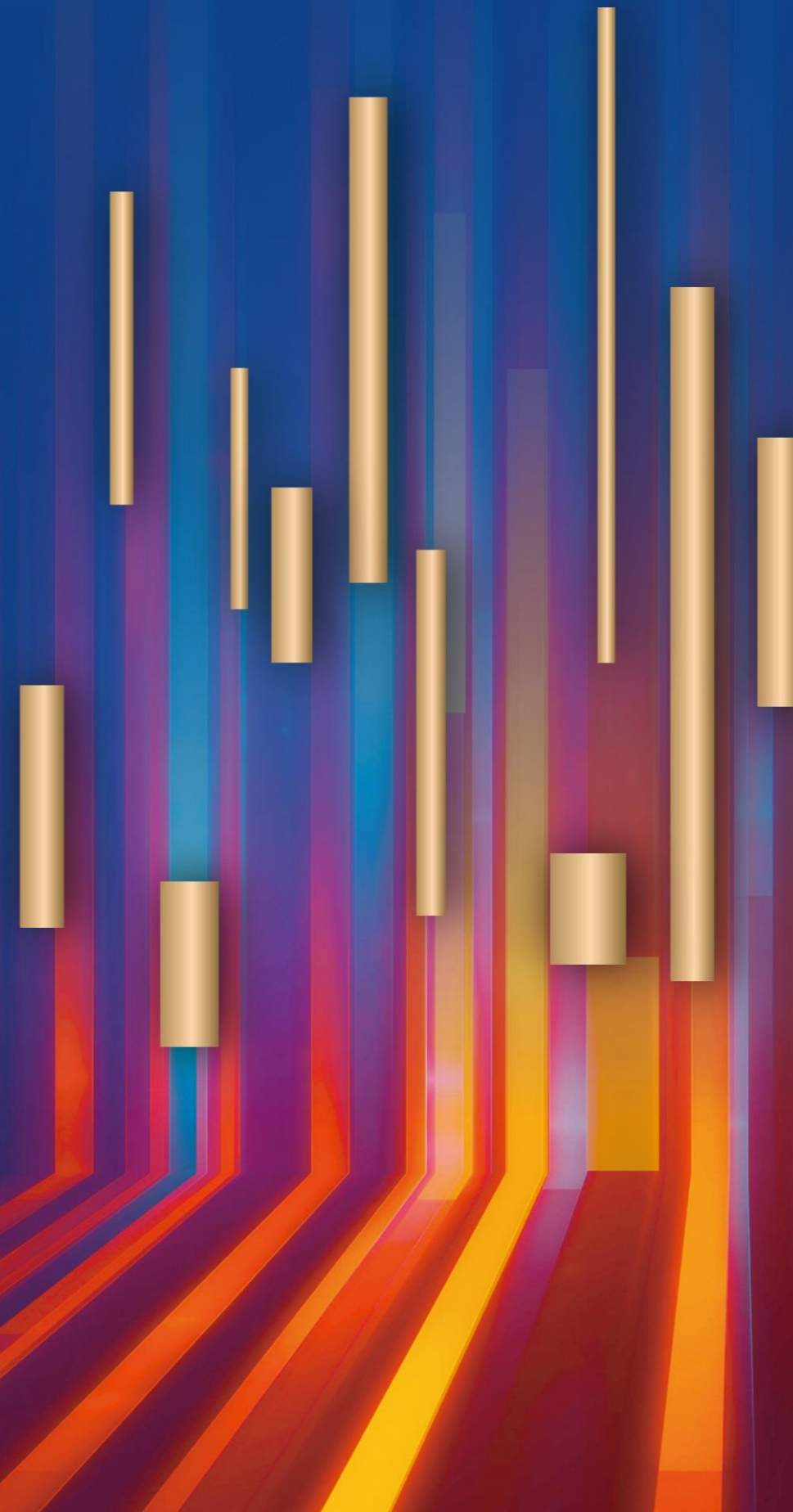


Annual Report 2021



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**Meaningful Banking**

**Better Metrobank, Better Me.**



## CHAIRMAN'S STATEMENT

In 2021, facing the recurrence of the pandemic and complex market environment, Metrobank (China) kept well balance between the pandemic prevention and the business development. We have achieved consistent and stable growth both in the various of business and profits leading by the Board of Directors. The brand image and influence have been further enhanced with a good momentum.

