# SPD SILICON VALLEY BANK CO.,LTD.

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

KPMG Huazhen Hu Shenzi NO. 2201506

SPD Silicon Valley Bank Co., Ltd.:

**Opinion**

We have audited the accompanying financial statements of SPD SILICON VALLEY BANK CO.,LTD. ("the Bank") set out on pages 1 to 84, 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 then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2021, and the financial performance and cash flows of the Bank for the year then ended in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China.

**Basis for Opinion**

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

**Other information**

The management of the Bank is responsible for other information. Other information includes the information covered in the 2021 annual report of the Bank, but does not include the financial statements and our audit report.

Our audit opinion on the financial statements does not cover other information, and we will not issue any form of assurance conclusion on other information.

In combination with our audit of the financial statements, our responsibility is to read other information and consider whether other information is materially inconsistent with the financial statements or the information we have learned in the audit process, or there seems to be material misstatement.

Based on the work we have performed, if we determine that there is a material misstatement in other information, we should report that fact. In this regard, we have nothing to report.

KPMG Huazhen Hu Shenzi NO. 2201506

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Accounting Standards for Business Enterprises, and for the design, implementation and maintenance of such internal control necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

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

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

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

(1) 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.

(2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

**AUDITOR'S REPORT (continued)**

KPMG Huazhen Hu Shenzi NO. 2201506

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

(4) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

(5) Evaluate the overall presentation, including the disclosures, structure, content of the financial statements, 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
Shanghai Branch

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

Shanghai, China

Shi Haiyun

Liu Tong

Date: 26 April 2022

SPD SILICON VALLEY BANK CO.,LTD.
Balance sheet
as at 31 December 2021
(Expressed in Renminbi Yuan)

| | Note | 31 December 2021 | 1 January 2021 | 31 December 2020 |
|---|---|---|---|---|
| Assets | | | | |
| Cash and deposits with central bank | 5(1) | 1,688,432,195 | 2,026,706,164 | 2,026,706,164 |
| Deposits with banks | 5(2) | 8,747,894,903 | 2,472,198,740 | 2,467,762,055 |
| Placements with banks and other financial institutions | 5(3) | 2,263,516,086 | 6,055,126,220 | 6,054,187,539 |
| Derivative financial assets | 5(4) | 11,051,507 | - | - |
| Interest receivable | 5(5) | N/A | N/A | 52,623,781 |
| Loans and advances | 5(6) | 9,138,375,717 | 8,616,058,850 | 8,657,846,967 |
| Financial investments: | 5(7) | | | |
| - Debt investments | | 293,566,279 | - | N/A |
| - Other debt investments | | 1,453,273,115 | 1,524,981,203 | N/A |
| Available-for-sale financial assets | 5(8) | N/A | N/A | 1,500,928,400 |
| Fixed assets | 5(9) | 18,328,010 | 14,582,326 | 14,582,326 |
| Intangible assets | 5(10) | 48,037,055 | 42,546,641 | 42,546,641 |
| Development costs | 5(11) | 82,666,442 | 4,705,219 | 4,705,219 |
| Long-term deferred expenses | | 2,787,554 | 5,370,858 | 5,370,858 |
| Deferred tax assets | 5(12) | 58,357,846 | 65,263,406 | 65,263,406 |
| Other assets | 5(13) | 45,765,981 | 45,581,712 | 23,468,055 |
| Total assets | | 23,852,052,690 | 20,873,121,339 | 20,915,991,411 |

The notes on pages 10 to 84 form part of these financial statements.

SPD SILICON VALLEY BANK CO.,LTD.
Balance sheet
as at 31 December 2021 (continued)
(Expressed in Renminbi Yuan)

| | Note | 31 December 2021 | 1 January 2021 | 31 December 2020 |
|---|---|---|---|---|
| Liabilities | | | | |
| Deposits from banks and other financial institutions | | - | 172,012,923 | 169,400,000 |
| Borrowings from banks and other financial institutions | 5(14) | 191,272,249 | - | - |
| Derivative financial liabilities | 5(4) | 826,383 | 3,207,035 | 3,207,035 |
| Financial assets sold for repurchase | 5(15) | 95,014,055 | - | - |
| Customer deposits | 5(16) | 21,400,010,850 | 19,115,315,027 | 19,092,362,985 |
| Employee benefits payable | 5(17) | 58,621,235 | 45,363,775 | 45,363,775 |
| Taxes payable | 5(18) | 25,835,276 | 9,929,931 | 9,929,931 |
| Interest payable | 5(19) | N/A | N/A | 25,564,965 |
| Provisions | 5(20) | 1,990,476 | 463,204 | - |
| Other liabilities | 5(21) | 59,568,456 | 79,886,675 | 58,965,777 |
| Total liabilities | | 21,833,138,980 | 19,426,178,570 | 19,404,794,468 |
| Owners' equity | | | | |
| Paid-in capital | 5(22) | 2,000,000,000 | 1,500,000,000 | 1,500,000,000 |
| Capital reserve | | 34,777,987 | 34,777,987 | 34,777,987 |
| Other comprehensive income | 5(23) | 2,853,181 | (17,863,501) | (17,863,501) |
| Surplus reserve | 5(24) | 814,760 | 814,760 | 814,760 |
| General reserve | 5(25) | 7,332,838 | 7,332,838 | 7,332,838 |
| Accumulated losses | | (26,865,056) | (78,119,315) | (13,865,141) |
| Total owners' equity | | 2,018,913,710 | 1,446,942,769 | 1,511,196,943 |
| Total liabilities and owners' equity | | 23,852,052,690 | 20,873,121,339 | 20,915,991,411 |

These financial statements were approved by the Board of Directors on 26 April 2022.

Jade Lu
President

Hanna Zhu
Chief Finance Officer

The notes on pages 10 to 84 form part of these financial statements.

SPD SILICON VALLEY BANK CO.,LTD.
INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021
(Expressed in Renminbi Yuan)

| | Note | 2021 | 2020 |
|---|---|---|---|
| Operating income | | 487,208,567 | 332,102,464 |
| Net interest income | 5(26) | 322,016,281 | 344,717,793 |
| Interest income | | 401,935,920 | 457,035,568 |
| Interest expense | | (79,919,639) | (112,317,775) |
| Net fee and commission income | 5(27) | 42,513,394 | 30,084,772 |
| Fee and commission income | | 46,681,216 | 33,398,854 |
| Fee and commission expense | | (4,167,822) | (3,314,082) |
| Losses from investment | 5(28) | (113,088,145) | (122,742,318) |
| Other income | | 6,280,889 | - |
| Gains on changes in fair value | 5(29) | 33,230,679 | 2,102,257 |
| Net gains from foreign exchange | 5(30) | 183,356,963 | 64,397,912 |
| Other operating income | | 12,898,506 | 13,542,048 |
| Operating expense | | (395,603,698) | (340,967,739) |
| Taxes and surcharges | | (4,193,786) | (3,255,585) |
| General and administrative expenses | 5(31) | (295,054,308) | (222,140,262) |
| Credit losses | 5(32) | (96,355,604) | N/A |
| Impairment losses on assets | 5(33) | N/A | (115,571,892) |
| Net operating profit/(loss) | | 91,604,869 | (8,865,275) |
| Non-operating income | | 468,245 | 3,505,516 |
| Non-operating expense | | (203,529) | (72,000) |

The notes on pages 10 to 84 form part of these financial statements.

SPD SILICON VALLEY BANK CO.,LTD.
INCOME STATEMENT(CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021
(Expressed in Renminbi Yuan)

| | Note | 2021 | 2020 |
|---|---|---|---|
| Profit/(Loss) before income tax | | 91,869,585 | (5,431,759) |
| (Provisions for)/Reversals of income tax expenses | 5(34) | (40,615,326) | 7,652,064 |
| Net profit | | 51,254,259 | 2,220,305 |
| Other comprehensive income, net of tax | 5(23) | 20,716,682 | (21,449,421) |
| Other comprehensive income that will be reclassified to profit or loss | | 20,716,682 | N/A |
| Changes in fair value of available-for-sale financial assets | | N/A | (21,449,421) |
| Total comprehensive income | | 71,970,941 | (19,229,116) |

These financial statements were approved by the Board of Directors on 26 April 2022.

Jade Lu
President

Hanna Zhu
Chief Finance Officer

The notes on pages 10 to 84 form part of these financial statements.

SPD SILICON VALLEY BANK CO.,LTD.
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2021
(Expressed in Renminbi Yuan)

| | Note | 2021 | 2020 |
|---|---|---|---|
| 1 Cash flows from operating activities | | | |
| Net increase in customer deposits | | 2,289,188,852 | 4,079,078,672 |
| Interest and commission received | | 523,579,696 | 531,643,667 |
| Net increase in deposits and placements from banks and other financial institutions | | 21,871,000 | - |
| Net increase in repurchase business funds | | 95,014,055 | - |
| Cash received relating to other operating activities | | 367,464,983 | 178,320,534 |
| Subtotal of cash inflow | | 3,297,118,586 | 4,789,042,873 |
| Net increase in loans and advances | | (637,663,701) | (2,527,139,793) |
| Net increase in deposits with the central bank | | (268,053,034) | (313,761,121) |
| Net increase in deposits and placements with banks and other financial institutions | | (1,258,597,764) | (450,070,518) |
| Net decrease in deposits and placements from other banks | | - | (690,120,120) |
| Interest and commission paid | | (95,668,471) | (127,166,898) |
| Cash paid to employees or on behalf of employees | | (174,205,668) | (135,147,391) |
| Tax paid | | (44,847,059) | (53,007,570) |
| Cash paid relating to other operating activities | | (248,631,417) | (154,004,105) |
| Subtotal of cash outflow | | (2,727,667,114) | (4,450,417,516) |
| Net cash flows from operating activities | 5(35) | 569,451,472 | 338,625,357 |

The notes on pages 10 to 84 form part of these financial statements.

SPD SILICON VALLEY BANK CO.,LTD.
STATEMENT OF CASH FLOW(CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021
(Expressed in Renminbi Yuan)

| | | Note | 2021 | 2020 |
|---|---|---|---|---|
| 2 | Cash flows from investing activities | | | |
| | Cash received from investment recovery | | 494,167,278 | - |
| | Cash received from investment income | | 42,242,188 | - |
| | Subtotal of cash inflow | | 536,409,466 | - |
| | Purchase of investment securities | | (690,565,655) | (1,250,058,124) |
| | Cash paid for purchase of fixed assets, research and development expenditures and other long-term intangible assets | | (132,904,138) | (42,147,064) |
| | Subtotal of cash outflow | | (823,469,793) | (1,292,205,188) |
| | Net cash used in investing activities | | (287,060,327) | (1,292,205,188) |
| 3 | Cash flows from financing activities | | | |
| | Capital increase from shareholders | | 500,000,000 | 500,000,000 |
| | Proceeds from issuance of inter-bank certificates of deposit | | - | 99,751,300 |
| | Subtotal of cash inflow | | 500,000,000 | 599,751,300 |
| | Cash paid to redeem matured liabilities | | - | (99,751,300) |
| | Interest paid in relation to financing activities | | - | (248,700) |
| | Cash paid relating to other financing activities | | (12,851,210) | - |
| | Subtotal of cash outflow | | (12,851,210) | (100,000,000) |
| | Net cash flows from financing activities | | 487,148,790 | 499,751,300 |

The notes on pages 10 to 84 form part of these financial statements.

SPD SILICON VALLEY BANK CO.,LTD.
STATEMENT OF CASH FLOW(CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021
(Expressed in Renminbi Yuan)

| | Note | 2021 | 2020 |
|---|---|---|---|
| 4 Effect of foreign exchange rate changes on cash and cash equivalents | | (160,294,671) | (111,338,373) |
| 5 Net increase/(decrease) in cash and cash equivalents | | 609,245,264 | (565,166,904) |
| Add: Cash and cash equivalents at the beginning of year | | 8,398,629,618 | 8,963,796,522 |
| Cash and cash equivalents at the year end | 5(35) | 9,007,874,882 | 8,398,629,618 |

These financial statements were approved by the Board of Directors on 26 April 2022.

Jade Lu
President

Hanna Zhu
Chief Finance Officer

The notes on pages 10 to 84 form part of these financial statements.

SPD SILICON VALLEY BANK CO.,LTD.
STATEMENT OF CHANGES IN OWNERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021
(Expressed in Renminbi Yuan)

| | Note | Paid-in capital | Capital Reserve | Other comprehensive income | Surplus reserve | General reserve | Accumulated losses | Total |
|---|---|---|---|---|---|---|---|---|
| Balance at 31 December 2020 | | 1,500,000,000 | 34,777,987 | (17,863,501) | 814,760 | 7,332,838 | (13,865,141) | 1,511,196,943 |
| Changes in accounting policies | 3(27) | - | - | - | - | - | (64,254,174) | (64,254,174) |
| Balance at 1 January 2021 | | 1,500,000,000 | 34,777,987 | (17,863,501) | 814,760 | 7,332,838 | (78,119,315) | 1,446,942,769 |
| Net gain for the year | | - | - | - | - | - | 51,254,259 | 51,254,259 |
| Other comprehensive income | 5(23) | - | - | 20,716,682 | - | - | - | 20,716,682 |
| Capital increase from shareholders | 5(22) | 500,000,000 | - | - | - | - | - | 500,000,000 |
| Balance at 31 December 2021 | | 2,000,000,000 | 34,777,987 | 2,853,181 | 814,760 | 7,332,838 | (26,865,056) | 2,018,913,710 |

These financial statements were approved by the Board of Directors on 26 April 2022.

Jade Lu
President

Hanna Zhu
Chief Finance Officer

The notes on pages 10 to 84 form part of these financial statements.

SPD SILICON VALLEY BANK CO.,LTD.
STATEMENT OF CHANGES IN OWNERS' EQUITY(CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021
(Expressed in Renminbi Yuan)

| | Note | Paid-in capital | Capital Reserve | Other comprehensive income | Surplus reserve | General reserve | Accumulated losses | Total |
|---|---|---|---|---|---|---|---|---|
| Balance at 1 January 2020 | | 1,000,000,000 | 34,777,987 | 3,585,920 | 814,760 | 7,332,838 | (16,085,446) | 1,030,426,059 |
| Net gain for the year | | - | - | - | - | - | 2,220,305 | 2,220,305 |
| Other comprehensive income | 5(23) | - | - | (21,449,421) | - | - | - | (21,449,421) |
| Capital increase from shareholders | 5(22) | 500,000,000 | - | - | - | - | - | 500,000,000 |
| Balance at 31 December 2020 | | 1,500,000,000 | 34,777,987 | (17,863,501) | 814,760 | 7,332,838 | (13,865,141) | 1,511,196,943 |

The notes on pages 10 to 84 form part of these financial statements.

