest payable	<u>4,743</u>	<u>2,310,129</u>
Total	<u>29,501,419</u>	<u>304,026,049</u>



20 Placements from banks and other financial institutions

	31 December 2021 RMB	31 December 2020 RMB
Placements from commercial banks - in Chinese Mainland	1,450,000,000	320,000,000
Placements from commercial banks - outside Chinese Mainland	<u>6,061,443,510</u>	<u>7,052,292,715</u>
Subtotal	7,511,443,510	7,372,292,715
Interest payable	<u>154,331,937</u>	<u>61,871,114</u>
Total	<u><u>7,665,775,447</u></u>	<u><u>7,434,163,829</u></u>

21 Financial assets sold under repurchase agreements

(1) Analysed by category of financial assets

	31 December 2021 RMB	31 December 2020 RMB
Bonds		
- Bonds issued by the Chinese government	1,954,900,000	155,200,000
Interest payable	<u>5,912,399</u>	<u>64,291</u>
Total	<u><u>1,960,812,399</u></u>	<u><u>155,264,291</u></u>

(2) Analysed by type of counter-parties

	31 December 2021 RMB	31 December 2020 RMB
Banks operating in Mainland China	656,700,000	155,200,000
Fund company in Mainland China	998,200,000	-
Asset management company in Mainland China	100,000,000	-
Other non-bank financial institutions in Mainland China	<u>200,000,000</u>	<u>-</u>
Subtotal	1,954,900,000	155,200,000
Interest payable	<u>5,912,399</u>	<u>64,291</u>
Total	<u><u>1,960,812,399</u></u>	<u><u>155,264,291</u></u>

As disclosed in Note 11, on 31 December, 2021, the book value of the pledged bonds corresponding to financial assets sold under repurchase agreements formed by the Bank's Bond Forward repurchase transaction in the inter-bank market was RMB 2,068,500,000 (31 December, 2020: RMB 159,993,762), and these pledged bonds were classified as debt investment. The circulation of pledged bonds is limited during the period of bond repurchase.

22 Deposits from customers

	31 December 2021 RMB	31 December 2020 RMB
Demand deposits		
- Enterprise and institution customers	999,612,431	743,757,381
- Individual customers	<u>6,168,102</u>	<u>2,100,085</u>
Subtotal	<u>1,005,780,533</u>	<u>745,857,466</u>
Time deposits		
- Enterprise and institution customers	2,712,550,771	2,392,034,606
- Individual customers	<u>39,836,246</u>	<u>32,064,427</u>
Subtotal	<u>2,752,387,017</u>	<u>2,424,099,033</u>
Interest payable	<u>24,151,757</u>	<u>20,435,899</u>
Total	<u>3,782,319,307</u>	<u>3,190,392,398</u>

23 Employee benefits payable

	Note	31 December 2021 RMB	31 December 2020 RMB
Short-term employee benefits	(1)	16,918,032	16,853,756
Post-employment benefits – defined contribution plans	(2)	-	-
Long-term employee benefits due within one year		7,183,585	5,261,524
Long-term employee benefits payable	(3)	<u>4,313,529</u>	<u>2,932,052</u>
Total		<u>28,415,146</u>	<u>25,047,332</u>

(1) Short-term employee benefits

	2021			
	Balance at the beginning of the year RMB	Charge during the year RMB	Paid during the year RMB	Balance at the end of the year RMB
Salaries, bonuses, allowances	16,853,756	95,256,233	(95,191,957)	16,918,032
Staff welfare	-	4,004,221	(4,004,221)	-
Social insurance				
Medical insurance	-	2,830,464	(2,830,464)	-
Others	-	230,082	(230,082)	-
Housing fund	-	<u>5,147,871</u>	<u>(5,147,871)</u>	-
Total	<u>16,853,756</u>	<u>107,468,871</u>	<u>(107,404,595)</u>	<u>16,918,032</u>

	2020			
	Balance at the beginning of the year RMB	Charge during the year RMB	Paid during the year RMB	Balance at the end of the year RMB
Salaries, bonuses, allowances	14,563,262	95,147,456	(92,856,962)	16,853,756
Staff welfare	-	3,545,903	(3,545,903)	-
Social insurance				
Medical insurance	-	2,082,694	(2,082,694)	-
Others	-	291,424	(291,424)	-
Housing fund	-	4,556,726	(4,556,726)	-
<b>Total</b>	<b>14,563,262</b>	<b>105,624,203</b>	<b>(103,333,709)</b>	<b>16,853,756</b>

(2) Post-employment benefits - defined contribution plans

	2021			
	Balance at the beginning of the year RMB	Charge for the year RMB	Paid during the year RMB	Balance at the end of the year RMB
Basic pension insurance	-	5,944,584	(5,944,584)	-
Unemployment insurance	-	171,966	(171,966)	-
<b>Total</b>	<b>-</b>	<b>6,116,550</b>	<b>(6,116,550)</b>	<b>-</b>

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

(3) Long-term employee benefits payable

	31 December 2021 RMB	31 December 2020 RMB
Other long-term employee benefits	11,497,114	8,193,576
Less: Settled within one year	(7,183,585)	(5,261,524)
<b>Total</b>	<b>4,313,529</b>	<b>2,932,052</b>