### **Hold Our Principle of Risk Control, and Make the Assets to Grow Steadily**

In 2021, we integrated the development and security plans, and stuck to our principle of risk control. We insisted on risk management as the foundation of our Bank, strengthened the all-round, all-process, all-coverage risk control system, and built a safe development platform. We have contributed more on the 7 aspects of management including improving corporate governance, intensification of operations, human resources management, all-rounded risk management, asset quality management, internal control and compliance management, and fulfilling corporate social responsibility in order to build a process bank with efficient internal management. We closely tracked the impact of the pandemic, proactively mitigated and resolved risks, and generally stabilized asset quality with the recurrence of the pandemic. The market and liquidity risk control was put in the 1<sup>st</sup> priority in response to the strong fluctuations in international financial markets. The foreign exchange and financial markets business remained stable growth as well. At the mean-time, we strengthened the policies and IT system building, and achieved solid results in AML management. We further enhanced basic operations and business continuity management, and prevented operational risks effectively.

### **Deeply Engage in the China Market and Diversify the Business Development**

In 2021, we adjusted the strategy and deeply engaged in the China market to build a foreign bank with great services, high efficiency and diversified business development. In the start of the 2<sup>nd</sup> decade of Metrobank (China), despite of many uncertain challenges, we have withstood them from market environment and recurrent pandemics and diversify our business with strong capabilities and resilience. We enriched our products to better serve our customers' needs, strengthened syndication cooperation to support the development of the real economy, expanded international business to help customers catch more cross-border business opportunities and participated in the Green Credit, responding to the goal of "Emission Peak and Carbon Neutrality" so that we have won the "Green Finance Award of the Year" from National Business Daily. The preparation of Ningbo branch has been approved, which helps the Bank to strengthen our layout in the Yangtze River Delta Area. By the end of Y2021, Metrobank (China) has successfully achieved a substantial breakthrough of RMB12 billion in total assets, both assets and liabilities expanded steadily, and net profit also rose significantly from the previous year.

### **Fulfill Corporate Social Responsibility and Strive to Give Back to the Community**

In 2021, We actively fulfilled our corporate social responsibility and delivered positive power to the community. "We care for the unserved and the underserved." We upheld our Parent Bank's commitment to serve and give back to the community. With the Bank's steady development, we cared for our employees' growth as well and strived to give back to the community. In 2021, through the strategic cooperation with Shanghai Soong Ching Ling Foundation, we have carried out a series of charity events with the theme of "Caring for the Growth of Rural Children". We collaborated with our peer banks to spread the charity and donated the customized school uniforms to the children. We focused on the field of "Family Education" and cooperated with Honeywell to hold a specific seminar on family education for financial practitioners. Up to now, there are 500 direct beneficiaries and 30,000 indirect beneficiaries.

On the occasion of the 60<sup>th</sup> anniversary of Metrobank and the 12<sup>th</sup> anniversary of Metrobank (China), we launched the "Prime at 60, Strong as Ever" in 2022. At this historic moment, we will continue to provide convenient, efficient and customer-oriented financial services for our customers with our original intention. We commit that "You are always in Good Hands".



**Arthur V. TY**  
April 2022



## PRESIDENT'S MESSAGE



In 2021, the pandemic's impacts had not ended yet, but China was leading the world in pandemic prevention & control and demonstrated strong economic development resilience. Thanks to China's good macro economy environment, customers' full supports, and all of our employees' great efforts, Metrobank (China) realized steady business growth in 2021. By the end of the year, the total assets reached RMB12.61 billion, increased 14.09% year on year. Of which, the balance of credit assets was RMB8 billion, an increase of 28.75% year-on-year. The balance of deposits was RMB8.93 billion, an increase of 22.84% year-on-year. The asset quality maintained a steady improvement trend as well. Both the balance of non-performing loans and non-performing loan ratio reduced, the ratio was further improved from 0.42% to 0.24%. In order to enhance the risk resilience, the provision coverage ratio improved 333.73 percentage points year on year to 801.57%. The operating income realized 16.55% of increase, reaching RMB273.77 million. The profit before provision ascended 17.98% year on year to 96.56 million. Finally, the Bank achieved RMB50.16 million in net profit and rose by 18.04%.