## 1 Bank status

SPD SILICON VALLEY BANK (hereinafter referred to as the “SPDSVB” or “the Bank”) was established as a joint Chinese-foreign bank by SHANGHAI PUDONG DEVELOPMENT BANK CO., LTD. (hereinafter referred to as the “SPD”) and SILICON VALLEY BANK (hereinafter referred to as the “SVB”) in the People’s Republic of China.

China Banking Regulatory Commission (hereinafter referred to as the "CBRC") approved the opening of the Bank on 30 July 2012 with Yin Jian Fu [2012] No 415. The Bank later obtained Financial License from CBRC, and obtained Business License from Shanghai Administration for Industry and Commerce on 10 August 2012. The Bank's unified social credit code is 91310000051286571H. According to the provisions of the business license of the Bank, the term of its operation is unlimited. The Bank mainly operates foreign exchange business and RMB business with the approval from relevant regulatory agencies.

## 2 Basis of preparation

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

## 3 Significant accounting policies and accounting estimates

### (1) Statement of compliance

The financial statements have been prepared in accordance with the requirements of Accounting Standards for Business Enterprises or referred to as China Accounting Standards (“CAS”) issued by the Ministry of Finance (“MOF”) of the People’s Republic of China. These financial statements present truly and completely the financial position of the Bank as at 31 December 2021, and financial performance and cash flows of the Bank for the year then ended.

### (2) Accounting year

The accounting year of the Bank is from 1 January to 31 December.

(3) Functional currency

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.

(4) 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.

(5) Foreign currency transactions and translation of financial statements denominated in 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. For monetary items that are measured at fair value through other comprehensive income (FVOCI) in foreign currencies, the foreign currency translation differences are disaggregated as translation differences arising from changes in the amortised cost and translation differences arising from changes in other carrying amounts of these items. Translation differences arising from changes in the amortised cost are included in profit or loss; and those arising from changes in other carrying amounts of these items are included in other comprehensive income. The exchange differences of other monetary items in foreign currencies are included 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. Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rate at the date the fair value is determined. The resulting exchange differences are recognised in profit or loss, except for the differences arising from the re-translation of equity investments at fair value through other comprehensive income, which are recognised in other comprehensive income.

(6) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(a) Recognition and initial 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.

A financial asset or financial liability is 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 assets

(i) Classification of financial assets

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

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, reclassified, 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.

(iii) Classification and subsequent measurement of financial liabilities

*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 liability is part of a hedging relationship;
- The financial liability is a financial liability designated at fair value through profit or loss, and changes in fair value arising from changes in the Bank's credit risks are included in other comprehensive income.

*Other financial liabilities*

Other financial liabilities are measured at amortised cost using the effective interest method, except for financial liabilities, financial guarantee contracts and loan commitments arising from transfers of financial assets that do not qualify for the derecognition conditions or continue to be involved in the transferred financial assets Note 3(6)(iv).

(iv) Financial guarantee liabilities and loan commitment

*Financial guarantee liabilities*

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

Financial guarantee contracts are measured at fair value when they are initially recognized as liabilities. Subsequent to initial recognition, deferred income related to financial guarantee is amortised in profit or loss in accordance with the accounting policies set out in Note 3(16).

A financial guarantee liability is measured at the higher of:

- the amount of the loss allowance determined in accordance with impairment policies of financial instruments (see Note 3(6)(vii)); and
- the amount initially recognised less the cumulative amount of income.

*Loan commitment*

A loan commitment is a firm commitment to provide credit in accordance with the pre-determined terms and conditions.

Impairment of loan commitments provided by the Bank are assessed based on the expected credit losses (ECLs). The Bank has not committed on issuing loans at any price below the market interest rates, nor making cash payments or the issuance of other financial instruments as the net settlement of the loan commitments.

Loss allowances of loan commitments and financial guarantee contracts are presented in the provisions. However, if an instrument contains both a loan and an unused commitment, and the Bank cannot separate the ECLs arising from the loan portion from the unused commitment, the loss allowance for both portions is presented in the loss allowance for loans unless the total loss allowance for both portions exceeds the carrying amount of the loan, in which the loss allowance is presented in the provisions.

(v) 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.

(vi) 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.

The financial asset has been transferred, and if the Bank neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, and the Bank retains control over the financial asset, the Bank continues to recognise the relevant financial asset to the extent of involvement in the transferred financial asset, and the relevant liability is accordingly recognised.

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

- the carrying amount of the financial asset transferred measured at the date of derecognition;

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

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

(vii) Impairment

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

- financial assets measured at amortised cost;
- contract assets;
- debt investments measured at FVOCI;
- loan commitment and 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 losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive).

The Bank measures expected credit losses (ECLs) of a financial instrument in a way that reflects: (i) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; (ii) the time value of money; and (iii) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

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).

The Bank classifies financial instruments into three stages and makes provisions for expected credit losses accordingly, depending on whether credit risk on that financial instrument has increased significantly since initial recognition.

The three risk stages are defined as follows:

Stage 1: For financial instruments where the credit risk has not significantly increased since the initial recognition, the loss allowance is measured at the 12-month ECLs.

Stage 2: For financial instruments where the credit risk has significantly increased without credit impairment since the initial recognition, the loss allowance is measured at the lifetime ECLs.

Stage 3: For financial instruments that are credit impaired since the initial recognition, the loss allowance is measured at the lifetime ECLs.

*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 grouped 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*

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

*Presentation of allowance for ECL*

ECLs are remeasured at each balance sheet date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Bank recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for debt investments that are measured at FVOCI, for which the loss allowance is recognised in other comprehensive income. Refer to Note 5(20) the Bank recognises loss allowances for loan commitments and financial guarantee contracts issued, which are not measured at FVTPL through provisions.

*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.

(viii) Modification of financial asset contracts

The Bank may modify or renegotiate the financial asset contracts under certain circumstances (such as the restructured loans). The Bank will assess whether the modified or renegotiated contract terms have substantially changed.

If there are substantial changes in the contract terms after the modification, the Bank will derecognise the original financial asset and recognise a new financial asset in accordance with the modified terms.

If there is no substantial change in the contract terms after the modification but changes in the contractual cash flows is resulted in, the Bank will recalculate the book value of the financial asset and recognise relevant gains or losses in the profit or loss. The recalculated book value of the financial assets shall be recognised at the present value determined by discounting the modified or renegotiated contractual cash flows by the original effective interest rate of the financial asset (or the credit-adjusted effective interest rate of purchased or originated credit-impaired financial assets). For all the costs or expenses arising from the modified or renegotiated contract, the Bank shall adjust the book value of the financial assets and amortise it for the remaining life of the financial asset. The Bank shall compare the risk of default at the balance sheet date based on the new contract terms with the risk of default at initial recognition based on the original contract terms when evaluating whether the credit risk of the relevant financial instrument has increased significantly.

(7) Financial assets held under resale agreements and financial assets sold under repurchase agreements

Financial assets held under resale agreements are transactions where the Bank acquires financial assets which will be resold at a predetermined price at a future date under resale agreements. Financial assets sold under repurchase agreements are transactions where the Bank sells financial assets which will be repurchased at a predetermined price at a future date under repurchase agreements.

The cash advanced or received is recognised as amounts held under resale or sold under repurchase agreements in the balance sheet. Assets held under resale agreements are recorded in memorandum accounts as off -balance sheet items. Assets sold under repurchase agreements continue to be recognised in the balance sheet.

The difference between the purchase and resale consideration, and that between the sale and repurchase consideration, is amortised over the period of the respective transaction using the effective interest method and is included in interest income and interest expenses respectively.

(8) Derivative Financial Assets

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. A derivative financial instrument with a positive fair value is recognized as an asset, and a negative fair value is recognized as a liability.

If the hybrid contract contains a host that is a financial asset, then the Bank assesses the entire contract as described in the financial assets section above for classification and measurement purposes Otherwise, the embedded derivatives are treated as separate derivatives when: their economic characteristics and risks are not closely related to those of the host contract; A separate instrument with the same terms would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. These embedded derivatives are separately accounted for at fair value, with changes in fair value recognised in the statement of profit or loss unless the Bank chooses to designate the hybrid contracts at fair value through profit or loss.

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

(9) Fixed assets

(a) Recognition of fixed assets

Fixed assets represent tangible assets held by the Bank for the conduct of business with useful lives over one accounting year.

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.

Where the parts of an item of fixed assets have different useful lives or provide benefits to the Bank in a different pattern, thus necessitating use of different depreciation rates or methods, each part is recognised as a separate fixed asset.

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.

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

(b) Depreciation of fixed assets

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 assets meet the conditions for holding for sale. The estimated useful lives, residual value rates and depreciation rates of each class of fixed assets are as follows:

| Class | Estimate useful life | Residual value rate | Depreciation rate |
|---|---|---|---|
| Office equipment and furniture | 5 years | 0% ~ 5% | 19% ~ 20% |
| Computers and other equipment | 3 ~ 5 years | 0% ~ 5% | 19% ~ 33% |

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

(c) For the impairment of the fixed assets, refer to Note 3(13).

(d) Disposal of fixed assets

When fixed assets meet one of the following conditions, the carrying amount of a fixed asset is derecognised:

- when the fixed asset is holding for disposal; or
- when no future economic benefit is expected to be generated from its use or disposal.

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.

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

The respective amortisation periods for intangible assets are as follows:

| Class | Amortisation period |
|---|---|
| Software | 3 ~ 5 years |

The Bank reviews the useful life and amortization method of a finite useful life intangible assets at the end of each year and adjusts it if necessary.

An intangible asset is regarded as having an indefinite useful life and is not amortised when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Bank. At the balance sheet date, the Bank does not have any intangible assets with indefinite useful lives.

Expenditure on an internal research and development project is classified into expenditure during the research phase and expenditure during the development phase.

Expenditure during the research phase is expensed when incurred. Expenditure during the development phase is capitalised if development costs can be measured reliably, the product or process is technically and commercially feasible, and the Bank has sufficient resources and the intention to complete development. Capitalised development costs are stated in the balance sheet at cost less impairment losses (see Note 3(13)). Other development expenditure is recognised as an expense in the period in which it is incurred.

(11) Long-term deferred expenses

Long-term deferred expenses include the expenditure for improvements to fixed assets held under operating leases, and other expenditures that have been incurred but should be recognised as expenses over more than one year in the current and subsequent periods. Long-term deferred expenses are amortized on the straight-line basis over the expected beneficial period and are presented at actual expenditure net of accumulated amortisation.

(12) Repossessed assets

Repossesssed assets refer to the physical assets or property rights of the debtor, guarantor or third party that are compensated by the Bank for exercising creditor's rights or security interests.

For the transferred financial-asset-linked debt-repaid assets, the Bank initially measures them at the fair value, then performs classification and subsequent measurement based on the accounting polices stated in Note 3(6).

For the transferred non-financial-asset-linked debt-repaid assets, the Bank initially measures them based on the fair value of the waived creditor’s rights and other costs (such as taxes directly attributable to the assets) and performs subsequent measurement at the lower of the carrying amount of the debt-repaid assets and the recoverable amount. For the impairment testing methods and the provision for impairment, please see Note 3(13).

(13) Impairment of assets other than financial assets

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

- fixed assets
- right-of-use assets
- intangible assets
- development costs
- long-term deferred expenses
- non-financial-asset-linked repossessed assets, etc.

If any indication exists, the recoverable amount of the asset is estimated.

The recoverable amount of an asset (or asset group, set of asset groups) is the higher of its fair value (see Note 3(14)) less costs to sell and its present value of expected future cash flows.

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

The 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.

(14) 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.

(15) Provisions and contingent liabilities

A contingent liability is a potential obligation arising from past transactions or events, its existence must be verified through the occurrence or non-occurrence of uncertain future events; in respect of present obligations arising from past transactions or events, the performance of such obligations is not likely to cause economic benefits to flow out of the Bank or the affected amount of the obligation cannot be reliably measured. The Bank does not recognise such obligations and only discloses the contingent liabilities in Note 6 Commitments and contingencies to the financial statements.

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.

(16) Revenue

(a) Interest income

For all financial instruments measured at amortised cost and interest-generating financial instruments classified as financial assets measured at FVOCI, interest income is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, where appropriate, to the book value of the financial asset, or the amortised cost of financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not expected credit losses.

Interest income is calculated by applying the effective interest rate to the book value of financial assets and is included in interest income, except for:

- For purchased or originated credit-impaired (POCI) financial assets, the interest income is recognised according to the amortised cost of the financial asset and the credit adjusted effective interest rate since initial recognition;
- Financial assets that are not purchased or originated credit-impaired but have subsequently become credit-impaired, whose interest income is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision). If, in a subsequent period, the financial assets improve their qualities so that they are no longer credit-impaired and the improvement in credit quality is related objectively to a certain event occurring after the application of the above-mentioned rules, then the interest income is calculated by applying the effective interest rate to their book value.

(b) Fee and commission income

The Bank collects fees and commissions by rendering services to customers. Revenue from fees and commissions is recognised when the Bank satisfies the performance obligation in the contract by transferring the control over services to customers at a point in time or over time.

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 controls the service provided by the Bank in the course of performance;
- The Bank does not provide service with an alternative use to the Bank, and the Bank has an enforceable right to payment for performance completed to date.

(17) Expense

(a) Interest expense

Interest expenses from financial liabilities are accrued on a time proportion basis in line with the amortised cost and the applicable effective interest rate.

(b) Other expenses

Other expenses are recognised on an accrual basis.

(18) 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 accured 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

The contribution plans in which the Bank participates mainly include the basic pension insurance and the unemployment insurance.

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

(c) Other long-term employee compensation

According to the relevant requirements of the regulation and the Bank, the deferred portion of the bonus payable by the Bank will be paid annually over the next three years.

(19) 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.

Government grants related to assets are grants whose primary condition is that the Bank qualifying for them should purchase, construct or otherwise acquire long-term assets. Government grants related to income are grants other than those related to assets. 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 recognized, or included in other income or non-operating income directly. The Bank includes the government grants related to the daily operations of the Bank into other income according to the substance of the economic business, and includes the government grants unrelated to the daily operations of the Bank into the non-operating income.

(20) 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 amounts 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 deferred tax 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 current tax assets;
- they relate to income taxes levied by the same tax authority on 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.

(21) 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.

(a) The Bank 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(13).

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.

(b) As a lessor

The Bank determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset irrespective of whether the legal title to the asset is eventually transferred. An operating lease is a lease other than a finance lease.

When the Bank is a sub-lessor, it assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Bank applies practical expedient described above, then it classifies the sub-lease as an operating lease.

Under a finance lease, at the commencement date, the Bank recognises the finance lease receivable and derecognises the finance lease asset. The finance lease receivable is initially measured at an amount equal to the net investment in the lease. The net investment in the lease is measured at the aggregate of the unguaranteed residual value and the present value of the lease receivable that are not received at the commencement date, discounted using the interest rate implicit in the lease.