24 Provisions

	2021				2020			
	12-month ECL -Not credit impaired RMB	Lifetime ECL - Not credit impaired RMB	Lifetime ECL -credit impaired RMB	Total RMB	12-month ECL -Not credit impaired RMB	Lifetime ECL - Not credit impaired RMB	Lifetime ECL -credit impaired RMB	Total RMB
Balance at the beginning of the year	674,865	-	-	674,865	1,342,051	-	-	1,342,051
Charge/(reverse) for the year	1,800,686	-	-	1,800,686	(652,918)	-	-	(652,918)
Write-off	-	-	-	-	-	-	-	-
Changes in exchange rate	(21,533)	-	-	(21,533)	(14,268)	-	-	(14,268)
Balance at the end of the year	<u>2,454,018</u>	<u>-</u>	<u>-</u>	<u>2,454,018</u>	<u>674,865</u>	<u>-</u>	<u>-</u>	<u>674,865</u>

25 Other liabilities

	31 December 2021 RMB	31 December 2020 RMB
Lease liabilities	30,315,068	NA
Accrued expenses	10,699,573	4,123,509
Deferred income	16,007,205	6,888,598
Other payables	<u>8,015,321</u>	<u>1,720,591</u>
Total	<u>65,037,167</u>	<u>12,732,698</u>

26 Paid-in capital

	31 December 2021 & 2020	
	RMB	Percentage
KASIKORNBANK Public Company Limited	<u>3,000,000,000</u>	<u>100.00%</u>

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

27 Other Comprehensive Income

	31 December 2021 RMB
Balance at the beginning of the year	(2,996,082)
Items that may be reclassified to profit or loss	
- Measured at fair value through other comprehensive income (debt Instrument)	13,416,655
- Impairment loss for measured at fair value through other comprehensive income (debt Instrument)	(1,828,839)
Income tax implications	<u>(2,896,954)</u>
Balance at the end of the year	<u>5,694,780</u>

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

28 Surplus reserve

	<u>Surplus reserve</u> RMB
Balance at 1 January 2020	4,010,777
Profit appropriation	<u>549,655</u>
Balance at 31 December 2020	4,560,432
Profit appropriation	<u>787,647</u>
Balance at 31 December 2021	<u>5,348,079</u>

29 Appropriation of profits

Make a surplus reserve and general risk reserve

- (1) According to the Article of Association, the Bank makes the statutory surplus reserve of 2021 is RMB 787,647(2020:RMB 549,655)based on 10 percent of net profit.
- (2) On 30 March 2022, the second board of the directors held 6<sup>th</sup> meeting and approved the appropriation of general risk reserve of the Bank amounting to RMB 48,682,387. In accordance with the requirements of the measurement for the provision of financial enterprise reserves (CJ [2012] No.20) issued by the Ministry of finance, in principle ,the balance of general risk reserve shall not be less than 1.5% of the ending balance of risk assets.

30 Interest income

	<u>2021</u> RMB	<u>2020</u> RMB
Loans	265,184,668	189,028,435
Placements with banks and other financial institutions	188,430,224	111,605,698
Other debt investments	67,303,750	85,437,085
Debt investments	38,279,774	21,395,039
Balances with banks and other financial institutions	11,788,435	9,246,453
Financial assets held under resale agreements	481	-
Total	<u>570,987,332</u>	<u>416,712,710</u>

31 Interest expenses

	<u>2021</u> RMB	<u>2020</u> RMB
Placements from banks and other financial institutions	222,189,490	157,314,535
Deposits from customers	52,969,133	48,172,998
Financial assets sold under repurchase agreements	19,942,751	764,663
Lease liabilities	1,285,164	NA
Balances with banks and other financial institutions	474,696	6,725,077
Total	<u>296,861,234</u>	<u>212,977,273</u>

32 Net fee and commission expense

	<u>2021</u> RMB	<u>2020</u> RMB
Net fee and commission income		
- Loan arrangement fee	6,564,417	775,084
- Routine fee income	2,550,433	5,864,151
- Others	1,303,503	558,631
	10,418,353	7,197,866
Subtotal	10,418,353	7,197,866
Fee and commission expense		
- Joint loan	(16,097,051)	(19,269,642)
- Platform	(24,565,932)	(55,371)
- Others	(1,181,646)	(555,648)
	(41,844,629)	(19,880,661)
Subtotal	(41,844,629)	(19,880,661)
Net fee and commission expense	(31,426,276)	(12,682,795)

33 Investment income

	<u>2021</u> RMB	<u>2020</u> RMB
Realised gain from sale of investments		
- other debt investments	4,624,314	1,381,360
	4,624,314	1,381,360

34 Government grants

	<u>2021</u> RMB	<u>2020</u> RMB
Government grants related to income	8,180,535	7,074,575
Rebate income from tax bureau	348,145	628,421
	8,528,680	7,702,996
Total	8,528,680	7,702,996

35 Profit/(loss) arising from fair value changes

	<u>2021</u> RMB	<u>2020</u> RMB
Derivative financial instruments	30,359,280	(48,169,921)
	30,359,280	(48,169,921)

36 Net losses/(gains) from exchange differences

	<u>2021</u> RMB	<u>2020</u> RMB
Exchange losses from trading	(56,344,666)	(3,720,494)
Unrealised exchange gains from translation of foreign currency	<u>12,608,081</u>	<u>41,759,777</u>
Total	<u>(43,736,585)</u>	<u>38,039,283</u>

37 Other operating income

	<u>2021</u> RMB	<u>2020</u> RMB
Service fee income	<u>1,895,160</u>	<u>1,410,396</u>