In 2021, based on our well financial performance and asset quality, sufficient capital level and the strong comprehensive capabilities of the Parent Bank, Lianhe Credit maintained our AA+ long-term corporate credit rating. Especially, Metrobank (China) has obtained the Baa2 (investment grade) long-term rating of local currency and foreign currency deposits with a stable outlook from Moody's as well, which is one of the three major international rating agencies, equal to the sovereign rating of the Philippines and the Parent Bank, as well as some well-known jointly-owned banks in China.

In 2021, following the business policy of "Digitization, Focalization, Internationalization and Low Cost", our Bank took corporate banking business, financial markets business and international business as the driving engines, accelerated the development of foreign exchange business, investment banking business and FI business, steadily accelerated the construction of product system and continuously improved the comprehensive financial services. Furthermore, our network expansion plan is promoted in an orderly manner. In the year, our Bank was approved officially to prepare Ningbo Branch in Zhejiang Province, which is expected to open in 2022. The further improvement of the layout in the Yangtze River Delta Zone is bound to bring new opportunities and new impetus to our Bank.

In 1962, Dr. George Ty, a patriotic overseas Chinese from Quanzhou, founded Metropolitan Group in the Philippines. Over the past 60 years, the Bank has always adhered to the principle of "People First" and the commitment of "You are always in good hands". Through the market and time, it has grown into a global and diversified commercial bank group with nearly 1,000 branches or affiliates in 14 countries and regions. In 2022, on the occasion of the 60<sup>th</sup> anniversary of Parent Bank, as a wholly-owned subsidiary and the core of the group's overseas development strategy, Metrobank (China) will also adhere to integrating the development concept of the Parent Bank into ourselves, the vision of "becoming a foreign bank with good service, high efficiency, good reputation and small yet exquisite & decent" and the goal of "being a high-quality enterprise which satisfies customers, makes employees feel reliable and is trusted by the shareholder".

In the post-pandemic era, global economic and financial environment are full of uncertainties and challenges. "Compliance supports the long-term development". We will stick to our principle of "Do compliance first before develop business" to ensure the safety and quality of assets. Based on the concept of "Pursuing Excellence", we shall take the initiative to innovate, leverage our strengths, improve weaknesses and enhance financial service capabilities. And then, based on the actual customers' needs, we shall provide customized and comprehensive financial solutions to solve customers' problems effectively. We will also continue to take multiple initiatives to drive the transformation, so as to continuously stimulate internal motivation and enhance development resilience.

Prime at 60, strong as ever. Relying on the strong supports from Metrobank Group, Metrobank (China) will always abide by the same commitment of "You are Always in good hands" to realize a win-win future.

**David Lin**  
**April 2022**



## ABOUT METROBANK GROUP

Metropolitan Bank and Trust Company (hereinafter referred to as “Metrobank Group”) is a diversified financial services company founded in 1962 by patriotic overseas Chinese Dr. George Ty from Quanzhou, headquartered in Manila, Philippines.

In 1981, Metrobank Group became the first bank to be granted a universal banking license by the Central Bank of the Philippines (BSP). Its business includes comprehensive public and private business including deposits and loans, trade financing, settlement, credit card, insurance, trust and investment banking. After 60 years of development and operation, Metrobank Group has become a large scale commercial bank group, including a number of savings bank, investment bank, finance company, securities company, credit card company, exchange company, insurance company, leasing company, etc. The group is listed on the Philippine Stock Exchange under the symbol “MBT”.

At present, Metrobank Group has nearly 1,000 branches or affiliates around the world, with a total of 18,000 employees worldwide. Metrobank Group has become one of the most important commercial banking groups in the Philippines and has maintained a good international influence. It has won the title of the Strongest Commercial Bank in the Philippines for many years from the Asian Banker. Metrobank Group has an excellent external rating. Moody's recently grant a long-term debt rating of Baa2 and an outlook rating of STABLE.

## VISION MISSION STATEMENT

To be the country's premiere financial conglomerate, empowering our individual and business clients to realize their goals and reach their full potential. By creating and customizing financial solutions in response to our stakeholder's needs, continuously expanding our scope of reach, and leading in community service, we live up to our “You're Always in Good Hands” embodies who we are and what we do. We are Metrobank.

Metrobank Group has become one of the most important commercial banking groups in the Philippines.

It has won the title of the Strongest Commercial Bank in the Philippines for many years from the Asian Banker.