The Bank recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return. The derecognition and impairment of the finance lease receivable are recognised in accordance with the accounting policy in Note 3(6). Variable lease payments not included in the measurement of net investment in the lease are recognised as income as they are earned.

Lease receipts from operating leases is recognised as income using the straight-line method over the lease term. The initial direct costs incurred in respect of the operating lease are initially capitalised and subsequently amortised in profit or loss over the lease term on the same basis as the lease income. Variable lease payments not included in lease receipts are recognised as income as they are earned.

(22) Fiduciary activities

The Bank acts in a fiduciary activity as a manager, a custodian, or an agent for customers. Assets held by the Bank and the related undertakings to return such assets to customers are recorded as off-balance sheet items as the risks and rewards of the assets reside with customers.

The Bank enters into entrusted loan agreements with customers, whereby the customers provide funding (“entrusted funds”) to the Bank, and the Bank grants loans to third parties (“entrusted loans”) under instructions of the customers. As the Bank does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, the entrusted loans and funds are recorded as off-balance sheet items at their principal amount. No provision for impairment loss is made for entrusted loans.

(23) Dividend distribution

After the reporting date, the dividends or profits to be distributed in the profit distribution plan which has been examined and approved are not really considered as liabilities on the balance sheet date and shall be disclosed separately in the notes.

(24) 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 Company is under common control only from the State and that have no other related party relationships are not regarded as related parties.

(25) Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Bank’s internal organisation, management requirements and internal reporting system after taking the materiality principle into account. Two or more operating segments may be aggregated into a single operating segment if the segments have 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. Segment accounting policies are consistent with those for the consolidated financial statements.

(26) Significant accounting and judgements and estimates

In preparing the financial statements, the management of the Bank is required to apply estimates and assumptions which affect the application of accounting policies and the amounts of assets, liabilities, revenues and expenses. The reality may differ from these estimates. The Bank's management continuously evaluates the judgment of the key assumptions and uncertainties involved in the estimates, and the impact of changes in accounting estimates is recognized in the current and future periods of the changes.

In the course of implementing the Bank's accounting policies, management will make estimates and assumptions about the impact of future uncertainties on the financial statements. The management makes the following estimates and major assumptions on the significant future uncertainties at the balance sheet date, which may result in a significant adjustment in the carrying amount of the assets and liabilities in the next accounting period.

Measurement of ECLs

For debt instrument investments carried at amortised cost and FVOCI, loan commitments and financial guarantee contracts, complicated models and a huge amount of assumptions were adopted in the ECL measurement. These models and assumptions relate to the future macroeconomic conditions and the customers' credit behaviour (e.g., the likelihood of default by customers and the corresponding losses). Explanations on inputs, assumptions and estimation techniques of ECL measurement are indicated in Note 8(2).

*Income tax*

The Bank is required to make judgements on the future tax treatments of certain transactions in order to recognise the income tax. The Bank makes prudent judgements on the income tax effects corresponding to transactions and measures the income tax accordingly based on relevant tax regulations. Deferred tax assets are only recognised to the extent that the future taxable profit is likely to be available and can be used to offset relevant temporary differences. This requires significant judgements in relation to the tax treatments of certain transactions and significant estimates on the likelihood that sufficient future taxable profits will be available to offset the deferred tax assets.

*Fair value of financial instruments*

For financial instruments without active market, the Bank adopts valuation methods to determine the fair value. Valuation methods include estimations by reference to transaction prices determined in arm's length transactions between economic agents with complete information and willingness to trade in the market; estimations by reference to the fair value of another similar financial instrument in the market, or estimations by applying discounted cash flow analysis and option pricing models. The valuation methods utilise observable market information to the maximum extent possible, however, when observable market information is not available, management will estimate the significant unobservable information included in the valuation methods.

(27) Changes in accounting policies

In 2021, the Bank has adopted the following newly revised accounting standards and implementation guidance issued by the MOF:

- CAS No.22 - Financial Instruments: Recognition and Measurement (Revised), CAS No.23 - Transfer of Financial Assets (Revised), CAS No.24 - Hedge Accounting (Revised) and CAS No.37 - Presentation and Disclosures of Financial Instruments (Revised) (collectively "the new financial instruments standards")
- CAS No.14 - Revenue (Revised) ("the new revenue standard")
- CAS No.21 - Lease (Revised) (Caikuai [2018] No.35) ("the 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")
- Notice on Revision of the 2018 Illustrative Financial Statements (Caikuai [2018] No.36) (New financial statement format of financial enterprise)

(a) New financial instruments standards and new financial enterprise financial statement format

The new financial instruments standards revise CAS No.22 - Financial instruments: Recognition and measurement, CAS No.23 - Transfer of Financial assets and CAS No.24 - Hedging issued by the MOF in 2006 and CAS No.37 - Presentation and Disclosures of Financial Instruments revised by the MOF in 2014 (collectively "the previous financial instruments standards").

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

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

In accordance with the transitional provisions in the new financial instruments standards, the Bank has retrospectively applied the classification and measurement (including impairment) requirements to the financial instruments that have not been derecognised at the date of initial application (i.e. 1 January 2021). The comparative information has not been restated. The Bank recognised any difference between the previous carrying amount and the new carrying amount at the date of initial application in the opening retained earnings or other comprehensive income.

The Bank adjusted the relevant financial statement items in accordance with the provisions of the new financial instruments standards and the new financial enterprise financial statement format, based on the principle of materiality and in light of the actual situation of the Bank.

Financial assets are classified and measured in accordance with the previous financial instrument standards and the new financial enterprise financial statement format. The comparison of the results is as follows:

| | Carrying amount presented in accordance with the previous financial instruments standards 31 December 2020 | Reclassification | Remeasurement | Carrying amount presented in accordance with the new financial instruments standards and the new financial enterprise financial statement 1 January 2021 |
|---|---|---|---|---|
| Assets | | | | |
| Deposits with banks | 2,467,762,055 | 4,782,101 | (345,416) | 2,472,198,740 |
| Placements with banks and other financial institutions | 6,054,187,539 | 1,560,233 | (621,552) | 6,055,126,220 |
| Interest receivable | 52,623,781 | (52,623,781) | - | N/A |
| Loans and advances | 8,657,846,967 | 20,585,823 | (62,373,940) | 8,616,058,850 |
| Financial investments | | | | |
| - Other debt investments | N/A | 1,524,981,203 | - | 1,524,981,203 |
| Available-for-sale financial assets | 1,500,928,400 | (1,500,928,400) | - | N/A |
| Other financial assets | 7,403,317 | 1,642,821 | (450,062) | 8,596,076 |
| Total assets | 18,740,752,059 | - | (63,790,970) | 18,676,961,089 |
| Liabilities | | | | |
| Deposits from banks and other financial institutions | 169,400,000 | 2,612,923 | - | 172,012,923 |
| Customer deposits | 19,092,362,985 | 22,952,042 | - | 19,115,315,027 |
| Interest payable | 25,564,965 | (25,564,965) | - | N/A |
| Provisions | - | - | 463,204 | 463,204 |
| Total liabilities | 19,287,327,950 | - | 463,204 | 19,287,791,154 |
| Impact on accumulated losses at the beginning of the year | | - | (64,254,174) | |

The carrying amount of the previous financial assets is adjusted to be classified and measured in accordance with the provisions of the new financial instruments standards and the new financial enterprise financial statement format. The adjustment of the carrying amount of the new financial assets is as follows: (only affected items are listed):

| | Carrying amount presented in accordance with the previous financial instruments standards 31 December 2020 | Reclassification | Remeasurement | Carrying amount presented in accordance with the new financial instruments standards and the new financial enterprise financial statement 1 January 2021 |
|---|---|---|---|---|
| Financial assets measured at amortized cost | | | | |
| Deposits with banks | | | | |
| The balance presented in accordance with the previous financial instruments standards | 2,467,762,055 | | | |
| Add: Interest receivable | | 4,782,101 | | |
| Remeasurement：Provisions | | | (345,416) | |
| The balance presented in accordance with the new financial instruments standards | | | | 2,472,198,740 |
| Placements with banks and other financial institutions | | | | |
| The balance presented in accordance with the previous financial instruments standards | 6,054,187,539 | | | |
| Add: Interest receivable | | 1,560,233 | | |
| Remeasurement：Provisions | | | (621,552) | |
| The balance presented in accordance with the new financial instruments standards | | | | 6,055,126,220 |
| Interest receivable | | | | |
| The balance presented in accordance with the previous financial instruments standards | 52,623,781 | | | |
| Minus: Transfer to Deposits with banks | | (4,782,101) | | |
| Minus: Transfer to Placements with banks and other financial institutions | | (1,560,233) | | |
| Minus: Transfer to Loans and advances | | (20,585,823) | | |
| Minus: Transfer to Other debt investments | | (24,052,803) | | |
| Minus: Transfer to Other Financial assets | | (1,642,821) | | |
| The balance presented in accordance with the new financial instruments standards | | | | N/A |

| | Carrying amount presented in accordance with the previous financial instruments standards 31 December 2020 | Reclassification | Remeasurement | Carrying amount presented in accordance with the new financial instruments standards and the new financial enterprise financial statement 1 January 2021 |
|---|---|---|---|---|
| Loans and advances | | | | |
| The balance presented in accordance with the previous financial instruments standards | 8,657,846,967 | | | |
| Less: transferred out of loans and advances measured at fair value through profits and losses (i) | | (1,881,068,421) | | |
| Add: transfer in from interest receivable | | 15,736,926 | | |
| Recalculation: provision for expected credit losses | | | (27,554,859) | |
| The balance presented in accordance with the new financial instruments standards | | | | 6,764,960,613 |
| Other financial assets | | | | |
| The balance presented in accordance with the previous financial instruments standards | 7,403,317 | | | |
| Add: transfer in from interest receivable | | 1,642,821 | | |
| Recalculation: provision for expected credit losses | | | (450,062) | |
| The balance presented in accordance with the new financial instruments standards | | | | 8,596,076 |
| Subtotal of financial assets measured at amortized cost | 17,239,823,659 | (1,909,970,121) | (28,971,889) | 15,300,881,649 |

| | Carrying amount presented in accordance with the previous financial instruments standards 31 December 2020 | Reclassification | Remeasurement | Carrying amount presented in accordance with the new financial instruments standards and the new financial enterprise financial statement 1 January 2021 |
|---|---|---|---|---|
| Financial assets measured at fair value through profit or loss | | | | |
| Loans and advances | | | | |
| The balance presented in accordance with the previous financial instruments standards | N/A | | | |
| Add: transfer in from loans and advances measured at amortized cost | | 1,881,068,421 | | |
| Add: transfer in from interest receivable | | 4,848,897 | | |
| Recalculation: fair value measurement | | | (34,819,081) | |
| The balance presented in accordance with the new financial instruments standards | | | | 1,851,098,237 |
| Subtotal of financial assets measured at fair value through profit or loss | - | 1,885,917,318 | (34,819,081) | 1,851,098,237 |
| Financial assets measured at fair value through other comprehensive income | | | | |
| Other debt investments | | | | |
| The balance presented in accordance with the previous financial instruments standards | N/A | | | |
| Add: transfer in from available-for-sale financial assets | | 1,500,928,400 | | |
| Add: transfer in from interest receivable | | 24,052,803 | | |
| The balance presented in accordance with the new financial instruments standards | | | | 1,524,981,203 |
| Available-for-sale financial assets | | | | |
| The balance presented in accordance with the previous financial instruments standards | 1,500,928,400 | | | |
| Less: transferred out to Other debt investments | | (1,500,928,400) | | |
| The balance presented in accordance with the new financial instruments standards | | | | N/A |
| Subtotal of financial assets measured at fair value through other comprehensive income | 1,500,928,400 | 24,052,803 | - | 1,524,981,203 |

| | Carrying amount presented in accordance with the previous financial instruments standards 31 December 2020 | Reclassification | Remeasurement | Carrying amount presented in accordance with the new financial instruments standards and the new financial enterprise financial statement 1 January 2021 |
|---|---|---|---|---|
| Financial liabilities | | | | |
| Deposits from banks and other financial institutions | | | | |
| The balance presented in accordance with the previous financial instruments standards | 169,400,000 | | | |
| Add: transfer in from interest payables | | 2,612,923 | | |
| The balance presented in accordance with the new financial instruments standards | | | | 172,012,923 |
| Customer deposits | | | | |
| The balance presented in accordance with the previous financial instruments standards | 19,092,362,985 | | | |
| Add: transfer in from interest payables | | 22,952,042 | | |
| The balance presented in accordance with the new financial instruments standards | | | | 19,115,315,027 |
| Interest payables | | | | |
| The balance presented in accordance with the previous financial instruments standards | 25,564,965 | | | |
| Less: transfer out to deposits from banks and other financial institutions | | (2,612,923) | | |
| Less: transfer out to customer deposits | | (22,952,042) | | |
| The balance presented in accordance with the new financial instruments standards | | | | N/A |
| Provisions | | | | |
| The balance presented in accordance with the previous financial instruments standards | - | | | |
| Recalculation: provision for expected credit losses (ii) | | | 463,204 | |
| The balance presented in accordance with the new financial instruments standards | | | | 463,204 |
| Subtotal of financial liabilities | 19,287,327,950 | - | 463,204 | 19,287,791,154 |

(i) Part of the loans and advances held by the Bank do not meet the contractual cash flow characteristics of only the payment of principal and interest based on the outstanding principal amount. Therefore, the Bank reclassifies them to be measured at fair value and Financial assets whose changes are included in the current profit and loss.

(ii) The Bank lists the loss provision for loan commitments and financial guarantee contracts in the provisions.

(b) New revenue standard

The new revenue standard replaces CAS No.14 – Revenue and CAS No.15 - Construction Contracts issued by the MOF in 2006 ("the previous revenue standard").

Under the previous revenue standard, the Bank recognised revenue when the risks and rewards had passed to the customers. Under the new income standard, the Bank takes the transfer of control as the criterion for the timing of revenue recognition. The new revenue standard introduces extensive qualitative and quantitative disclosure requirements designed to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Bank's implementation of this standard has no significant impact on the financial statements.

(c) New leases standard

The new leases standard has revised CAS No.21 – Leases issued by the MOF in 2006 ("the previous leases standard"). The Bank will implement the new lease standards from January 1, 2021, and adjust the relevant content of accounting policies.

The 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 the new leases standard. For contracts which 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.

- As a lessee

  Under the 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 the 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 the 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 statements in the initial year of application. Comparative information has not been restated.

For leases classified as operating leases before the date of initial application, lease liabilities were measured at the present value of the remaining lease payments, discounted using the Bank's incremental borrowing rate at the date of initial application. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid lease payments – the Bank applied this approach to all other leases.

The Bank had no finance lease prior to the date of initial application.