38 Taxes and surcharges

	<u>2021</u> RMB	<u>2020</u> RMB
Urban maintenance and construction tax	627,436	579,450
Education and local education surcharges	448,169	413,893
Others	<u>185,581</u>	<u>154,512</u>
Total	<u>1,261,186</u>	<u>1,147,855</u>

39 Operating and administrative expenses

	<u>2021</u> RMB	<u>2020</u> RMB
Employee cost	125,082,535	114,187,200
Depreciation and amortisation	29,233,230	13,735,588
Professional service fee	18,221,944	19,077,403
Administrative expenses	9,306,341	10,129,868
Electronic equipment running cost	7,437,199	6,574,021
Rent	5,267,515	17,204,483
Business travel expenses	1,358,667	1,088,521
Others	<u>1,917,919</u>	<u>1,587,055</u>
Total	<u>197,825,350</u>	<u>183,584,139</u>



40 Credit impairment losses

	<u>2021</u> RMB	<u>2020</u> RMB
Cash and balances with central bank	11,489	(86,919)
Placements with banks and other financial institutions	(570,577)	(1,553,664)
Balances with banks and other financial institutions	(4,097,744)	24,794,210
Loans and advances to customers	68,370,325	(540,568)
Debt investments	146,800	(1,821,175)
Other debt investments	(1,828,839)	3,956,563
Credit commitments	1,800,686	(652,918)
	<u>63,832,140</u>	<u>24,095,529</u>

41 Income tax expense

(a) Income tax expense

	<u>2021</u> RMB	<u>2020</u> RMB
Changes in deferred tax	<u>(26,490,167)</u>	<u>(22,889,212)</u>

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

	<u>2021</u> RMB	<u>2020</u> RMB
Loss before taxation	(18,613,694)	(17,392,663)
Income tax expense at statutory tax rate of 25%	(4,653,424)	(4,348,166)
Non-deductible expenses	182,651	148,608
Non-taxable income	(22,019,394)	(18,689,654)
	<u>(26,490,167)</u>	<u>(22,889,212)</u>

42 Other comprehensive income, net of tax

	<u>2021</u> RMB	<u>2020</u> RMB
Items that may be reclassified to profit or loss		
- Measured at fair value through other comprehensive income (debt Instruments)	13,416,655	(8,845,201)
- Impairment loss for measured at fair value through other comprehensive income (debt Instruments)	(1,828,839)	3,956,563
Less: Income tax	<u>(2,896,954)</u>	<u>1,222,160</u>
Total	<u>8,690,862</u>	<u>(3,666,478)</u>

43 Supplement to cash flow statement

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

	<u>2021</u> RMB	<u>2020</u> RMB
Net profit	7,876,473	5,496,549
Add: Credit impairment losses	63,832,140	24,095,529
Depreciation of fixed assets	4,356,716	3,846,549
Amortization of intangible assets	10,046,077	9,072,893
Amortization of long-term deferred expenses	840,683	816,146
Depreciation of right-of-use assets	13,989,754	NA
Net losses from disposal of assets	9,496	34,978
Net losses from changes in fair value	(30,359,280)	48,169,921
Investments income	(4,624,314)	(1,381,360)
Interest income from investments	(105,583,524)	(106,832,124)
Interest expenses on lease liabilities	1,285,164	NA
Unrealised exchange gains	(12,608,081)	(41,759,777)
Increase in deferred tax assets	(26,490,167)	(22,889,212)
Decrease / (increase) in operating receivables	670,770,050	(2,323,125,940)
Increase in operating payables	<u>2,381,323,043</u>	<u>3,236,888,332</u>
Net cash inflow from operating activities	<u>2,974,664,230</u>	<u>832,432,484</u>

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

	<u>2021</u> RMB	<u>2020</u> RMB
Cash and cash equivalents at the end of the year	5,200,868,979	1,143,965,094
Less: Cash and cash equivalents at the beginning of the year	<u>(1,143,965,094)</u>	<u>(1,471,205,083)</u>
Net increase/(decrease) in cash and cash equivalents	<u>4,056,903,885</u>	<u>(327,239,989)</u>

(c) Analysis of cash and cash equivalents:

	<u>2021</u> RMB	<u>2020</u> RMB
Surplus deposit reserves	3,359,010	10,277,325
Deposits with financial institutions whose original maturity is not more than three months	604,995,969	445,727,145
Placements with banks and other financial institutions whose original maturity is not more than three months	<u>4,592,514,000</u>	<u>687,960,624</u>
Total	<u>5,200,868,979</u>	<u>1,143,965,094</u>

