

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments mainly include:

- Dealer quotes for similar instruments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for financial instruments.

During the year ended 31 December 2019, there was 1 transfer between level 1 and 2 for recurring fair value measurements. For transfers in and out of level 3 measurements see the following table, which presents the changes of financial instruments in level 3 for the years ended 31 December 2019 and 2018:

	Financial assets		Financial liabilities	
	2019	2018	2019	2018
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Opening balance – IAS 39		77,131		2,154
Adjustment on adoption of IFRS 9		22,976		–
Opening balance – IFRS 9	83,934	100,107	4,466	2,154
Additions	39,116	51,185	75	3,301
Business combination	–	–	(977)	–
Disposals/Settlements	(6,714)	(9,899)	(1,193)	–
Transfers	(4,552)	(93,151)	–	–
Changes in fair value recognised in other comprehensive income	328	261	–	–
Changes in fair value recognised in profit or loss*	9,241	30,485	(463)	(1,063)
Currency translation differences	1,740	4,946	(35)	74
Closing balance	123,093	83,934	1,873	4,466
* Includes unrealised gains or (losses) recognised in profit or loss attributable to balances held at the end of the reporting period	3,265	6,861	(463)	(1,063)