- As a lessor

The Bank is not required to make any adjustments to the opening balances of retained earnings and other related items in the financial statements in the initial year of application and surplus for leases for which it acts as a lessor. The Bank has applied new leases standard since the date of initial application.

- Effect of the application of the 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 Bank is 3.48%.

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 |
|---|---|
| Unpaid minimum lease payments for major operating leases in the financial statements as of December 31, 2020 (excluding value-added tax) | 21,658,019 |
| Present value discounted at the bank's incremental borrowing rate on January 1, 2021 | 20,920,898 |
| Lease liabilities under the new lease standards on January 1, 2021 | 20,920,898 |

The impact of the implementation of the new lease standards on the items on the balance sheet as at 1 January 2021 is summarized as follows:

| | The Bank | | |
|---|---|---|---|
| | Book value as of December 31, 2020 | Adjustment amount | Book value as of January 1, 2021 |
| Other non-financial assets | 16,064,738 | 20,920,898 | 36,985,636 |
| Other liabilities | 58,965,777 | 20,920,898 | 79,886,675 |

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

The adoption of the Caikuai [2020] No.10 and Caikuai [2021] No.9 does not have significant effect on the financial position and financial performance of the Bank.

(5) Bulletin No.14

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

## 4 Taxation

The types of taxes applicable to the Bank's as follows:

| *Tax Name* | *Tax basis* | *applicable rate* |
|---|---|---|
| VAT | The output tax is calculated according to the applicable tax rate of taxable income stipulated by the tax law. After deducting the input tax allowed to be deducted in the current period, the difference is the value-added tax payable. | 6% |
| Urban maintenance and construction tax | Calculated and levied based on the actual VAT paid. | 7% |
| Education fee surcharges | Calculated and levied based on the actual VAT paid. | 3% |
| Local education fee surcharges | Calculated and levied based on the actual VAT paid. | 1% - 2% |
| Corporate income tax | Calculated on taxable income. | 25% |

## 5 Notes to financial statements items

### (1) Cash and deposits with central bank

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Mandatory reserve deposits with the central bank | 1,478,971,036 | 1,210,924,002 |
| Surplus reserve deposits with the central bank | 209,455,159 | 815,782,162 |
| Fiscal reserve deposits with the central bank | 6,000 | - |
| Total | 1,688,432,195 | 2,026,706,164 |

The statutory deposit reserve of the Bank with the central bank is the deposit reserve paid to the People's Bank of China in accordance with regulations, including RMB and foreign currency deposit reserves. Fiscal deposits are funds from financial institutions and deposited with the People's Bank of China in accordance with regulations. The above funds shall not be used for the Bank's daily business activities.

### (2) Deposits with banks

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Domestic | | |
| - Deposits with non affiliated banks | 6,000,653,333 | 1,331,524,538 |
| - Deposit with related parties | 1,343,055,742 | 726,897,522 |
| Oversea | | |
| - Deposits with non affiliated banks | 1,247,664,775 | 349,059,701 |
| - Deposit with related parties | 152,017,875 | 60,280,294 |
| Total | 8,743,391,725 | 2,467,762,055 |
| Interest receivables | 4,722,666 | N/A |
| Less: Impairment allowance | (219,488) | N/A |
| Total | 8,747,894,903 | 2,467,762,055 |

The bank's deposits with inter-bank are the deposits with shareholder banks and their branches.

(3) Placements with banks and other financial institutions

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Domestic | | |
| - Placements with domestic non-bank financial institutions | 2,125,213,900 | 88,738,640 |
| - Placements with domestic banks | 127,514,000 | 5,965,448,899 |
| Subtotal | 2,252,727,900 | 6,054,187,539 |
| Interest receivables | 11,301,071 | N/A |
| Less: Impairment allowance | (512,885) | N/A |
| Total | 2,263,516,086 | 6,054,187,539 |

(4) Derivative financial instruments

| | 31 December 2021 | | |
|---|---|---|---|
| | Nominal amount | Fair value | |
| | | Assets | Liabilities |
| Currency derivatives | | | |
| Foreign exchange swap contracts | 3,710,587,584 | 11,042,633 | (727,605) |
| Forex interval cumulative options | 4,578,800,000 | 8,874 | (98,778) |
| Total | | 11,051,507 | (826,383) |

| | 31 December 2020 | | |
|---|---|---|---|
| | Nominal amount | Fair value | |
| | | Assets | Liabilities |
| Currency derivatives | | | |
| Foreign exchange swap contracts | 1,324,554,700 | - | (1,702,070) |
| Forex interval cumulative options | 3,969,800,000 | - | (1,504,965) |
| Total | | - | (3,207,035) |

(5) Interest receivable

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Available-for-sale bonds | N/A | 24,052,803 |
| Loans and advances | N/A | 22,228,644 |
| Deposits with banks | N/A | 4,782,101 |
| Placements with banks and other financial institutions | N/A | 1,560,233 |
| Total | N/A | 52,623,781 |

(6) Loans and advances

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Corporate loans | | |
| - Measured at Amortized Cost | 7,741,327,242 | 8,816,544,773 |
| - Measured at Fair Value through Profit and Loss | 1,603,519,261 | N/A |
| Loans and advances, gross | 9,344,846,503 | 8,816,544,773 |
| Cumulative changes in fair value | 8,364,667 | N/A |
| Interest receivables | 14,434,854 | N/A |
| Impairment allowance | | |
| - Measured at Amortized Cost | (229,270,307) | N/A |
| - Individually impairment allowance | N/A | (73,973,717) |
| - Collectively impairment allowance | N/A | (84,724,089) |
| Total impairment allowance | (229,270,307) | (158,697,806) |
| Loans and advances, net | 9,138,375,717 | 8,657,846,967 |

(a) Analysis by industry sector

| | 31 December 2021 Amount | % | 31 December 2020 Amount | % |
|---|---|---|---|---|
| Information transmission, software and information technology services | 2,431,761,266 | 26.02 | 2,829,208,970 | 32.07 |
| Manufacturing | 2,139,228,082 | 22.89 | 1,772,800,787 | 20.11 |
| Wholesale and retail | 1,573,269,510 | 16.84 | 1,383,773,426 | 15.70 |
| Leasing and commercial services | 1,251,753,367 | 13.40 | 1,209,422,768 | 13.72 |
| Financing | 1,143,074,771 | 12.23 | 699,123,849 | 7.93 |
| Scientific research and technology services | 626,140,489 | 6.70 | 492,697,924 | 5.59 |
| Household services and other services | 87,376,753 | 0.94 | 98,671,375 | 1.12 |
| Education | 33,707,560 | 0.36 | 168,342,420 | 1.91 |
| Accommodation and catering | 22,671,569 | 0.24 | 21,647,059 | 0.25 |
| Construction | 17,142,857 | 0.18 | 2,558,087 | 0.03 |
| Culture, sports and entertainment | 10,000,000 | 0.11 | - | 0.00 |
| Transportation, storage and postal service | 8,720,279 | 0.09 | 138,298,108 | 1.57 |
| Loans and advances, gross | 9,344,846,503 | 100.00 | 8,816,544,773 | 100.00 |

(b) Analysis by geographic sector

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Eastern China | 4,871,533,140 | 4,301,694,231 |
| North China | 2,362,655,255 | 2,256,328,150 |
| South China | 1,049,849,612 | 955,092,502 |
| Other regions in China | 551,724,400 | 464,582,754 |
| Overseas region | 509,084,096 | 838,847,136 |
| Loans and advances, gross | 9,344,846,503 | 8,816,544,773 |

(c) Analysis by collateral type

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Unsecured loans | 2,125,058,266 | 1,670,118,473 |
| Guaranteed loans | 3,309,622,365 | 2,944,611,985 |
| Mortgaged loans | 258,021,360 | 450,062,088 |
| Pledged loans | 3,652,144,512 | 3,751,752,227 |
| Loans and advances, gross | 9,344,846,503 | 8,816,544,773 |

(d) Analysis by overdue situation

| | 31 December 2021 | | | | |
|---|---|---|---|---|---|
| | Overdue for 1 day to 90 days (including 90 days) | Overdue 90 days to 1 year (including 1 year) | Overdue for 1 to 3 years (including 3 years) | Overdue for more than 3 years | Total |
| Guaranteed loans | - | - | 26,874,753 | - | 26,874,753 |
| Mortgaged loans | - | 63,757,000 | - | - | 63,757,000 |
| Pledged loans | 41,875,356 | 2,081,856 | 35,287,067 | - | 79,244,279 |
| Total | 41,875,356 | 65,838,856 | 62,161,820 | - | 169,876,032 |

| | 31 December 2020 | | | | |
|---|---|---|---|---|---|
| | Overdue for 1 day to 90 days (including 90 days) | Overdue 90 days to 1 year (including 1 year) | Overdue for 1 to 3 years (including 3 years) | Overdue for more than 3 years | Total |
| Guaranteed loans | - | 33,742,445 | - | - | 33,742,445 |
| Pledged loans | 41,419,007 | 82,315,901 | - | - | 123,734,908 |
| Total | 41,419,007 | 116,058,346 | - | - | 157,477,353 |

The bank classifies all loans whose principal or interest is overdue for one day or more as overdue loans.

(e) Allowance for impairment losses

Changes in impairment losses of loans and advances measured at amortized cost

| | 2021 | | | |
|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| 1 January 2021 | 88,792,574 | 19,348,891 | 78,111,200 | 186,252,665 |
| Transfer during the year: | | | | |
| Transfer to stage 1 | - | - | - | - |
| Transfer to stage 2 | (7,636,864) | 7,636,864 | - | - |
| Transfer to stage 3 | - | (20,223,104) | 20,223,104 | - |
| Additions during the year | 3,122,716 | 11,258,313 | 80,784,525 | 95,165,554 |
| Written-off during the year | - | - | (53,629,640) | (53,629,640) |
| Recoveries or reversals during the year | - | - | 2,511,487 | 2,511,487 |
| Other changes | (1,029,759) | - | - | (1,029,759) |
| 31 December 2021 | 83,248,667 | 18,020,964 | 128,000,676 | 229,270,307 |

Financial instruments at Stage 1 are those whose credit risk has not increased significantly since initial recognition; Financial instruments at Stage 2 are those whose credit risk has increased significantly since initial recognition, but whose credit impairment has not yet occurred; Financial instruments at Stage 3 are those with credit impairment on the balance sheet date.

| | 2020 | | |
|---|---|---|---|
| | Individually assessed | Collectively assessed | Total |
| 1 January 2020 | 50,158,406 | 83,818,102 | 133,976,508 |
| Impairment allowance charged | 114,174,066 | 1,397,826 | 115,571,892 |
| Written-off during the year | (89,929,324) | - | (89,929,324) |
| Other changes | (429,431) | (491,839) | (921,270) |
| 31 December 2020 | 73,973,717 | 84,724,089 | 158,697,806 |

(7) Financial investments

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Debt investments | 293,566,279 | N/A |
| Other debt investments | 1,453,273,115 | N/A |
| Total | 1,746,839,394 | N/A |

(a) Debt investments

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Interbank deposit certificates | 293,806,633 | N/A |
| Debt investments, gross | 293,806,633 | N/A |
| Interest receivables | - | N/A |
| Impairment allowance | (240,354) | N/A |
| Debt investments, net | 293,566,279 | N/A |

(i) Changes in impairment allowances of debt investments

| | Stage 1 12-month ECL | Stage 2 Lifetime ECL - Not credit impaired | Stage 3 Lifetime ECL - Credit impaired | Total |
|---|---|---|---|---|
| 1 January 2021 | - | - | - | - |
| Transfer during the year: | | | | |
| Transfer to stage 1 | - | - | - | - |
| Transfer to stage 2 | - | - | - | - |
| Transfer to stage 3 | - | - | - | - |
| Additions during the year | 240,354 | - | - | 240,354 |
| 31 December 2021 | 240,354 | - | - | 240,354 |

(b) Other debt investments

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| National bonds | 1,099,958,220 | N/A |
| Policy bank bonds | 330,560,105 | N/A |
| Subtotal | 1,430,518,325 | N/A |
| Interest receivables | 22,754,790 | N/A |
| Total | 1,453,273,115 | N/A |

(8) Available-for-sale financial assets

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| National bonds | N/A | 1,500,928,400 |

(9) Fixed assets

| | Office equipment and furniture | Computers and other equipment | Total |
|---|---|---|---|
| **Cost** | | | |
| 31 December 2019 | 2,359,663 | 25,747,231 | 28,106,894 |
| Additions | 203,002 | 7,143,817 | 7,346,819 |
| 31 December 2020 | 2,562,665 | 32,891,048 | 35,453,713 |
| Additions | 22,695 | 10,309,582 | 10,332,277 |
| Disposals | (47,907) | - | (47,907) |
| 31 December 2021 | 2,537,453 | 43,200,630 | 45,738,083 |
| **Accumulated Depreciation** | | | |
| 31 December 2019 | (915,573) | (15,210,071) | (16,125,644) |
| Charge | (369,748) | (4,375,995) | (4,745,743) |
| 31 December 2020 | (1,285,321) | (19,586,066) | (20,871,387) |
| Charge | (323,627) | (6,262,381) | (6,586,008) |
| Disposals | 47,322 | - | 47,322 |
| 31 December 2021 | (1,561,626) | (25,848,447) | (27,410,073) |
| **Net book value** | | | |
| 31 December 2021 | 975,827 | 17,352,183 | 18,328,010 |
| 31 December 2020 | 1,277,344 | 13,304,982 | 14,582,326 |

(10) Intangible assets

| | Software |
|---|---|
| Cost | |
| 31 December 2019 | 65,882,160 |
| Additions | 16,776,437 |
| 31 December 2020 | 82,658,597 |
| Additions | 22,213,234 |
| 31 December 2021 | 104,871,831 |
| Accumulated amortization | |
| 31 December 2019 | (26,913,931) |
| Amortization | (13,198,025) |
| 31 December 2020 | (40,111,956) |
| Amortization | (16,722,820) |
| 31 December 2021 | (56,834,776) |
| Net book value | |
| 31 December 2021 | 48,037,055 |
| 31 December 2020 | 42,546,641 |

(11) Development costs

| | R&D Expenditure |
|---|---|
| Cost | |
| 31 December 2019 | 3,767,573 |
| Additions | 937,646 |
| 31 December 2020 | 4,705,219 |
| Additions | 77,961,223 |
| 31 December 2021 | 82,666,442 |

(12) Deferred tax assets

Deferred tax assets and deferred tax liabilities without taking into consideration the offsetting of balances:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | Deductible/ (Taxable) temporary differences | Deferred tax Assets/ (Liabilities) | Deductible/ (Taxable) temporary differences | Deferred tax Assets/ (Liabilities) |
| Deferred tax assets: | | | | |
| Impairment allowance | 137,970,734 | 34,492,683 | 158,310,322 | 39,577,580 |
| Tax differences on intangible assets amortization | 25,573,948 | 6,393,487 | 18,005,644 | 4,501,411 |
| Changes in the fair value of financial instruments measured at fair value through profit or loss | 22,931,382 | 5,732,846 | 35,021,545 | 8,755,386 |
| Unrealized exchange gain or loss | 20,953,051 | 5,238,263 | - | - |
| The difference between accrued and actually paid salaries | 22,207,590 | 5,551,898 | 20,405,694 | 5,101,424 |
| Changes in the fair value of available-for-sale financial assets | - | - | 23,818,000 | 5,954,500 |
| Others | 19,985,403 | 4,996,351 | 12,346,867 | 3,086,717 |
| Total deferred tax assets | 249,622,108 | 62,405,528 | 267,908,072 | 66,977,018 |
| Deferred tax liabilities: | | | | |
| One-time amortization of fixed assets tax adjustment | (12,386,486) | (3,096,622) | (6,854,450) | (1,713,612) |
| Changes in the fair value of financial instruments measured at fair value through profit or loss | (3,804,241) | (951,060) | - | - |
| Total deferred tax liabilities | (16,190,727) | (4,047,682) | (6,854,450) | (1,713,612) |
| Deferred tax assets, net | 233,431,381 | 58,357,846 | 261,053,622 | 65,263,406 |

Movement of deferred tax assets

| | 2021 | 2020 |
|---|---|---|
| Balance at the beginning of the period | 65,263,406 | 44,459,267 |
| Charge to profit or loss | - | 13,654,331 |
| Charge to other comprehensive income | (6,905,560) | 7,149,808 |
| Balance at the end of the year | 58,357,846 | 65,263,406 |

Details of unrecognised deferred tax assets

| | 2021 | 2020 |
|---|---|---|
| Nature of deductible temporary differences | 41,527,785 | - |

The deductible temporary difference amount of the unaccumulated and unrecognized deferred income tax assets in this year is RMB 166,111,138.