44 Segment reporting

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

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

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

Head Office

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

Shenzhen Branch

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

Chengdu Branch

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

Shanghai Branch

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

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

(a) Segment performance, assets and liabilities

	31 December 2021					
	<u>Head Office</u> RMB	<u>Shenzhen Branch</u> RMB	<u>Chengdu Branch</u> RMB	<u>Shanghai Branch</u> RMB	<u>Elimination among segments</u> RMB	<u>Total</u> RMB
Net interest (expense)/income	(33,283,910)	245,773,901	22,476,612	39,159,495	-	274,126,098
Net fee and Commission income/(expense)	4,478,894	(36,252,279)	106,841	240,268	-	(31,426,276)
Other operating income	24,376,744	(22,706,275)	170,925	(179,813)	-	1,661,581
<b>Total operating income</b>	<b>(4,428,272)</b>	<b>186,815,347</b>	<b>22,754,378</b>	<b>39,219,950</b>	<b>-</b>	<b>244,361,403</b>
Operating expenses						
- Depreciation of fixed assets	(3,953,879)	(117,030)	(188,528)	(97,279)	-	(4,356,716)
- Taxes and surcharges	(841,086)	(75,293)	(171,098)	(173,709)	-	(1,261,186)
- Others	(153,815,837)	(16,287,277)	(9,808,819)	(13,556,701)	-	(193,468,634)
	<b>(158,610,802)</b>	<b>(16,479,600)</b>	<b>(10,168,445)</b>	<b>(13,827,689)</b>	<b>-</b>	<b>(199,086,536)</b>
(Loss)/profit of reportable segment before reserve deduction	(163,039,074)	170,335,747	12,585,933	25,392,261	-	45,274,867
Impairment Losses	(38,153,253)	(22,463,203)	(9,157,986)	5,942,302	-	(63,832,140)
Non-operating income	-	95	41,004	786	-	41,885
Non-operating expenses	(70,241)	(24,000)	(3,837)	(228)	-	(98,306)
<b>Pre-tax profit of reportable segment</b>	<b>(201,262,568)</b>	<b>147,848,639</b>	<b>3,465,114</b>	<b>31,335,121</b>	<b>-</b>	<b>(18,613,694)</b>
Capital expenditure	28,260,496	177,242	142,664	103,027	-	28,683,429
<b>Total assets</b>	<b>17,049,138,567</b>	<b>5,551,443,367</b>	<b>992,089,144</b>	<b>3,116,958,900</b>	<b>(10,087,589,115)</b>	<b>16,622,040,863</b>
<b>Total liabilities</b>	<b>(15,182,020,042)</b>	<b>(4,772,213,905)</b>	<b>(677,933,467)</b>	<b>(3,017,737,318)</b>	<b>10,087,589,115</b>	<b>(13,562,315,617)</b>

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

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

#### 45 Contingent liabilities and commitments

##### (a) Credit commitment

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

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

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

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

	31 December 2021 RMB	31 December 2020 RMB
Irrevocable loan commitment		
-Original maturity within 1 year	65,800,000	-
Credit commitment	-	78,046,000
Letters of guarantee	404,042,836	315,090,660
Interbank loan credit commitment	-	639,440,200
	<u>469,842,836</u>	<u>1,032,576,860</u>
Total		

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

	31 December 2021 RMB	31 December 2020 RMB
Credit risk weighted amount of credit commitment: commitments and contingent liabilities	<u>213,881,885</u>	<u>533,933,350</u>

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

(b) Capital commitments

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

	31 December 2021 RMB	31 December 2020 RMB
The amount of contracts entered into or ready for performance	<u>77,936,827</u>	<u>230,136,439</u>

(c) Operating lease commitments

As at 31 December 2020, the Bank's future minimum lease payments under non-cancellable operating leases were payable as follows:

	31 December 2020 RMB
Within 1 year	17,661,777
After 1 year but within 2 years	16,739,428
After 2 years but within 3 years	16,067,405
Over 3 years	<u>5,668,302</u>
<b>Total</b>	<b><u><u>56,136,912</u></u></b>

46 Entrusted loan business

The entrusted business of the Bank refers to the loans that the Bank issues, supervises and helps recover on behalf of government departments, enterprises, public institutions and individuals to provide funds according to the loan objects and loan conditions determined by the client. The Bank is not subject to any credit risk of the entrusted loans. The Bank holds and manages these assets and liabilities only as an agent in accordance with the instructions of the principal and charges a commission for the services rendered. The entrusted loan is not recognised in the balance sheet as it is not an asset of the Bank.

The entrusted assets and liabilities at the balance sheet date are as follows:

	<u>2021</u> RMB	<u>2020</u> RMB
Entrusted loans	<u>30,000,000</u>	<u>30,000,000</u>

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

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

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

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

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

(a) Credit risk

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

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

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

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

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

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

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

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



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

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

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

As of 31 December, 2021, the Bank set aside RMB 491,955 (2020:RMB 566,851) for the impairment of country risk assets of loans, RMB 500,000(2020:RMB 500,000)for the impairment of country risk assets of debt investments, and RMB 1,868,359 (2020:RMB 1,870,040) for the impairment of country risk assets of balances with banks and other financial institutions.

(i) Maximum exposure

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

	31 December 2021 RMB	31 December 2020 RMB
Balances with central bank	283,233,284	305,551,724
Balances with banks and other financial institutions	603,568,550	544,014,137
Placements with banks and other financial institutions	4,926,030,655	4,405,650,605
Loans and advances to customers	6,441,710,554	3,677,779,971
Debt investments	2,820,608,453	2,905,895,253
Other debt investmens	811,782,474	1,888,714,853
Derivative financial assets	5,900,433	6,451,835
Other assets	3,902,207	4,254,443
<b>Total</b>	<b>15,896,736,610</b>	<b>13,738,312,821</b>
<b>Credit commitments</b>	<b>469,842,836</b>	<b>1,032,576,860</b>
<b>Maximum exposure to credit risk</b>	<b>16,366,579,446</b>	<b>14,770,889,681</b>

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

	31 December 2021 RMB
<u>Past due but not credit impaired</u>	
less than three months	28,539,446
Provision for impairment	<u>(1,010,005)</u>
Net amount	<u>27,529,441</u>
<u>Neither past due nor credit impaired</u>	
Total amount	6,570,761,192
Provision for impairment	<u>(156,637,231)</u>
Net amount	<u>6,414,123,961</u>
<u>Both past due and credit impaired</u>	
Total amount	268,470
Provision for impairment	<u>(211,318)</u>
Net amount	<u>57,152</u>
Total net amount	<u>6,441,710,554</u>
	31 December 2020 RMB
<u>Past due but not credit impaired</u>	
less than three months	16,881,786
Provision for impairment	<u>(4,686,129)</u>
Net amount	<u>12,195,657</u>
<u>Neither past due nor credit impaired</u>	
Total amount	3,750,792,039
Provision for impairment	<u>(85,207,725)</u>
Net amount	<u>3,665,584,314</u>
Total net amount	<u>3,677,779,971</u>