## WE COMMIT TO BE

**The Trusted Financial Partner.** Our business relies on the principles of trust, honesty and integrity as we serve our customers and help them attain their financial goals.

**The Employer of Choice.** We strengthen the organization by continuously developing and enhancing the abilities of our people. We nurture them into professional individuals with integrity and passion for service and excellence. We ensure their future by providing them with fulfilling careers.

**A Responsible Bank.** We adhere to the highest standards of corporate governance, exercising accountability, fairness, and transparency across all our business operations. We exercise good management to provide our shareholders with sustainable returns on their investments.

**An Institution with a Heart.** Giving back to the community we serve. Committed to making meaningful contributions to the economic and social development of China and the Philippines.





## ABOUT METROBANK (CHINA)

Metropolitan Bank (China) Ltd. (hereinafter referred to as “Metrobank (China)”) is a wholly foreign-owned bank approved by CBIRC and established in Nanjing by Metrobank Group. On April 22, 2010, Metrobank (China) officially opened its business. As the first wholly foreign-owned bank in Jiangsu Province, Metrobank (China) has been developing branches around the initial development strategy of “taking the Yangtze River Delta Area as the center and further radiating the whole country” since its restructuring and opening up in 2010. As of the end of 2021, MBCL has six branches in Shanghai, Nanjing, Changzhou, Quanzhou, Xiamen, Suzhou, as well as three sub-branches of Shanghai Pudong Sub-branch, Changzhou Xinbei Sub-branch and Changzhou Wujin Sub-branch. The application for the preparation of Ningbo Branch has been approved by the Ningbo Supervision Bureau of the China Banking and Insurance Regulatory Commission. The total amount of employees in the Bank reached to 309.

Metrobank (China) has been continuously innovating in the midst of steady development and providing excellent quality financial services to the customers in China and all over the world. As for the long-term corporate credit rating, with excellent operating performance and sound risk control, Lianhe Credit granted Metrobank (China) AA+ credit rating for 2 consecutive years. In 2021, Moody's assigned Metrobank (China) a Baa2/P-2 deposit rating with a stable outlook.

Since its establishment, Metrobank (China) is always committed to the excellent service principle of “Customer Oriented”, and integrates the core values of “Integrity, Service, Efficiency, Professionalism and Innovation” into the customer value proposition. The Bank introduces the advanced international management concept and experience from the parent bank and combines with the local culture and industry operation in China so as to strive to provide internationalized, diversified and high-standard banking services to the customers. We are committed to be a specialty bank with “Good Services, High Efficiency, Good Reputation and Small Yet Exquisite & Decent”.

### Corporate Information

<b>Registered Name:</b>	Metropolitan Bank (China) Ltd.
<b>Legal Representative:</b>	Arthur Ty
<b>Registered Office:</b>	Room 2103-2111,2201-2216, One ifc, Nanjing ifc, No.347 Jiangdong Middle Road, Jianye District, Nanjing, Jiangsu Province
<b>Date of Incorporation:</b>	14 January 2010
<b>Paid up Share Capital:</b>	RMB1,500,000,000
<b>Customer Service Line:</b>	4008649000



## FINANCIAL HIGHLIGHTS

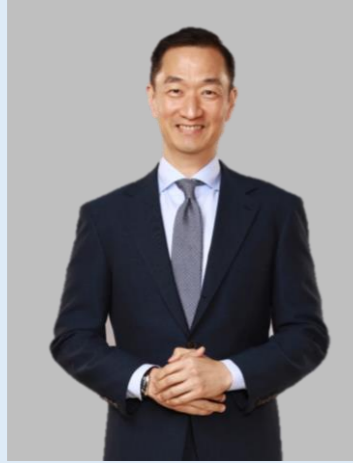
	2021	2020	Increase/ (Decrease)
<b>Operating Result</b>		<b>RMB '000</b>	<b>%</b>
Net interest income	267,297	146,420	82.55
Total operating income	273,772	234,897	16.55
Total operating expense	174,116	151,199	15.16
Impairment losses	29,407	23,510	25.08
Profit before tax	67,240	57,347	17.25
Net Profit	50,164	42,499	18.04
<b>Balance Sheet</b>		<b>RMB '000</b>	<b>%</b>
Total assets	12,609,197	11,051,981	14.09
<b>Financial Indicators</b>	<b>%</b>	<b>%</b>	<b>%</b>
Return on equity	2.95	2.54	0.41
Return on assets	0.42	0.40	0.02
Cost/income ratio	63.60	64.37	-0.77
Loan-to-deposit ratio	61.69	63.04	-1.35
Liquidity ratio	100.88	77.46	23.42
Leverage ratio	10.21	12.78	-2.57
Non-performing loan ratio	0.24	0.42	-0.18
Loan provision ratio (Note 1)	1.96	1.97	-0.01
Provision coverage ratio (Note 1)	801.57	467.84	333.73
Capital adequacy ratio (CAR)			
Core Tier 1 CAR	15.84	17.76	-1.92
Tier 1 CAR	15.84	17.76	-1.92
CAR	16.72	18.51	-1.79