(13) Other assets

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Right-of-use assets | 22,799,871 | N/A |
| Prepaid expenses | 11,408,347 | 12,505,376 |
| Deposit receivable | 3,786,330 | 3,578,416 |
| Inter bank service fee receivables | 3,442,483 | 3,263,332 |
| Deferred expenses | 3,280,066 | 3,559,362 |
| Interest receivable | 109,378 | N/A |
| Others | 939,506 | 561,569 |
| Total | 45,765,981 | 23,468,055 |

(14) Borrowings from banks and other financial institutions

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Domestic | | |
| - Borrowings from domestic banks | 191,271,000 | - |
| Subtotal | 191,271,000 | - |
| Interest receivables | 1,249 | N/A |
| Total | 191,272,249 | - |

(15) Financial assets sold for repurchase

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| National Bonds | 95,000,000 | - |
| Interest receivables | 14,055 | - |
| Total | 95,014,055 | - |

(16) Customer deposits

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Deposits measured at amortized cost | | |
| - Corporate demand deposits | 9,919,729,008 | 9,114,612,117 |
| - Corporate time deposits | 6,849,793,228 | 5,976,136,328 |
| Subtotal | 16,769,522,236 | 15,090,748,445 |
| Structured deposits measured at fair value | 4,617,294,207 | 4,001,614,540 |
| Interest receivables | 13,194,407 | N/A |
| Total | 21,400,010,850 | 19,092,362,985 |

(17) Employee benefits payable

| | Note | 31 December 2021 | 31 December 2020 |
|---|---|---|---|
| Short term payroll and welfare payable | (a) | 35,000,089 | 27,403,728 |
| Post-employment benefits | | | |
| - defined contribution plans | (b) | - | - |
| Other long-term employee benefits | (c) | 23,621,146 | 17,960,047 |
| Total | | 58,621,235 | 45,363,775 |

(a) Short term payroll and welfare payable

2021

| | Balance at 1 January 2021 | Accrued during the year | Paid during the year | Balance at 31 December 2021 |
|---|---|---|---|---|
| Salaries and bonuses | 27,403,728 | 145,500,609 | (137,904,248) | 35,000,089 |
| Employee welfare and benefits | - | 5,629,385 | (5,629,385) | - |
| Social insurance | | | | |
| Include: | | | | |
| Medical insurance | - | 4,346,679 | (4,346,679) | - |
| Industrial injury insurance | - | 98,700 | (98,700) | - |
| Housing fund | - | 10,990,900 | (10,990,900) | - |
| Total | 27,403,728 | 166,566,273 | (158,969,912) | 35,000,089 |

2020

| | Balance at 1 January 2021 | Accrued during the year | Paid during the year | Balance at 31 December 2021 |
|---|---|---|---|---|
| Salaries and bonuses | 27,219,129 | 114,071,971 | (113,887,372) | 27,403,728 |
| Employee welfare and benefits | - | 3,512,515 | (3,512,515) | - |
| Social insurance | | | | |
| Include: | | | | |
| Medical insurance | - | 3,893,474 | (3,893,474) | - |
| Industrial injury insurance | - | 4,546 | (4,546) | - |
| Housing fund | - | 8,893,944 | (8,893,944) | - |
| Total | 27,219,129 | 130,376,450 | (130,191,851) | 27,403,728 |

(b) Defined contribution plans

2021

| | Balance at 1 January 2021 | Accrued during the year | Paid during the year | Balance at 31 December 2021 |
|---|---|---|---|---|
| Basic endowment insurance | - | 9,579,411 | (9,579,411) | - |
| Unemployment insurance | - | 296,829 | (296,829) | - |
| Total | - | 9,876,240 | (9,876,240) | - |

2020

| | Balance at 1 January 2021 | Accrued during the year | Paid during the year | Balance at 31 December 2021 |
|---|---|---|---|---|
| Basic endowment insurance | - | 497,412 | (497,412) | - |
| Unemployment insurance | - | 17,042 | (17,042) | - |
| Total | - | 514,454 | (514,454) | - |

(c) Other long-term employee benefits

Based on the relevant regulations of the regulatory authorities and the Bank, the deferred payments of the bonus payable by the Bank will be paid annually over the next three years, all of which are defined contribution plans.

(18) Taxes payable

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Corporate income tax payable | 18,600,328 | 3,497,971 |
| VAT payable | 6,331,591 | 5,671,672 |
| Taxes and surcharges payable | 903,357 | 760,288 |
| Total | 25,835,276 | 9,929,931 |

(19) Interest payable

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Customer deposits | N/A | 22,952,042 |
| Deposits from banks and other financial institutions | N/A | 2,612,923 |
| Total | N/A | 25,564,965 |

(20) Provisions

| | 31 December 2021 | 31 December 2020 |
|---|---:|---:|
| Provision for impairment of financial guarantee contracts and loan commitments | 1,990,476 | - |

(21) Other liabilities

| | 31 December 2021 | 31 December 2020 |
|---|---:|---:|
| Lease liabilities | 22,910,065 | N/A |
| Accrued expense | 16,986,179 | 12,425,908 |
| Deferred fee income on loans | 11,186,818 | 8,615,397 |
| Funds to be settled | 5,034,710 | 32,914,235 |
| Project fee payable | - | 4,372,214 |
| Other | 3,450,684 | 638,023 |
| Total | 59,568,456 | 58,965,777 |

(22) Paid-in capital

In the paid-in capital account, the exchange rate used when the foreign currency is converted into RMB is the exchange rate published by the PBOC on the day when the capital contribution is received.

On 19 June 2012, the Bank received paid-in capital of RMB 327,000,000 and USD 27,458,138 from SPD, equivalent to RMB 500 million (or USD 79,613,744). And the Bank received paid-in capital of USD 79,748,632 from SVB, equivalent to RMB 500 million. On 15 June 2020, SPD and SVB each remitted a paid-in capital of RMB 250,000,000. According to the resolution of the Board and the approval of the relevant regulatory authorities, on 29 September 2021, SPD and SVB each remitted a paid-in capital of RMB 250,000,000. As of December 31, 2021, a total of RMB 2 billion paid-in capital has been received from investors.

(23) Other comprehensive income

| | | 2021 | | | | |
|---|---|---|---|---|---|---|
| | Balance at 1 January 2021 | Amount before income tax | Less: other comprehensive income transferred to profit and loss in the current period | Less: income tax expense | Net after tax | Balance at 31 December 2021 |
| Changes in fair value of Other debt investments | (17,863,501) | 21,789,520 | 5,832,722 | (6,905,560) | 20,716,682 | 2,853,181 |

| | | 2020 | | | | |
|---|---|---|---|---|---|---|
| | Balance at 1 January 2020 | Amount before income tax | Less: other comprehensive income transferred to profit and loss in the current period | Less: income tax expense | Net after tax | Balance at 31 December 2020 |
| Changes in fair value of available-for-sale financial assets | 3,585,920 | (28,599,229) | - | 7,149,808 | (21,449,421) | (17,863,501) |

(24) Surplus reserve

| | 2020&2021 | | |
|---|---|---|---|
| | Balance at the beginning of the year | Addition | Balance at the end of the year |
| Statutory surplus reserve | 814,760 | - | 814,760 |

In accordance with relevant regulations, after making up the accumulated losses, the Bank is required to appropriate 10% of its net profit in statutory financial statements to non-distributable statutory surplus reserve. Appropriation to the statutory surplus reserve may cease when the balance of such reserves has reached 50% of the registered capital. The Bank can appropriate to the discretionary surplus reserve after statutory surplus reserve has been made. In 2021 and 2020, as the Bank was still in the state of accumulated losses, no surplus reserve was withdrawn.

(25) General reserve

| | 2020&2021 | | |
|---|---|---|---|
| | Balance at the beginning of the year | Addition | Balance at the end of the year |
| General reserve | 7,332,838 | - | 7,332,838 |

The Bank appropriates general reserve pursuant to Cai Jin [2012] No. 20 “Requirements on Impairment Allowance for Financial Institutions” (the “requirement”) issued by Ministry of Finance since 31 December 2016. According to the requirement, the general reserve should not be less than 1.5% of the aggregate amount of risk assets. In 2021 and 2020, as the bank was still in the state of accumulated loss, the general risk reserve was not withdrawn.

(26) Net interest income

| | 2021 | 2020 |
|---|---|---|
| Interest Income: | | |
| Loans and advances | 279,255,783 | 362,855,399 |
| Deposits with central and related banks | 43,515,952 | 33,987,115 |
| Financial investments | 42,242,189 | 27,042,316 |
| Placements with banks and other financial institutions | 36,921,996 | 33,150,738 |
| Subtotal | 401,935,920 | 457,035,568 |
| Interest expense: | | |
| Customer deposits | (72,057,157) | (99,916,663) |
| Financial assets sold for repurchase | (2,575,146) | (60,566) |
| Deposits from banks and other financial institutions | (2,406,041) | (12,087,798) |
| Placements from banks and other financial institutions | (2,092,996) | (4,048) |
| Lease liabilities | (788,299) | - |
| Issuance of inter-bank certificates of deposit | - | (248,700) |
| Subtotal | (79,919,639) | (112,317,775) |
| Net interest income | 322,016,281 | 344,717,793 |

(27) Net fee and commission income

| | 2021 | 2020 |
|---|---|---|
| Loans related fees and commissions | 39,489,520 | 29,641,099 |
| Settlement and clearing fees | 6,216,554 | 2,890,670 |
| Other | 975,142 | 867,085 |
| Fee and commission income | 46,681,216 | 33,398,854 |
| Fee and commission expense | (4,167,822) | (3,314,082) |
| Net fee and commission income | 42,513,394 | 30,084,772 |

(28) Losses from investment

| | 2021 | 2020 |
|---|---|---|
| Loans and advances measured at fair value through profit and loss | 117,017,356 | N/A |
| Other debt investments | (5,832,722) | - |
| Credit losses of loans and advances measured at fair value through profit and loss | (53,987,649) | N/A |
| Structured deposits | (170,285,130) | (122,742,318) |
| Total | (113,088,145) | (122,742,318) |

(29) Gains on changes in fair value

| | 2021 | 2020 |
|---|---|---|
| Loans and advances measured at fair value through profit and loss | 38,495,285 | - |
| Structured deposits | (5,264,606) | 5,309,263 |
| Derivative financial instruments | N/A | (3,207,006) |
| Total | 33,230,679 | 2,102,257 |

(30) Net gains from foreign exchange

| | 2021 | 2020 |
|---|---|---|
| Realized gains on foreign exchange | 192,250,971 | 69,300,588 |
| Fair value changes on foreign exchange swap contracts | 12,059,043 | N/A |
| Unrealized losses on other exchange transactions | (20,953,051) | (4,902,676) |
| Total | 183,356,963 | 64,397,912 |

(31) General and administrative expenses

| | 2021 | 2020 |
|---|---|---|
| Payroll | 187,463,128 | 140,483,332 |
| Depreciation and amortization | 40,396,285 | 20,518,839 |
| Telecommunications and computers maintenance expenses | 32,318,944 | 19,854,383 |
| Insurance | 7,814,265 | 3,953,254 |
| Professional service expenses | 6,600,489 | 7,258,083 |
| Rental and utilities | 3,233,665 | 17,385,881 |
| Marketing expenses | 2,652,820 | 1,092,782 |
| Other | 14,574,712 | 11,593,708 |
| Total | 295,054,308 | 222,140,262 |

(32) Credit losses

| | 2021 | 2020 |
|---|---|---|
| Loans and advances | 95,165,554 | N/A |
| Financial guarantee contracts and loan commitments | 1,556,939 | N/A |
| Debt investments | 240,354 | N/A |
| Placements with banks and other financial institutions | (92,894) | N/A |
| Deposits with banks | (121,883) | N/A |
| Other assets | (392,466) | N/A |
| Total | 96,355,604 | N/A |

(33) Impairment losses on assets

| | 2021 | 2020 |
|---|---|---|
| Loans and advances | N/A | 115,571,892 |

(34) Income tax expense

| | 2021 | 2020 |
|---|---|---|
| Current income tax | 39,485,964 | 6,002,267 |
| Deferred income tax | - | (13,654,331) |
| Final settlement difference adjustment | 1,129,362 | - |
| Total | 40,615,326 | (7,652,064) |

Reconciliation between income tax expenses and accounting profit:

| | Note | 2021 | 2020 |
|---|---|---|---|
| Profit/(Loss) before taxation | | 91,869,585 | (5,431,759) |
| Expected income tax expenses at tax rate of 25% | | 22,967,396 | (1,357,940) |
| Effect of adjustment on income tax of previous years | | 1,129,362 | - |
| Tax effect arising from non-taxable income | | (10,294,673) | (6,760,579) |
| Tax effect of expenses that are not deductible for tax purposes | | 1,349,000 | 466,455 |
| Temporary differences of unrecognized deferred income tax assets in the current year | (i) | 25,464,241 | - |
| Income tax expense | | 40,615,326 | (7,652,064) |

(i) In 2021, the Bank has not recognized deferred income tax assets and related deferred income tax expenses of RMB 25,464,241.