(iii) Collateral

The fair value of mortgage loans and advances as follows:

	31 December 2021 RMB	31 December 2020 RMB
Neither past due nor impaired	<u>5,557,881,041</u>	<u>3,530,283,027</u>

As at 31 December 2021, the mortgage loan balance balance of the Bank is RMB 2,345,652,833 (31 December 2020:RMB 1,046,026,671). The fair value of the above mortgaged property is the sum of the fair value of the mortgaged property under the mortgage loan of the Bank.

(b) Liquidity risk

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

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

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

	31 December 2021							
	<u>Repayable on demand</u>	<u>Within 1 month</u>	<u>After 1 month but within 3 months</u>	<u>After 3 months but within 1 year</u>	<u>After 1 year but within 5 years</u>	<u>More than 5 years</u>	<u>Indefinite</u>	<u>Total</u>
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
<b>Assets</b>								
Cash and deposits with central bank (i)	3,356,858	-	-	-	-	-	279,876,426	283,233,284
Receivables from banks and other financial institutions(ii)	565,498,247	1,290,665,090	3,311,539,048	120,951,908	240,944,912	-	-	5,529,599,205
Loans and advances to customers (iii)	20,194,857	432,862,480	667,308,329	3,378,859,796	1,835,925,504	98,457,016	8,102,572	6,441,710,554
Debt investments	-	159,699,457	507,368,222	403,852,245	1,749,688,529	-	-	2,820,608,453
Other debt investments	-	-	30,980,162	-	780,802,312	-	-	811,782,474
Derivative financial assets	-	3,519,842	1,571,318	809,273	-	-	-	5,900,433
Other assets (iv)	389,422	208,699	1,459,024	906,036	2,073,353	-	724,169,926	729,206,460
<b>Total</b>	<b>589,439,384</b>	<b>1,886,955,568</b>	<b>4,520,226,103</b>	<b>3,905,379,258</b>	<b>4,609,434,610</b>	<b>98,457,016</b>	<b>1,012,148,924</b>	<b>16,622,040,863</b>
<b>Liabilities:</b>								
Deposits from banks and other financial institutions(ii)	29,501,419	-	-	3,837,372,774	3,828,402,673	-	-	7,695,276,866
Deposits from customers	1,012,244,153	272,708,244	488,972,081	2,007,978,122	416,707	-	-	3,782,319,307
Financial assets sold under repurchase agreements	-	485,062,600	766,912,456	708,837,343	-	-	-	1,960,812,399
Derivative financial liabilities	-	2,866,515	1,514,403	18,665,682	-	-	-	23,046,600
Other liabilities (v)	23,730	9,830,653	38,206,310	28,762,669	23,577,759	459,324	-	100,860,445
<b>Total</b>	<b>1,041,769,302</b>	<b>770,468,012</b>	<b>1,295,605,250</b>	<b>6,601,616,590</b>	<b>3,852,397,139</b>	<b>459,324</b>	<b>-</b>	<b>13,562,315,617</b>
(Short)/long positions	(452,329,918)	1,116,487,556	3,224,620,853	(2,696,237,332)	757,037,471	97,997,692	1,012,148,924	3,059,725,246

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

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

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

	31 December 2021								
	<u>Carrying amount</u> RMB	<u>Overdue/repayable on demand</u> RMB	<u>Within 1 month</u> RMB	<u>After 1 month but within 3 months</u> RMB	<u>After 3 months but within 1 year</u> RMB	<u>After 1 year but within 5 years</u> RMB	<u>More than 5 years</u> RMB	<u>Indefinite</u> RMB	<u>Total</u> RMB
Liabilities:									
Balances from banks and other financial institutions	7,695,276,866	29,502,003	-	-	3,854,479,887	4,043,534,432	-	-	7,927,516,322
Deposits from customers	3,782,319,307	1,012,244,153	272,149,712	494,691,180	2,008,992,981	424,926	-	-	3,788,502,952
Financial assets sold under repurchase agreements	1,960,812,399	-	485,986,219	769,644,069	724,632,449	-	-	-	1,980,262,737
Derivative financial liabilities	23,046,600	-	2,866,515	1,514,403	18,665,682	-	-	-	23,046,600
Other liabilities	100,860,445	23,730	9,830,653	38,206,310	28,762,669	23,577,759	459,324	-	100,860,445
<b>Total liabilities</b>	<b>13,562,315,617</b>	<b>1,041,769,886</b>	<b>770,833,099</b>	<b>1,304,055,962</b>	<b>6,635,533,668</b>	<b>4,067,537,117</b>	<b>459,324</b>	<b>-</b>	<b>13,820,189,056</b>
Off-balance-sheet credit commitments	469,842,836	-	35,122,460	57,381	332,087,344	49,807,854	52,767,797	-	469,842,836
	31 December 2020								
	<u>Carrying amount</u> RMB	<u>Overdue/repayable on demand</u> RMB	<u>Within 1 month</u> RMB	<u>After 1 month but within 3 months</u> RMB	<u>After 3 months but within 1 year</u> RMB	<u>After 1 year but within 5 years</u> RMB	<u>More than 5 years</u> RMB	<u>Indefinite</u> RMB	<u>Total</u> RMB
Liabilities:									
Balances from banks and other financial institutions	7,738,189,878	11,055,220	322,246,265	10,122,961	5,360,100,870	2,304,730,021	-	-	8,008,255,337
Deposits from customers	3,190,392,398	855,069,792	50,997,735	882,813,952	1,405,371,009	23,647,279	-	-	3,217,899,767
Financial assets sold under repurchase agreements	155,264,291	-	155,291,844	-	-	-	-	-	155,291,844
Derivative financial liabilities	54,307,640	-	1,161,196	48,792,309	4,354,135	-	-	-	54,307,640
Other liabilities	41,633,295	23,730	3,226,560	27,685,158	4,777,030	5,920,817	-	-	41,633,295
<b>Total liabilities</b>	<b>11,179,787,502</b>	<b>866,148,742</b>	<b>532,923,600</b>	<b>969,414,380</b>	<b>6,774,603,044</b>	<b>2,334,298,117</b>	<b>-</b>	<b>-</b>	<b>11,477,387,883</b>
Off-balance-sheet credit commitments	1,032,576,860	-	260,996,000	30,141,552	655,342,196	35,399,550	50,697,562	-	1,032,576,860