Note 1: In 2021, regulatory requirements on the Bank's loan provision ratio and provision coverage ratio are 1.50% and 120% respectively.





# BOARD MEMBER



Chairman  
Arthur V. Ty



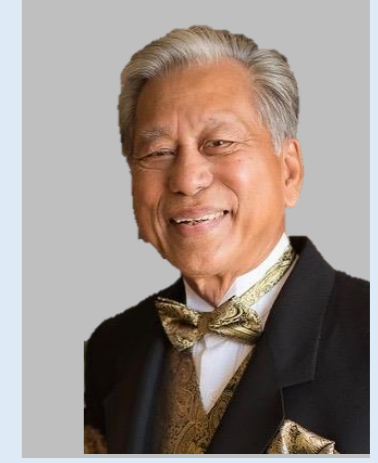
Vice Chairman  
Lin Guixian



Executive Director  
David Lin



Independent Director  
Stanley Lo



Independent Director  
Robin A. King



Independent Director  
Peter Pang



Non-executive Director  
Michael Ong



Non-executive Director  
Charles W.B. Cheung



Non-executive Director  
Richard Benedict S. So



Advisor  
Fernand A. Tansingco



Advisor  
Larry Chan



Advisor  
George Tsai



Advisor  
Thomas Huang



Advisor  
Solomon Cua



Supervisor  
Marilou C. Bartolome-Cirilo



**MANAGEMENT TEAM**



**Chairman  
Arthur V. Ty**



**President  
David Lin**



**Senior Executive Vice President  
Thomas Huang**

# MANAGEMENT TEAM



Chief Finance Officer  
Billy Lau



Head of Credit Control  
Wesley Chen



Head of Human Resources  
Alice Shi



Double Hatting Head of Corporate Banking  
& Business Raymond Yang