(35) Notes to the statement of cash flows

(a) Cash and cash equivalents

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Placements with banks and other financial institutions with maturity less than three months from acquisition date | 255,028,000 | 5,671,828,400 |
| Deposits with banks with maturity less than three months from acquisition date | 8,543,391,723 | 1,911,019,056 |
| Surplus reserve deposits with the central bank which can be used for payment | 209,455,159 | 815,782,162 |
| Cash and cash equivalents at the end of the year | 9,007,874,882 | 8,398,629,618 |

(b) Reconciliation from net profit/(loss) to cash flows from operating activities

| | 2021 | 2020 |
|---|---|---|
| Net profit/(loss): | 51,254,259 | 2,220,305 |
| Credit losses | 96,355,604 | 115,571,892 |
| Depreciation and amortization | 41,184,584 | 20,518,839 |
| Fair value gains | (33,230,679) | (2,102,257) |
| Losses on foreign exchange | 160,294,671 | 111,338,373 |
| Increase in deferred tax assets | - | (13,654,331) |
| Increase in operating receivables | (2,179,248,243) | (3,296,672,667) |
| Increase in operating payables | 2,432,841,276 | 3,401,405,203 |
| Net cash generated from operating activities | 569,451,472 | 338,625,357 |

(c) Net changes in cash and cash equivalents

| | | |
|---|---|---|
| Cash and cash equivalents at end of the year | 9,007,874,882 | 8,398,629,618 |
| Less: Cash and cash equivalents at beginning of the year | (8,398,629,618) | (8,963,796,522) |
| Net increase/(decrease) in cash and cash equivalents | 609,245,264 | (565,166,904) |

(36) Collateral information

(i) Assets serve as collateral security

The book value of the bank's pledged liabilities related to the assets as collateral on the balance sheet date is as follows:

| | 2021 | 2020 |
|---|---|---|
| Financial assets sold for repurchase | 95,014,055 | - |

Book value of collateral

| | 2021 | 2020 |
|---|---|---|
| Other debt investments | 101,722,500 | - |

(ii) Collateral received

The Bank conducts the loan issuance, purchased transactions under resale, etc. based on normal commercial terms and holds the collaterals under the transaction items accordingly. At each balance sheet date, the Bank held no collateral that could be directly disposed of or repledged if the counterparty were not in default.

6 CONTINGENT LIABILITIES AND COMMITMENTS

The Bank's credit commitments include unspent loans and letter of credit services that have been approved and signed contracts. The contract amount of loan commitment refers to the amount when the loan is fully used; The contract amount of the letter of credit refers to the maximum loss that may occur if the other party fails to fully perform the contract.

The relevant loan commitments may not be used before maturity, so the amounts described below do not represent expected future cash outflows.

(1) Off-balance sheet items

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Irrevocable loan commitment | 552,617,087 | 64,272,024 |
| Standby letters of credit issued | 6,056,915 | 6,198,655 |
| | 558,674,002 | 70,470,679 |

(2) Operating lease commitments

Future minimum lease payments under non-cancellable contracted operating leases(exclude VAT) are as follows:

| | 31 December 2020 |
|---|---|
| Within 1 year | 11,853,820 |
| Over 1 year less than 2 years | 7,815,225 |
| Over 2 year less than 3 years | 1,988,974 |
| | 21,658,019 |

(3) Capital commitments

Capital expenditures contracted for by the Bank but are not yet necessary to be recognised on the balance sheet as at the balance sheet date are as follows:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Signed but not performed contract | 64,111,860 | 19,049,128 |
| Approved but not signed contract | 68,743,578 | 117,484,321 |

(4) Litigation related matters

As at the end of 2021 and 2020, the Bank has no outstanding litigations or arbitration cases as defendants.

(5) Entrusted loan business

The Bank provides entrusted loan business for third parties, and assets held as a result of the entrusted loan business are not included in the balance sheet.

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

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Entrusted loan | 600,616,269 | 944,428,815 |
| Entrusted loan fund | 600,616,269 | 944,428,815 |

## 7 RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS

### (1) Related parties with controlling relationship

| Name of entity | Registered location | Main business | Relations with the Bank | Economic nature |
|---|---|---|---|---|
| SPD | Shanghai, China | Banking | Joint control | Joint-equity commercial bank |
| SVB | Santa Clara, USA | Banking | Joint control | Foreign enterprise |

### (2) Shareholdings of related parties with controlling relationship

| | 31 December 2021 | | 31 December 2020 | |
|---|---|---|---|---|
| | Amount | Percentage | Amount | Percentage |
| SPD | 1,000,000,000 | 50% | 750,000,000 | 50% |
| SVB | 1,000,000,000 | 50% | 750,000,000 | 50% |
| | 2,000,000,000 | 100% | 1,500,000,000 | 100% |

### (3) Nature of related parties without controlling relationship

Related legal entities

| Name of related party | Relations with the Bank |
|---|---|
| SVB Capital (Shanghai) Co., Ltd. (“SVB Capital”) | Subsidiaries of major shareholders |
| SVB Business Partners (Beijing) Co. Ltd. (“SVB Business Partners”) | Subsidiaries of major shareholders |
| Puyin Financial Leasing Co., Ltd. (“Puyin leasing”) | Subsidiaries of major shareholders |

### (4) Related party transactions

#### (a) Pricing policy

The major related party transactions of the Bank are interbank borrowing and lending. All transactions of the Bank with related parties follow the general commercial terms and are arranged in the ordinary business course of the Bank. The pricing policy is consistent with that of independent third-party transactions.

(b) Transactions with related parties other than key management personnel

The amount of major transactions with related parties other than key management personnel and related natural persons, the balance of major current accounts and major off balance sheet items on the balance sheet date are as follows:

| | SPD | SVB | Puyin leasing | SVB Capital | SVB Business Partner | Total | Proportion in the amount / balance of similar transactions |
|---|---|---|---|---|---|---|---|
| Amount of major transactions in 2021: | | | | | | | |
| Interest income | 7,749,190 | - | 121,866 | - | - | 7,871,056 | 1.96% |
| Fee and commission income | - | - | - | - | 1,281,256 | 1,281,256 | 2.74% |
| Fee and commission expense | (2,570,170) | - | - | - | - | (2,570,170) | 61.67% |
| Gains on changes in fair value | (17) | - | - | - | - | (17) | -0.01% |
| Net gains from foreign exchange | 3,613,966 | - | - | - | - | 3,613,966 | 1.97% |
| Other operating income | - | 11,551,547 | - | 1,346,959 | - | 12,898,506 | 100.00% |

| | SPD | SVB | Puyin leasing | SVB Capital | SVB Business Partner | Total | Proportion in the amount / balance of similar transactions |
|---|---|---|---|---|---|---|---|
| Balance of major current accounts as of December 31, 2021: | | | | | | | |
| Deposits with banks | 1,343,055,742 | 152,017,875 | - | - | - | 1,495,073,617 | 17.09% |
| Borrowings from banks and other financial institutions | - | - | 223,271,701 | - | - | 223,271,701 | 9.86% |
| Other liabilities | - | 3,442,483 | - | - | - | 3,442,483 | 7.52% |
| Derivate financial liabilities | (18,362) | - | - | - | - | (18,362) | 2.22% |
| Balance of major off balance sheet items as of December 31, 2021: | | | | | | | |
| Notional amount of derivative financial instruments | 1,242,877,500 | - | - | - | - | 1,242,877,500 | 14.99% |

| | SPD | SVB | Puyin leasing | SVB Capital | SVB Business Partner | Total | Proportion in the amount / balance of similar transactions |
|---|---|---|---|---|---|---|---|
| Amount of major transactions in 2020: | | | | | | | |
| Interest income | 6,055,786 | - | - | - | - | 6,055,786 | 1.33% |
| Fee and commission expense | (1,961,436) | - | - | - | - | (1,961,436) | 59.18% |
| Gains on changes in fair value | (1,504,965) | - | - | - | - | (1,504,965) | -71.59% |
| Other operating income | - | 11,061,106 | - | 1,886,792 | 594,150 | 13,542,048 | 100.00% |

| | SPD | SVB | Puyin leasing | SVB Capital | SVB Business Partner | Total | Proportion in the amount / balance of similar transactions |
|---|---|---|---|---|---|---|---|
| Balance of major current accounts as of December 31, 2020: | | | | | | | |
| Deposits with banks | 1,331,524,538 | 60,280,294 | - | - | - | 1,391,804,832 | 56.40% |
| Other assets | - | 2,791,634 | - | 471,698 | - | 3,263,332 | 13.91% |
| Interest receivables | 1,308,644 | - | - | - | - | 1,308,644 | 2.49% |
| Derivative financial liabilities | (1,504,965) | - | - | - | - | (1,504,965) | 46.93% |
| Other liabilities | - | - | - | (1,525,794) | - | (1,525,794) | 2.59% |
| Balance of major off balance sheet items as of December 31, 2020: | | | | | | | |
| Notional amount of derivative financial instruments | 3,969,800,000 | - | - | - | - | 3,969,800,000 | 74.98% |

(c) Transactions with key management personnel

Key management personnel refer to persons who have the authority and responsibility to plan, direct and control the business of the Bank directly or indirectly, including directors, supervisors and senior management personnel.

| | 2021 | 2020 |
|---|---|---|
| Salary, bonus and other welfare | 32,228,221 | 29,881,407 |

At the end of 2021, the salaries and bonuses payable to unpaid key management personnel were RMB 12,793,848 (at the end of 2020: RMB 10,948,734).

## 8 FINANCIAL RISK MANAGEMENT

### (1) Overview

The Bank’s business activities are exposed to a variety of risks, and thus the Bank analyse, evaluate, accept and manage these risks or combination of risks. Risk management is core to the financial industry, and business operations will definitely bring about operating risks. The Bank’s goal is to achieve an appropriate balance between risk and return while minimising potential adverse effects on the Bank’s financial performance.

The Bank’s risk management policies are designed to identify and analyse related risks, to set appropriate risk limits and control procedures, and to monitor the risks and risk limits with the support of reliable information systems.

The Board exercises overall risk supervision and assumes the ultimate responsibility for overall risk management. The Risk Management Committee and the Audit Committee are established under the Board of Directors to supervise and inspect the management's implementation of risk management policies and procedures.

The Bank is exposed to major business risks including credit risk, market risk and liquidity risk. Market risk includes foreign exchange risk and interest rate risk.

### (2) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk mainly comes from the Bank's credit business and debt instrument investment and other treasury businesses. Management of the Bank closely monitors its exposure to credit risk. In terms of credit business and credit risk management, the Bank adopts the following organisation structure where front office, middle office and back office are segregated. The Board of Directors (“BOD”) has the ultimate decision-making power over all the matters related to credit business and credit risk management. The BOD, and assigned by the BOD, the Risk Management Committee (RMC), the Related-party Transactions Control Committee (RTCC), the President, Chief Risk Officer, Chief Credit Officer, Senior Credit Officer, Senior Credit Manager and Senior Client Manager assigned by the BOD have been delegated with certain authorities and responsibilities in relation to credit business and credit risk management. The Credit Management Department and the Risk Management Department are responsible for the credit risk management of the Bank, and keep regular communication and negotiation with Senior Management of the Bank.

The Bank manages, restricts and controls the identified credit risk concentration, especially on individual borrower, group, industry and region. The Bank sets limit to the same individual borrower or group borrower to optimize credit risk structures. Such risks are monitored on a regular basis and are subject to an annual or more frequent review when necessary.

(a) Credit Business

The Bank uses the bank's internal CRR10 rating system to measure the credit risk of credit assets. In order to ensure that the current risk classification mechanism of credit assets of the Bank complies with the requirements of relevant regulations of the CBIRC, the risk classification of credit assets of the Bank shall be adjusted dynamically in real time. According to the level of credit risk, credit assets are divided into five categories: namely pass, special mention, sub-standard, doubtful and loss, among which sub-standard, doubtful and loss are regarded as non-performing credit assets.

The core definition of the five-level classification of credit assets is:

Pass: The borrower is able to fulfil the contractual obligations, and there is no enough reasons to suspect that the principal and interest cannot be paid in full amount on time.

Special mention: The borrower is able to make current due payments, but there are some indications that may have negative impact on the borrower’s future payments.

Sub-standard: The borrower’s repayment ability has been in doubt obviously and the loan principal and interest cannot be paid in full based on its normal income. The Bank may suffer from significant losses even with the enforcement of guarantees and collateral.

Doubtful: The borrower cannot repay the principal and interest in full. The Bank may suffer from significant losses even with the enforcement of guarantees and collateral.

Loss: After taking all possible measures and necessary legal procedures, the principal and interest cannot be collected or only a very small portion of the principal and interest can be collected.

(b) Funds Business

The bank's fund business includes investment in national bonds, policy bank bonds, interbank deposit certificates and interbank financing, and interbank customer credit risk is mainly controlled by the risk management department according to the credit risk management policies, procedures and systems. The risk management department reviews and manages the credit risks of individual financial institutions on a regular basis, sets credit lines for individual banks or non-bank financial institutions that have funds with the Bank, and monitors the risk exposure of peer groups at the level of large risk exposure to ensure that regulatory requirements are met.

(c) Measurement of expected credit losses

*Risk stage division of financial instruments*

Based on whether the credit risk of the financial instrument has significantly increased or has undergone credit impairment since the initial recognition, the Bank divides each business into three risk stages and makes provision for expected credit losses. Please refer to Note 3(6)(vii) for the definitions of the three risk stages, the judgment criteria for the significant increase of credit risk, the definition of default and the definition of financial assets with credit impairment.

*Description of parameters, assumptions and estimation techniques*

According to whether the credit risk has increased significantly since the initial recognition and whether the credit impairment of the financial instrument has occurred, the Bank shall measure the loss provisions for different financial instruments at the expected credit losses of 12 months or the whole life respectively. Expected credit loss is the weighted average of the product of default probability, default loss rate and default risk exposure. Relevant definitions are as follows:

- Probability of default refers to the probability that the debtor will default in the next 12 months or throughout the remaining life of the debtor. The default probability of the Bank is adjusted based on the estimation method using the 10-level classification transfer matrix, and forward-looking information is added to reflect the impact of macroeconomic changes on the default probability of the future point in time;
- The default loss ratio refers to the proportion of the loss amount caused by a default to the risk exposure of the default debt. Due to the small sample size of our bank's historical default, we set the default loss rate by referring to regulatory standards;
- Default exposure is the amount of a debt payable in the event of default.

The Bank monitors and reviews quarterly assumptions related to the calculation of expected credit losses, including changes in default probabilities and default loss rates for each term

During the reporting period, there were no major changes in estimating techniques or key assumptions.