(c) Interest rate risk

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

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

	31 December 2021					Total RMB
	Within 3 months RMB	Over 3 months but within 1 years RMB	Over 1 year but less than 5 years RMB	More than 5 years RMB	Non-interest bearing RMB	
<b>Assets</b>						
Cash and deposits with central bank	3,356,858	-	-	-	279,876,426	283,233,284
Balances with banks and other financial institutions	603,568,550	-	-	-	-	603,568,550
Placements with banks and other financial institutions	4,564,133,835	120,951,908	240,944,912	-	-	4,926,030,655
Loans and advances to customers	1,120,365,666	3,378,859,796	1,835,925,504	98,457,016	8,102,572	6,441,710,554
Debt investments	667,067,679	403,852,245	1,749,688,529	-	-	2,820,608,453
Other debt investments	30,980,162	-	780,802,312	-	-	811,782,474
Derivative financial assets	5,091,160	809,273	-	-	-	5,900,433
Other assets	-	-	-	-	729,206,460	729,206,460
<b>Total assets</b>	<b>6,994,563,910</b>	<b>3,904,473,222</b>	<b>4,607,361,257</b>	<b>98,457,016</b>	<b>1,017,185,458</b>	<b>16,622,040,863</b>
<b>Liabilities:</b>						
Balances from banks and other financial institutions	29,501,419	-	-	-	-	29,501,419
Placements from banks and other financial institutions	-	3,837,372,774	3,828,402,673	-	-	7,665,775,447
Deposits from customers	1,773,924,478	2,007,978,122	416,707	-	-	3,782,319,307
Financial assets sold under repurchase agreements	1,251,975,056	708,837,343	-	-	-	1,960,812,399
Derivative financial liabilities	4,380,918	18,665,682	-	-	-	23,046,600
Other liabilities	-	-	-	-	100,860,445	100,860,445
<b>Total liabilities</b>	<b>3,059,781,871</b>	<b>6,572,853,921</b>	<b>3,828,819,380</b>	<b>-</b>	<b>100,860,445</b>	<b>13,562,315,617</b>
<b>Asset liability exposure</b>	<b>3,934,782,039</b>	<b>(2,668,380,699)</b>	<b>778,541,877</b>	<b>98,457,016</b>	<b>916,325,013</b>	<b>3,059,725,246</b>

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

(ii) Sensitivity analysis

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

Gap analysis

31 December 2021	
Change of interest rate (basis points)	
100	(100)

The increase/(decrease) in net interest income resulting from the change in interest rates	24,422,915	(24,422,915)
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31 December 2020	
Change of interest rate (basis points)	
100	(100)

The increase/(decrease) in net interest income resulting from the change in interest rates	2,852,625	(2,852,625)
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(d) Foreign currency risk

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

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

	31 December 2021				Total
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	
<b>Assets</b>					
Cash on hand and deposits with central bank	268,880,575	14,352,709	-	-	283,233,284
Receivables from banks and other financial institutions	4,963,795,203	531,115,269	30,730,384	3,958,349	5,529,599,205
Loans and advances to customers	5,950,903,168	314,460,659	34,984,507	141,362,220	6,441,710,554
Debt investments	2,820,608,453	-	-	-	2,820,608,453
Other debt investments	811,782,474	-	-	-	811,782,474
Derivative financial assets	5,900,433	-	-	-	5,900,433
Other assets	728,948,454	191,288	66,718	-	729,206,460
<b>Total assets</b>	<b>15,550,818,760</b>	<b>860,119,925</b>	<b>65,781,609</b>	<b>145,320,569</b>	<b>16,622,040,863</b>
<b>Liabilities:</b>					
Payables to banks and other financial institutions	6,058,353,301	1,426,919,304	65,423,881	144,580,380	7,695,276,866
Deposits from customers	3,656,323,565	125,566,463	84,931	344,348	3,782,319,307
Financial assets sold under repurchase agreements	1,960,812,399	-	-	-	1,960,812,399
Derivative financial liabilities	23,046,600	-	-	-	23,046,600
Other liabilities	95,952,159	4,650,964	37,465	219,857	100,860,445
<b>Total liabilities</b>	<b>11,794,488,024</b>	<b>1,557,136,731</b>	<b>65,546,277</b>	<b>145,144,585</b>	<b>13,562,315,617</b>
<b>Net position of foreign exchange</b>	<b>3,756,330,736</b>	<b>(697,016,806)</b>	<b>235,332</b>	<b>175,984</b>	<b>3,059,725,246</b>
Off-balance-sheet credit commitments	402,813,523	52,316,847	-	14,712,466	469,842,836