Head of Financial Markets  
Lin Quan



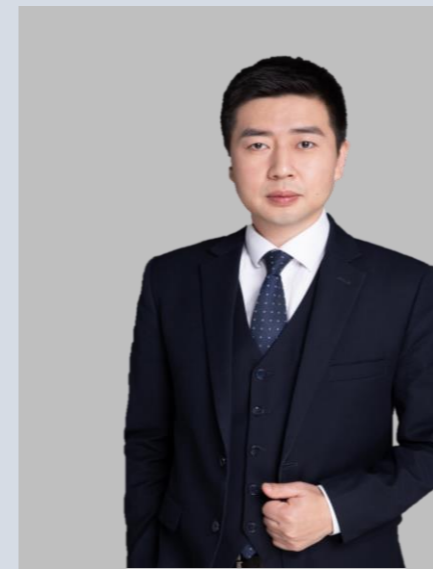
Head of Internal Audit  
Crystal Yang



Head of Compliance  
Phoenix Zhao



Head of Operations  
Katherine Gao



Head of Information Technology  
Willson Chen



Double Hatting Head of Administration  
& Security Tomas Wei



Head of Risk Management  
Bin Li



# MANAGEMENT TEAM



GM of Changzhou Branch  
Tang Junjun



GM of Shanghai Branch  
Alex Hong



GM of Nanjing Branch  
Paul Zhang



GM of Xiamen Branch  
Honda Huang

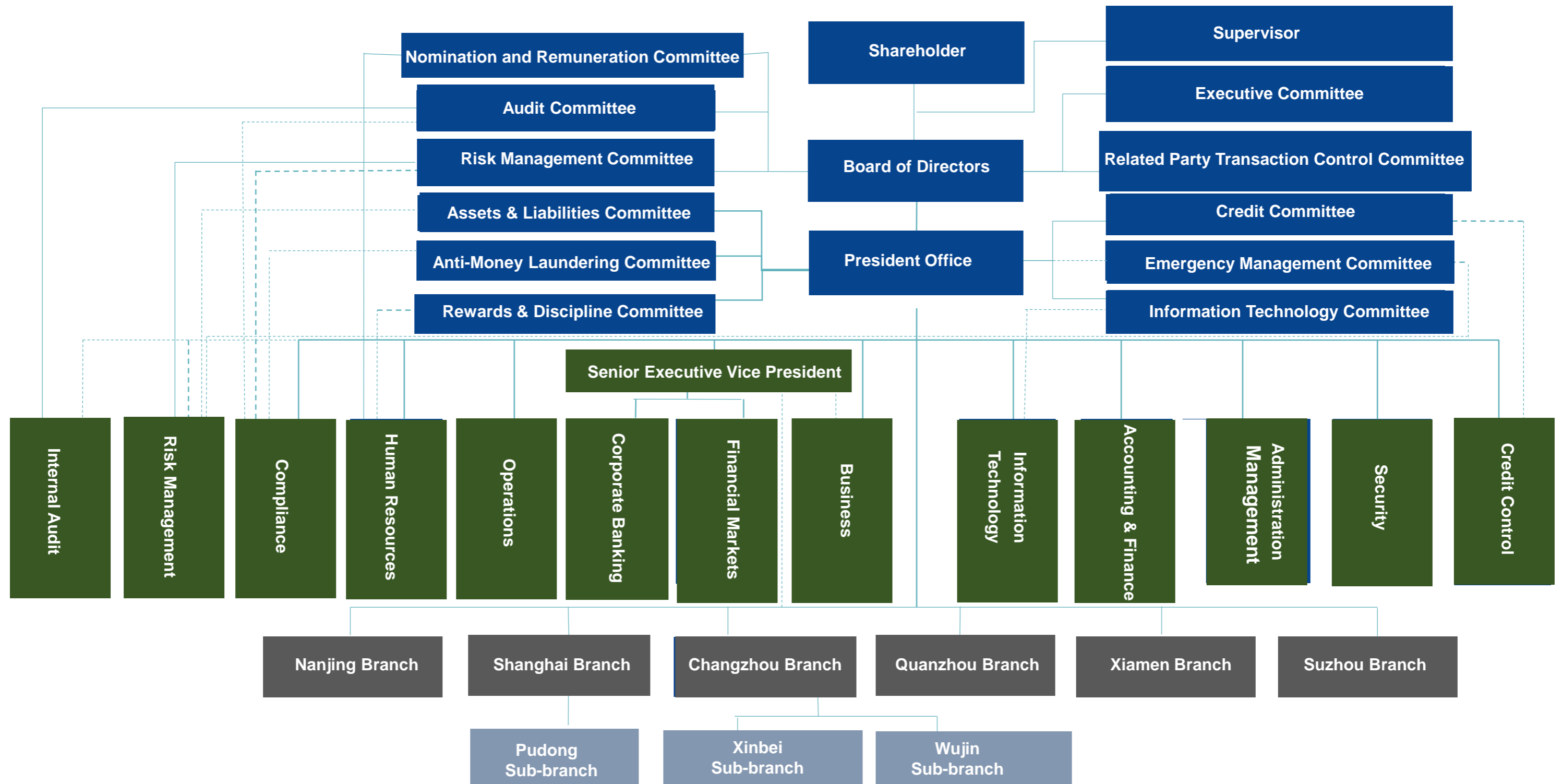


GM of Quanzhou Branch  
Stephen Yu



GM of Suzhou Branch  
Angel Hang

# ORGANIZATION CHART



Version No: V-20200818



## BRANCH NETWORK

### Head Office

L21/22, One ifc, Nanjing ifc, No.347 Jiangdong Middle Road, Jianye District, Nanjing, Jiangsu Province  
 Tel: (025) 6858 4194  
 Fax: (025) 6858 4141  
 Postcode: 210019

### Head Office (Based in Shanghai)

3F Metrobank Plaza, 1160 West Yan'an Road, Changning District, Shanghai  
 Tel: (021) 3183 2500  
 Fax: (021) 3183 3376  
 Postcode: 200052