*Forward-looking information contained in expected credit losses*

Forward-looking information is involved in the assessment of whether the credit risk of a financial instrument has increased significantly since the initial recognition and in the measurement of expected credit losses.

The bank presuppositions three kinds of economic scenarios: one is the baseline scenario, that is, the neutral scenario set internally according to the prediction of variables by the vector autoregressive model; The other two scenarios are optimistic scenarios and pessimistic scenarios, and the historical data volatility method is used to predict the predicted values of macro factors respectively.

Through historical data analysis, the Bank identifies key economic indicators, such as the year-on-year growth rate of gross domestic product (GDP), that influence the credit risk and expected credit losses of each business type. The Bank evaluates and forecasts these economic indicators at least annually to provide the best estimate for the future and periodically tests the results. Similar to other economic forecasts, estimates of projected economic indicators and likelihood of occurrence are subject to a high degree of inherent uncertainty, so actual results may differ materially from projections. The Bank believes that these forecasts represent the Bank's best estimate of likely outcomes. Weighted credit loss is calculated by multiplying the expected credit loss in each scenario by the weight of the corresponding scenario.

(d) Maximum exposure to credit risk

The maximum credit risk exposure of the Bank on December 31, 2021, excluding any collateral and other credit enhancement measures, is RMB 24,161,071,025 (December 31, 2020: RMB 20,837,928,902). For balance sheet items, the amount of risk exposure is RMB 23,604,387,499 on the balance sheet date (December 31, 2020: RMB 20,767,458,223). Credit risk exposure to off-balance sheet projects, including irrevocable loan commitments and issuance of standby letters of credit, is RMB 556,683,526 (December 31, 2020: RMB 70,470,679).

(e) Risk concentration

If counterparties are concentrated in a certain industry or region or share certain economic characteristics, their credit risks will generally increase accordingly. At the same time, the economic development of different industries and regions has its unique characteristics, so the credit risks of different industries and regions are also different.

See Note 5(6) for the risk concentration of the bank's loans and advances; The counterparties of the bank's interbank financing business are mainly domestic and foreign commercial banks and non-banking financial institutions. The targets of the bank's financial investment business are mainly national bonds, policy bank bonds and inter-bank certificates of deposit issued by domestic commercial banks.

(f) Loans and advances with impaired credit

Collaterals and other credit enhancements covered and not covered

| | 2021 | 2020 |
|---|---|---|
| Covering part | 101,125,923 | 82,315,901 |
| Uncovering part | 26,874,753 | 33,742,445 |
| Total | 128,000,676 | 116,058,346 |

The covering part of the collaterals above refers to the ending balance of mortgaged loans and pledged loans.

(3) Market risk

The Bank is exposed to market risks. This risk refers to the risk of fluctuations in the fair value or future cash flow of exposure to financial instruments held by the Bank due to fluctuations in market prices. Market risk arises from the impact of general or specific changes in market interest rates and foreign exchange rates on exposure positions in interest rate products and currency products.

The Bank classifies market exposure into either trading or non-trading portfolios. The trading portfolio category includes positions that arise from transactions between the Bank and its clients or market participants, namely market makers. The non-traded portfolio category mainly includes interest rate risk management of commercial bank assets and liabilities.

The risk management department of the Bank is the centralized management department of the bank's market risk management. The risk management department monitors and analyzes the market risk changes and the implementation of quotas, and reports to the senior management regularly.

(a) Currency risk

The Bank is exposed to exchange rate risk, which means that the level of position and cash flow of the Bank's foreign exchange exposure may be affected as a result of fluctuations in major foreign exchange rates.

The Bank's main principle for controlling currency risk is to match assets and liabilities in different currencies as much as possible and to keep currency risk within the limits set by the Bank. Exposure to each currency is capped and monitored regularly. In accordance with the guiding principles of the Risk Management Committee, relevant regulatory requirements and management's assessment of the current environment, the Bank sets risk tolerance limits and minimizes the possible currency mismatching of assets and liabilities by reasonably arranging the sources and utilization of foreign currency funds.

The Bank's exposure to currency risk at the balance sheet date is as follows:

| 31 December 2021 | RMB | USD(RMB equivalent) | HKD(RMB equivalent) | Other currencies (RMB equivalent) | Total |
|---|---|---|---|---|---|
| Financial assets: | | | | | |
| Cash and deposits with the central bank | 993,215,241 | 691,259,770 | 3,957,184 | - | 1,688,432,195 |
| Deposits with banks | 1,547,911,432 | 7,178,892,919 | 10,594,912 | 10,495,640 | 8,747,894,903 |
| Placements with banks and other financial institutions | 1,324,669,688 | 938,846,398 | - | - | 2,263,516,086 |
| Derivative financial assets | 6,129,341 | 4,922,166 | - | - | 11,051,507 |
| Loans and advances | 7,225,651,793 | 1,720,172,752 | 81,073,739 | 111,477,433 | 9,138,375,717 |
| Financial investments: | | | | | |
| - Debt investments | 293,566,279 | - | - | - | 293,566,279 |
| - Other debt investments | 1,453,273,115 | - | - | - | 1,453,273,115 |
| Other financial assets | 4,771,639 | 3,506,058 | - | - | 8,277,697 |
| Subtotal of financial assets | 12,849,188,528 | 10,537,600,063 | 95,625,835 | 121,973,073 | 23,604,387,499 |
| Financial liabilities | | | | | |
| Borrowings from banks and other financial institutions | - | 191,272,249 | - | - | 191,272,249 |
| Derivative financial liabilities | 531,830 | 294,553 | - | - | 826,383 |
| Financial assets sold for repurchase | 95,014,055 | - | - | - | 95,014,055 |
| Customer deposits | 11,191,246,255 | 10,155,461,435 | 46,426,316 | 6,876,844 | 21,400,010,850 |
| Other financial liabilities | 22,910,065 | 4,743,385 | - | 291,325 | 27,944,775 |
| Subtotal of financial liabilities | 11,309,702,205 | 10,351,771,622 | 46,426,316 | 7,168,169 | 21,715,068,312 |
| Net balance sheet | 1,539,486,323 | 185,828,441 | 49,199,519 | 114,804,904 | 1,889,319,187 |
| Currency derivative contract | 369,752,252 | (192,397,637) | (51,023,643) | (111,905,350) | 14,425,622 |
| Financial guarantee and credit commitment | - | 556,683,526 | - | - | 556,683,526 |

| 31 December 2020 | RMB | USD(RMB equivalent) | HKD(RMB equivalent) | Other currencies (RMB equivalent) | Total |
|---|---|---|---|---|---|
| Financial assets: | | | | | |
| Cash and deposits with the central bank | 1,601,993,033 | 424,157,649 | 555,482 | - | 2,026,706,164 |
| Deposits with banks | 927,243,299 | 1,490,270,239 | 14,487,017 | 35,761,500 | 2,467,762,055 |
| Placements with banks and other financial institutions | 1,000,000,000 | 5,054,187,539 | - | - | 6,054,187,539 |
| Interest receivables | 43,133,945 | 9,383,250 | 106,586 | - | 52,623,781 |
| Loans and advances | 6,797,583,259 | 1,776,276,452 | 83,987,256 | - | 8,657,846,967 |
| Available-for-sale financial assets | 1,500,928,400 | - | - | - | 1,500,928,400 |
| Other financial assets | 4,538,336 | 2,864,981 | - | - | 7,403,317 |
| Subtotal of financial assets | 11,875,420,272 | 8,757,140,110 | 99,136,341 | 35,761,500 | 20,767,458,223 |
| Financial liabilities | | | | | |
| Borrowings from banks and other financial institutions | 169,400,000 | - | - | - | 169,400,000 |
| Customer deposits | 9,017,818,730 | 10,038,099,855 | 16,505,023 | 19,939,377 | 19,092,362,985 |
| Interest payables | 5,568,769 | 19,996,196 | - | - | 25,564,965 |
| Derivative financial liabilities | 1,504,965 | 1,702,070 | - | - | 3,207,035 |
| Other financial liabilities | - | 19,812,781 | - | 13,101,454 | 32,914,235 |
| Subtotal of financial liabilities | 9,194,292,464 | 10,079,610,902 | 16,505,023 | 33,040,831 | 19,323,449,220 |
| Net balance sheet | 2,681,127,808 | (1,322,470,792) | 82,631,318 | 2,720,669 | 1,444,009,003 |
| Currency derivative contract | (1,243,601,750) | 1,324,554,700 | (84,820,833) | - | (3,867,883) |
| Financial guarantee and credit commitment | - | 70,470,679 | - | - | 70,470,679 |

The following table lists the exchange rate sensitivity analysis results of financial assets and financial liabilities on the balance sheet date.

| Net profit | 31 December 2021 | | 31 December 2020 | |
|---|---|---|---|---|
| | Exchange rate changes | | Exchange rate changes | |
| (decrease)/increase | -1% | 1% | -1% | 1% |
| USD/RMB | 49,269 | (49,269) | (15,629) | 15,629 |
| Other currencies/RMB | (8,066) | 8,066 | (3,984) | 3,984 |

Based on the static exchange rate risk structure of assets and liabilities, the sensitivity analysis above calculates the impact of reasonably possible changes in foreign currency exchange rate against RMB exchange rate on net profit when other factors remain unchanged. The analysis is based on the following assumptions : (1) various exchange rate sensitivities refer to exchange gains and losses resulting from 1% fluctuations in the absolute value of the exchange rate of each currency against the RMB at the closing (central parity) of the reporting date; (2) Changes in exchange rates of other foreign currencies refer to simultaneous and simultaneous fluctuations of exchange rates of other foreign currencies against RMB; (3) Calculation of foreign exchange exposure includes spot foreign exchange exposure and forward foreign exchange exposure. Based on the above assumptions, the actual changes in the bank's net profit caused by exchange rate changes may be different from the results of this sensitivity analysis.

(b) Interest rate risk

In response to the impact of future interest rate changes, the main tool to assess current and expected risk for the Bank net interest income sensitivity analysis, namely fixed calculate a certain period expires or the need to the difference between the pricing of interest-bearing assets and debt servicing both (gap), and use the benchmark interest rate gap data sensitivity analysis of the changing circumstances. The Bank has established a reporting system for sensitivity analysis, and regularly collects the sensitivity analysis results of net interest income and submits them to senior management, asset and liability management committee and risk management Committee.

The following table sets out the bank's interest rate exposure. The items of assets and liabilities in the statement are classified as the earlier of the contract repricing date and the earlier of the contract maturity date and are presented at carrying value.

| 31 December 2021 | Within 3 months | 3-12 months | 1-5 years | Over 5 years | Non-interest bearing | Total |
|---|---|---|---|---|---|---|
| Financial assets: | | | | | | |
| Cash and deposits with the central bank | 1,688,432,195 | - | - | - | - | 1,688,432,195 |
| Deposits with banks | 8,743,172,237 | - | - | - | 4,722,666 | 8,747,894,903 |
| Placements with banks and other financial institutions | 754,856,101 | 1,211,923,915 | 285,434,999 | - | 11,301,071 | 2,263,516,086 |
| Derivative financial assets | - | - | - | - | 11,051,507 | 11,051,507 |
| Loans and advances | 4,176,742,214 | 4,081,288,199 | 857,545,783 | - | 22,799,521 | 9,138,375,717 |
| Financial investments: | | | | | | |
| - Debt investments | - | 293,566,279 | - | - | - | 293,566,279 |
| - Other debt investments | - | 170,000,000 | 1,240,000,000 | 5,000,000 | 38,273,115 | 1,453,273,115 |
| Other financial assets | - | - | - | - | 8,277,697 | 8,277,697 |
| Subtotal of financial assets | 15,363,202,747 | 5,756,778,393 | 2,382,980,782 | 5,000,000 | 96,425,577 | 23,604,387,499 |
| Financial liabilities | | | | | | |
| Borrowings from banks and other financial institutions | 191,271,000 | - | - | - | 1,249 | 191,272,249 |
| Derivative financial liabilities | - | - | - | - | 826,383 | 826,383 |
| Financial assets sold for repurchase | 95,000,000 | - | - | - | 14,055 | 95,014,055 |
| Customer deposits | 17,065,964,536 | 2,776,330,082 | 1,506,027,619 | - | 51,688,613 | 21,400,010,850 |
| Other financial liabilities | 3,577,058 | 8,974,084 | 9,593,450 | - | 5,800,183 | 27,944,775 |
| Subtotal of financial liabilities | 17,355,812,594 | 2,785,304,166 | 1,515,621,069 | - | 58,330,483 | 21,715,068,312 |
| Net interest re-pricing gap | (1,992,609,847) | 2,971,474,227 | 867,359,713 | 5,000,000 | 38,095,094 | 1,889,319,187 |

| 31 December 2020 | Within 3 months | 3-12 months | 1-5 years | Over 5 years | Non-interest bearing | Total |
|---|---|---|---|---|---|---|
| Financial assets | | | | | | |
| Cash and deposits with the central bank | 2,026,706,164 | - | - | - | - | 2,026,706,164 |
| Deposits with banks | 2,337,264,055 | 130,498,000 | - | - | - | 2,467,762,055 |
| Placements with banks and other financial institutions | - | - | - | - | 52,623,781 | 52,623,781 |
| Interest receivables | 5,834,950,899 | 130,498,000 | 88,738,640 | - | - | 6,054,187,539 |
| Loans and advances | 2,473,795,251 | 4,697,870,044 | 1,486,181,672 | - | - | 8,657,846,967 |
| Available-for-sale financial assets | - | - | 1,500,928,400 | - | - | 1,500,928,400 |
| Other financial assets | - | - | - | - | 7,403,317 | 7,403,317 |
| Subtotal of financial assets | 12,672,716,369 | 4,958,866,044 | 3,075,848,712 | - | 60,027,098 | 20,767,458,223 |
| Financial liabilities | | | | | | |
| Borrowings from banks and other financial institutions | 89,400,000 | 80,000,000 | - | - | - | 169,400,000 |
| Customer deposits | 15,682,747,440 | 3,322,543,588 | 87,071,957 | - | - | 19,092,362,985 |
| Interest payables | - | - | - | - | 25,564,965 | 25,564,965 |
| Derivative financial liabilities | - | - | - | - | 3,207,035 | 3,207,035 |
| Other financial liabilities | - | - | - | - | 32,914,235 | 32,914,235 |
| Subtotal of financial liabilities | 15,772,147,440 | 3,402,543,588 | 87,071,957 | - | 61,686,235 | 19,323,449,220 |
| Net interest re-pricing gap | (3,099,431,071) | 1,556,322,456 | 2,988,776,755 | - | (1,659,137) | 1,444,009,003 |

The table below illustrates the potential impact to the fiscal year after the balance sheet date of the Bank when the yield curve shifts by 100 basis points:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| the yield curve shifts up by 100 basis points | (4,719,231) | (21,283,813) |
| the yield curve shifts down by 100 basis points | 2,918,953 | 21,283,813 |

In performing sensitivity analysis, the Bank has made the following assumptions in deciding the commercial conditions and financial parameters:

i. Business changes after the balance sheet date are not considered, and the analysis is based on the static gap on the balance sheet date;
ii. All assets and liabilities repriced are supposed to be repriced in the middle of the related period;
iii. Impacts of interest rate changes to market prices are not considered;
iv. Impacts of interest rate changes to off-balance sheet items are not considered;
v. The necessary actions to be taken by the Bank in response to the interest rate changes are not considered.