	31 December 2020				
	<u>RMB</u>	<u>USD</u> (RMB equivalent)	<u>HKD</u> (RMB equivalent)	<u>Others</u> (RMB equivalent)	<u>Total</u>
<b>Assets</b>					
Cash on hand and deposits with central bank	288,691,382	16,860,342	-	-	305,551,724
Receivables from banks and other financial institutions	4,621,573,469	307,395,050	14,951,066	5,745,157	4,949,664,742
Loans and advances to customers	3,014,138,715	358,438,600	197,794,966	107,407,690	3,677,779,971
Debt investments	2,905,895,253	-	-	-	2,905,895,253
Other debt investments	1,888,714,853	-	-	-	1,888,714,853
Derivative financial assets	6,451,835	-	-	-	6,451,835
Other assets	488,638,642	181,423	66,970	-	488,887,035
<b>Total assets</b>	<u>13,214,104,149</u>	<u>682,875,415</u>	<u>212,813,002</u>	<u>113,152,847</u>	<u>14,222,945,413</u>
<b>Liabilities:</b>					
Payables to banks and other financial institutions	6,267,829,919	1,143,182,737	213,857,171	113,320,051	7,738,189,878
Deposits from customers	2,983,686,190	204,898,184	7,260	1,800,764	3,190,392,398
Financial assets sold under repurchase agreements	155,264,291	-	-	-	155,264,291
Derivative financial liabilities	54,307,640	-	-	-	54,307,640
Other liabilities	39,387,810	1,486,186	114,349	644,950	41,633,295
<b>Total liabilities</b>	<u>9,500,475,850</u>	<u>1,349,567,107</u>	<u>213,978,780</u>	<u>115,765,765</u>	<u>11,179,787,502</u>
<b>Net position of foreign exchange</b>	<u>3,713,628,299</u>	<u>(666,691,692)</u>	<u>(1,165,778)</u>	<u>(2,612,918)</u>	<u>3,043,157,911</u>
<b>Off-balance-sheet credit commitments</b>	<u>323,468,271</u>	<u>689,764,330</u>	<u>-</u>	<u>19,344,259</u>	<u>1,032,576,860</u>

(ii) Sensitivity analysis

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

	Net profit	
	31 December 2021	31 December 2020
USD	5,227,626	5,000,188
HKD	(1,765)	8,743
Others	(1,320)	19,597
<b>Total</b>	<u>5,224,541</u>	<u>5,028,528</u>

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

48 Fair value

(1) Methods for determining fair value

Financial assets

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

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

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

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

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

Financial liabilities

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

(2) Financial instruments measured at fair value

(a) Fair value hierarchy

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

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

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

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

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

	31 December 2021			
	Level 1 Fair value measurement RMB	Level 2 Fair value measurement RMB	Level 3 Fair value measurement RMB	<u>Total</u> RMB
	Assets			
Other debt investments	-	811,782,474	-	811,782,474
Derivative financial assets	-	5,900,433	-	5,900,433
<b>Total values of assets measured at fair value</b>	<b>-</b>	<b>817,682,907</b>	<b>-</b>	<b>817,682,907</b>
Liabilities				
Derivative financial liabilities	-	23,046,600	-	23,046,600
	31 December 2020			
	Level 1 Fair value measurement RMB	Level 2 Fair value measurement RMB	Level 3 Fair value measurement RMB	<u>Total</u> RMB
	Assets			
Other debt investments	-	1,888,714,853	-	1,888,714,853
Derivative financial assets	-	6,451,835	-	6,451,835
<b>Total values of assets measured at fair value</b>	<b>-</b>	<b>1,895,166,688</b>	<b>-</b>	<b>1,895,166,688</b>
Liabilities				
Derivative financial liabilities	-	54,307,640	-	54,307,640

(b) Level 2 fair value measurement

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

During the year ended 31 December 2021, there were no changes in valuation techniques mentioned above for the recurring and non-recurring Level 2 fair value measurements.

(c) Financial instruments not measured at fair value

Assets and liabilities not measured at fair value include: cash and balances with central bank, balances with banks and other financial institutions, placements with banks and other financial institutions, loans and advances to customers, deposits from banks and other financial institutions, placements from banks and other financial institutions, financial assets sold under repurchase agreements and deposits from customers.

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

	31 December 2021		31 December 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
	RMB	RMB	RMB	RMB
Financial assets				
Debt investments	2,820,608,453	3,434,389,890	2,905,895,253	2,870,988,040

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

## 49 Related party relationships and transactions

### (a) Parent

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

### (b) Other related parties of the Bank

Company name	Relationship with the Bank
KASIKORN Vision Information & Technology Co.,Ltd.	Under the same ultimate controlling party
KASIKORN SERVE COMPANY LIMITED	Under the same ultimate controlling party
KASIKORN INFRA COMPANY LIMITED	Under the same ultimate controlling party
KASIKORN SOFT COMPANY LIMITED	Under the same ultimate controlling party

### (c) Major transactions with related parties

#### (i) Transaction amounts with related parties:

	KASIKORNBANK Public Company Limited RMB	KASIKORN Vision Information & Technology Co.,Ltd.	KASIKORN SERVE COMPANY LIMITED RMB	KASIKORN INFRA COMPANY LIMITED RMB	KASIKORN SOFT COMPANY LIMITED RMB	Total RMB	Proportion of the amount of the relevant similar transaction
Value of significant transactions in 2021:							
Net interest income	(189,503,684)	-	-	-	-	(189,503,684)	69.13%
-Interest income	163,702	-	-	-	-	163,702	0.03%
-Interest expense	189,667,386	1,037,942	-	-	-	190,705,328	64.24%
Other operating income	1,895,160	-	-	-	-	1,895,160	100.00%
Operating and administrative expenses	-	-	2,105,130	562,937	267,690	2,935,757	1.48%

	KASIKORNBANK Public Company Limited RMB	KASIKORN Vision Information & Technology Co.,Ltd.	KASIKORN SERVE COMPANY LIMITED RMB	KASIKORN PRO COMPANY LIMITED RMB	KASIKORN SOFT COMPANY LIMITED RMB	Total RMB	Proportion of the amount of the relevant similar transaction
Value of significant transactions in 2020:							
Net interest income	(135,273,374)	-	-	-	-	(135,273,374)	66.40%
-Interest income	1,011,067	-	-	-	-	1,011,067	0.24%
-Interest expense	136,284,441	454,836	-	-	-	136,739,277	64.20%
Other operating income	1,410,396	-	-	-	-	1,410,396	100.00%
Operating and administrative expenses	-	-	-	725,491	344,989	1,070,480	0.58%

The above transactions with related parties were conducted under normal commercial terms or relevant agreements

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

	KASIKORNBANK Public Company <u>Limited</u> RMB	KASIKORN Vision Information & Technology <u>Co., Ltd.</u> RMB	<u>Total</u> RMB	Proportion of the balance of the relevant similar <u>transaction</u>
Balance of significant transactions as at 31 December 2021:				
Balances with banks and other financial institutions	42,945,622	-	42,945,622	7.09%
Construction in progress	-	10,360,623	10,360,623	88.13%
Intangible assets	-	2,070,294	2,070,294	2.97%
Deposits from customers	-	283,350,970	283,350,970	7.49%
Balances with banks and other financial institutions	26,868,636	-	26,868,636	91.08%
Placements with banks and other financial institutions	6,194,067,980	-	6,194,067,980	80.80%
Other liabilities	-	7,636,410	7,636,410	71.37%

	KASIKORNBANK Public Company <u>Limited</u> RMB	KASIKORN Vision Information & Technology <u>Co., Ltd.</u> RMB	<u>Total</u> RMB	Proportion of the balance of the relevant similar <u>transaction</u>
Balance of significant transactions as at 31 December 2020:				
Balances with banks and other financial institutions	22,701,417	-	22,701,417	4.16%
Deposits from customers	-	297,453,392	297,453,392	9.32%
Balances with banks and other financial institutions	291,865,871	-	291,865,871	96.00%
Placements with banks and other financial institutions	7,114,098,866	-	7,114,098,866	95.69%

- (iii) Transactions with key management personnel

	31 December 2021 RMB	31 December 2020 RMB
Salaries and other short-term employee benefits	<u>33,480,000</u>	<u>27,083,585</u>

## 50 Capital adequacy ratio

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

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

From 1 January 2013 onwards, the Bank calculates the capital adequacy ratio in accordance with Administrative Measures on Capital of Commercial Banks (for Trial Implementation) issued by the CBRC. The Bank uses weighting method to measure credit risk weighted assets, uses standard method to measure market risk weighted assets, and uses basic index method to measure operation risk weighted assets. No major changes have taken place in the Bank's measurement system in 2021.

The China Banking and Insurance Regulatory Commission ("CBIRC") requires commercial banks to meet the related requirements of capital adequacy ratios. For non-systemically important banks, the CBIRC requires that the minimum ratios for core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio are more than 7.50%, 8.50% and 10.50%, respectively by the end of 31 December 2021.



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

	31 December 2021 (RMB'000)	31 December 2020 (RMB'000)
Core tier 1 capital adequacy ratio	<u>23.63%</u>	<u>29.04%</u>
Tier 1 capital adequacy ratio	<u>23.63%</u>	<u>29.04%</u>
Capital adequacy ratio	<u>24.82%</u>	<u>29.83%</u>
Capital base component		
Core tier 1 capital	3,059,725	3,043,158
Paid-in capital	3,000,000	3,000,000
Surplus reserve	5,348	4,560
General reserve	48,682	-
Retained earnings	-	41,594
Other comprehensive income	<u>5,695</u>	<u>(2,996)</u>
Deduction from core tier-one capital	142,687	117,406
Other intangible assets (excluding land use rights)	69,657	67,969
Net deferred tax assets	<u>73,030</u>	<u>49,437</u>
Net core tier-one capital	2,917,038	2,925,752
Tier 2 capital	147,324	79,913
Surplus loan impairment reserve	147,324	79,913
Net capital in total	<u>3,064,362</u>	<u>3,005,665</u>
Risk-weighted assets	12,344,669	10,076,075
- On-balance-sheet credit risk-weighted assets	11,708,475	8,961,103
- Off-balance-sheet credit risk-weighted assets	213,882	533,933
- Counterparty credit risk-weighted assets	10,891	10,764
- Market risk-weighted assets	19,675	190,243
- Operating risk-weighted assets	391,746	380,032