Considering the above restrictions, the actual changes in the net interest income of the Bank due to interest rate changes may be different from the results of this sensitivity analysis.

(4) Liquidity risk

Liquidity risk refers to the risk that the Bank is unable to obtain sufficient funds at a reasonable cost or in a timely manner to meet business development needs or repay due debts and other payment obligations. The Bank receives various day-to-day requests for cash withdraw, including payment demands of overnight deposits, demand deposits and term deposits. Based on past experience, a considerable amount of deposits will not be withdrawn immediately on the maturity date, but is still kept in the Bank. However, in response to unexpected capital needs, the Bank regulates the standard of minimum capital reserve, so as to meet various demands of withdraw.

The matching and effective control on mismatching of the structure of maturity date between assets and liabilities is extremely significant to the management of the Bank. It is unusual for banks to completely match the items of assets and liabilities since business transactions are often of uncertain terms and different types. An unmatched position potentially enhances profitability, but also increases the risk of losses.

The matching of structure of maturity date between assets and liabilities and the ability to replace interest-bearing liabilities at an acceptable cost as they mature are both important factors in assessing the liquidity risk of the Bank.

The following table shows the undiscounted contractual cash flow analysis of the Bank's financial instruments at each balance sheet date. The actual cash flows of these financial instruments may differ significantly from the results of the analysis in the table below:

| 31 December 2021 | Within 1 month | 1-3 months | 3-12 months | 1-5 years | Over 5 years | Overdue | Indefinite | Total |
|---|---|---|---|---|---|---|---|---|
| Financial assets | | | | | | | | |
| Cash and deposits with the central bank | 209,461,159 | - | - | - | - | - | 1,478,971,036 | 1,688,432,195 |
| Deposits with banks | 8,752,600,457 | - | - | - | - | - | - | 8,752,600,457 |
| Placements with banks and other financial institutions | 460,026,711 | 304,786,858 | 1,225,609,534 | 312,263,351 | - | - | - | 2,302,686,454 |
| Loans and advances | 1,244,886,444 | 2,138,811,364 | 4,374,915,130 | 1,698,674,261 | - | 169,876,032 | - | 9,627,163,231 |
| Financial investments: | | | | | | | | |
| - Debt investments | - | - | 293,806,633 | - | - | - | - | 293,806,633 |
| - Other debt investments | - | - | 173,170,866 | 1,291,416,890 | 5,782,655 | - | - | 1,470,370,411 |
| Other financial assets | 3,442,484 | - | - | - | - | - | 4,835,213 | 8,277,697 |
| Subtotal of financial assets | 10,670,417,255 | 2,443,598,222 | 6,067,502,163 | 3,302,354,502 | 5,782,655 | 169,876,032 | 1,483,806,249 | 24,143,337,078 |
| Financial liabilities | | | | | | | | |
| Borrowings from banks and other financial institutions | 95,637,200 | 95,651,041 | - | - | - | - | - | 191,288,241 |
| Financial assets sold for repurchase | 95,056,219 | - | - | - | - | - | - | 95,056,219 |
| Customer deposits | 14,705,425,066 | 2,422,274,804 | 2,790,812,340 | 1,515,227,865 | - | - | - | 21,433,740,075 |
| Other financial liabilities | 6,113,531 | 2,860,518 | 9,727,403 | 10,008,796 | - | - | - | 28,710,248 |
| Subtotal of financial liabilities | 14,902,232,016 | 2,520,786,363 | 2,800,539,743 | 1,525,236,661 | - | - | - | 21,748,794,783 |
| Net cashflow | (4,231,814,761) | (77,188,141) | 3,266,962,420 | 1,777,117,841 | 5,782,655 | 169,876,032 | 1,483,806,249 | 2,394,542,295 |
| Derivative financial instruments | | | | | | | | |
| - Inflow | 2,259,336,340 | 593,085,383 | 295,652,189 | 584,683,432 | - | - | - | 3,732,757,344 |
| - Outflow | 2,258,937,394 | 587,133,416 | 295,221,290 | 577,173,432 | - | - | - | 3,718,465,532 |
| Derivative financial instruments, net | 398,946 | 5,951,967 | 430,899 | 7,510,000 | - | - | - | 14,291,812 |
| Financial guarantee and credit commitment | 956,355 | 68,857,560 | 55,787,375 | 433,072,712 | - | - | - | 558,674,002 |

| 31 December 2020 | Within 1 month | 1-3 months | 3-12 months | 1-5 years | Over 5 years | Overdue | Indefinite | Total |
|---|---|---|---|---|---|---|---|---|
| Financial assets | | | | | | | | |
| Cash and deposits with the central bank | 815,782,162 | - | - | - | - | - | 1,210,924,002 | 2,026,706,164 |
| Deposits with banks | 2,272,641,174 | 65,449,097 | 131,106,039 | - | - | - | - | 2,469,196,310 |
| Placements with banks and other financial institutions | 3,388,584,075 | 2,448,559,167 | 131,685,532 | 91,625,599 | - | - | - | 6,060,454,373 |
| Loans and advances | 1,186,797,878 | 1,349,491,249 | 4,892,298,297 | 1,562,267,557 | - | 157,477,353 | - | 9,148,332,334 |
| Available-for-sale financial assets | - | - | 40,064,000 | 1,644,616,000 | - | - | - | 1,684,680,000 |
| Other financial assets | 3,263,332 | - | - | - | - | - | 4,139,985 | 7,403,317 |
| Subtotal of financial assets | 7,667,068,621 | 3,863,499,513 | 5,195,153,868 | 3,298,509,156 | - | 157,477,353 | 1,215,063,987 | 21,396,772,498 |
| Financial liabilities | | | | | | | | |
| Borrowings from banks and other financial institutions | - | 89,875,754 | 81,945,222 | - | - | - | - | 171,820,976 |
| Customer deposits | 13,116,726,303 | 2,594,754,015 | 3,348,453,856 | 88,524,152 | - | - | - | 19,148,458,326 |
| Other financial liabilities | 32,914,235 | - | - | - | - | - | 4,981,437 | 37,895,672 |
| Subtotal of financial liabilities | 13,149,640,538 | 2,684,629,769 | 3,430,399,078 | 88,524,152 | - | - | 4,981,437 | 19,358,174,974 |
| Net cashflow | (5,482,571,917) | 1,178,869,744 | 1,764,754,790 | 3,209,985,004 | - | 157,477,353 | 1,210,082,550 | 2,038,597,524 |
| Derivative financial instruments | | | | | | | | |
| - Inflow | 1,336,083,495 | 6,728,098 | 6,160,810 | - | - | - | - | 1,348,972,403 |
| - Outflow | 1,347,315,374 | 13,844,345 | 13,286,506 | - | - | - | - | 1,374,446,225 |
| Derivative financial instruments, net | (11,231,879) | (7,116,247) | (7,125,696) | - | - | - | - | (25,473,822) |
| Financial guarantee and credit commitment | - | - | 5,219,920 | 65,250,759 | - | - | - | 70,470,679 |

(5) Fair value of Financial instruments

(a) Assets and liabilities measured at fair value

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 or non-recurring basis. As at 31 December 2021, the Bank's assets and liabilities which are measured at fair value on a non-recurring basis were not significant. The level in which fair value measurement is categorized 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.

As at 31 December 2021, the financial instruments measured at fair value on a recurring basis are listed below by the above three levels:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets | | | | |
| Other debt investments | | | | |
| - National bonds | - | 1,099,958,220 | - | 1,099,958,220 |
| - Policy bank bonds | - | 330,560,105 | - | 330,560,105 |
| Loans and advances measured at fair value through profits and losses | - | - | 1,611,883,928 | 1,611,883,928 |
| Derivative financial assets | - | 11,051,507 | - | 11,051,507 |
| Total assets continuously measured at fair value | - | 1,441,569,832 | 1,611,883,928 | 3,053,453,760 |
| Financial liabilities | | | | |
| Structured deposits measured at fair value | - | 4,617,294,207 | - | 4,617,294,207 |
| Derivative financial liabilities | - | 826,383 | - | 826,383 |
| Total liabilities continuously measured at fair value | - | 4,618,120,590 | - | 4,618,120,590 |

As at 31 December 2020, the financial instruments measured at fair value on a recurring basis are listed below by the above three levels:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets | | | | |
| Available-for-sale financial assets | | | | |
| - National bonds | - | 1,500,928,400 | - | 1,500,928,400 |
| Total assets continuously measured at fair value | - | 1,500,928,400 | - | 1,500,928,400 |
| Financial liabilities | | | | |
| Customer deposits | | | | |
| Structured deposits measured at fair value | - | 4,001,614,540 | - | 4,001,614,540 |
| Derivative financial liabilities | - | 3,207,035 | - | 3,207,035 |
| Total liabilities continuously measured at fair value | - | 4,004,821,575 | - | 4,004,821,575 |

During 2021, there were no transfers of the Bank's above assets and liabilities which are measured at fair value on a recurring basis.

(b) Level 2 fair value measurement

The financial instruments of the Bank belonging to the second level of fair value measurement mainly include debt investments, derivative financial instruments and structured deposits at fair value.

The fair value of discounted bonds is determined based on the quotation of the relevant securities settlement agency or exchange valuation system. The relevant quotation agencies adopted observable input values reflecting market conditions in the process of forming quotations.

Derivative financial instruments and structured deposits at fair value is determined by discounting the expected receivable and payable of future contracts and calculating the net present value of the contracts. The discount rate used is the market rate curve of respective currency. System quotations provided by market are used for exchange rates and commodity prices. These interest rate curves and quotations are observable input values that reflect market conditions.

(c) Level 3 fair value measurement

The Bank's Corporate Banking Department is responsible for the valuation of the loans and advances on recurring level 3 fair value measurement and discusses the valuation process and results with the Head of Finance.

The Bank's loans and advances at fair value are valued using valuation techniques that include unobservable market data and the model adopted is the discounted cash flow model. Unobservable inputs involved in this valuation model include the realisation probability of success fee, credit risk spread, etc.

The above assumptions and methods provide a consistent basis for the Bank's fair value measurement. However, as other institutions may use different methods and assumptions, the fair values disclosed may not be fully comparable among financial institutions.

Reconciliation between carrying amount at the beginning of the year and that at the end of the year for items measured at recurring Level 3 fair value measurements:

| | | Total gains or losses of this year | | Purchase and settlement | | | |
|---|---|---|---|---|---|---|---|
| | Balance at the beginning of the year | Included in profit or loss | Included in other comprehensive income | Purchase | Settlement | Balance at the end of the year | Unrealized gains or losses for the year included in profit or loss for assets held at the end of the year |
| Loans and advances at fair value through profit or loss | 1,851,098,237 | 101,524,992 | - | 1,383,307,539 | (1,724,046,840) | 1,611,883,928 | 38,495,285 |

The specific items of the above gains or losses recognized in 2021 included in profit or loss or other comprehensive income are as follows:

| | 2021 |
|---|---|
| Realized gains or losses included in profit or loss for the year | |
| - Net investment income | 63,029,707 |
| Unrealized gains or losses included in profit or loss this year | |
| - Net gains / losses from changes in fair value | 38,495,285 |
| Total | 101,524,992 |

(d) Fair value of financial assets and financial liabilities not measured at fair value

(i) Cash and balances with the central bank, deposits with other banks, placements with banks and other financial institutions, deposits from banks and other financial institutions, customers deposits at amortised cost, other receivables and other payables

Since the maturity dates of the above financial assets and financial liabilities are within one year or are at floating interest rates so that the carrying amounts are close to the fair values.

(ii) Loans and advances measured at amortized cost

The loans and advances measured at amortised cost are stated at amortised cost less the provision for impairment losses. The fair value of loans and advances is close to the carrying amount as the interest rates on the loans and advances are adjusted primarily in line with LPR or movements in market interest rates, and impaired loans are net of provisions for impairment to reflect the recoverable amounts.

(iii) Debt investments

Debt investments are determined by reference to quotations from the relevant securities settlement institutions or the valuation system of the stock exchange. As at the balance sheet date, the difference between the fair value and the carrying amount of the debt investments was not material.

(6) Capital management

The Bank's capital management focuses on the capital adequacy ratio (“CAR”), aiming to comply with the regulatory requirements and support the business expansion of the Bank.

The Bank adheres to an active capital management policy to achieve the following goals:

(i) To ensure the Bank is in compliance with the regulatory requirements on CAR and has sufficient capital to support the capital demand of internal assessment;

(ii) To ensure the Bank has adequate capital to support the implementation of business strategy and business development;

(iii) To optimize the return to shareholders while maintaining a prudent level of capital depending on the underlying business risks.

The Bank calculates capital adequacy ratio in accordance with Capital Management Rules for Commercial Banks (Provisional) and other regulatory requirements issued by the CBRC. China's commercial banks should meet the capital adequacy ratio requirements stipulated in Capital Management Rules for Commercial Banks (Provisional) by the end of 2018. For non-systemically important banks, the core tier 1 capital adequacy ratio shall not be lower than 7.50%, the tier 1 capital adequacy ratio shall not be lower than 8.50%, and the capital adequacy ratio shall not be lower than 10.50%.

The capital adequacy ratios calculated according to the Capital Management Rules for Commercial Banks (Provisional) and other regulatory requirements issued by the CBRC are as follows (expressed in RMB million):

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Core Tier 1 capital adequacy ratio | 14.44% | 15.48% |
| Tier 1 capital adequacy ratio | 14.44% | 15.48% |
| Capital adequacy ratio | 15.18% | 15.93% |
| Core Tier 1 capital | 2,018.91 | 1,511.20 |
| Less: Regulatory Deductions for Core Tier 1 capital | 48.03 | 42.55 |
| Net core Tier 1 capital | 1,970.88 | 1,468.65 |
| Other Tier 1 capital | - | - |
| Net Tier 1 capital | 1,970.88 | 1,468.65 |
| Tier 2 capital | 101.27 | 42.64 |
| Total regulatory capital | 2,072.15 | 1,511.29 |
| Total risk-weighted assets | 13,650.54 | 9,487.20 |

9 Compare data

Certain comparative data has been reclassified for consistency with the presentation of the current financial statements.