### Changzhou Wujin Sub-branch

No.101-102, Building13, Wanda Plaza, Wujin District, Changzhou, Jiangsu Province  
 Tel: (0519) 8988 3198  
 Fax: (0519) 8988 2621  
 (0519) 8988 2631  
 Postcode: 213100

### Changzhou Xinbei Sub-branch

No.8 Fudijulongyuan, Tongjiang Middle Road, Xinbei District, Changzhou, Jiangsu Province  
 Tel: (0519) 8806 1564  
 Fax: (0519) 8806 1598  
 Postcode: 213022

### Nanjing Branch

Building 32, Baguio Garden, 189 Leshan Road, Jianye District, Nanjing, Jiangsu Province  
 Tel: (025) 8966 7870  
 Fax: (025) 8966 7862  
 Postcode: 210019

### Shanghai Branch

1F, Metrobank Plaza, 1152 West Yan'an Road, Changning District, Shanghai  
 Tel: (021) 3183 2500  
 Fax: (021) 3183 3379  
 Postcode: 200052

### Quanzhou Branch

Unit 1302-1303, South Asia Plaza, 666 Fengze Street, Fengze District, Quanzhou, Fujian Province  
 Tel: (0595) 2988 9372  
 Fax: (0595) 2988 9377  
 Postcode: 362000

### Xiamen Branch

Unit 05-07, 11F, Yishan Business Center(Xiamen Fortune Center), 100 Lujiang Road, Siming District, Xiamen, Fujian Province  
 Tel: (0592) 2110 265  
 Fax: (0592) 2113 275  
 Postcode: 361001

### Shanghai Pudong Sub-branch

Building D, 12F, New Shanghai International Tower, No.360 South Pudong Rd., Pudong New Area, Shanghai  
 Tel: (021) 3183 3336  
 Postcode: 200122

### Changzhou Branch

No.88-103, JingChengHaoYuan, Beida Street, Zhonglou District, Changzhou, Jiangsu Province  
 Tel: (0519) 8806 1611  
 Fax: (0519) 8806 1617(1F)  
 (0519)8806 1616 (2F)  
 Postcode: 213003

### Suzhou Branch

1805-1808, China Life Finance Center, Building 24A, Harmony Times Square, Suzhou Industrial Park, Suzhou, Jiangsu Province  
 Tel: (0512) 8885 9159  
 Fax:(0512) 8885 9159  
 Postcode: 215000

## IMPORTANT HIGHLIGHTS

### JANUARY

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- Shanghai Branch completed the 1<sup>st</sup> cross-border RMB personal remittance business in China.

### MARCH

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- The Bank issued the 1<sup>st</sup> Certificate of Deposit (CD).

### APRIL

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- The Bank launched the 1<sup>st</sup> session of “Leadership Academy” successfully.
- The Bank launched the “Leading Excellence and Insight into the Future” Touring Forum.

### MAY

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- Lianhe Credit assigned the Bank a long-term credit (tracking) rating of AA+ with stable outlook.

### JUNE

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- Moody’s assigned the Bank a Baa2/P-2 deposit rating with a stable outlook.

### AUGUST

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- Quanzhou Branch participated in the pilot cross-border financial block chain service platform and successfully handled 2 export accounts receivable financing businesses.

### OCTOBER

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- The Bank was awarded the “Green Finance Award of the year in 2021” by National Business Daily.

### NOVEMBER

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- The preparation of Ningbo Branch was approved by the Ningbo Supervisory Bureau of the China Banking and Insurance Regulatory Commission.
- The Bank successfully issued the 1<sup>st</sup> foreign currency interbank deposit receipt.
- The Bank signed an all-round strategic cooperation agreement with Industrial Securities Co.

### DECEMBER

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- The Bank participated in the green syndication for the first time and supported China Kangfu International Leasing Co., Ltd. to successfully sign a green syndicated loan of RMB730 million.
- The Bank was invited to participate in the opening ceremony of Jiangsu-ASEAN Exchange Week.



## MANAGEMENT REPORT

### Corporate Banking Business

The Bank always adheres to the strategy of “Risk Prevention, Promotion of Transformation, Structural Adjustment and Steady Growth”, and place risk control and compliance management at the forefront of our business development. In 2021, we implemented the upgraded management policies of “Digitalization, Focalization, Internationalization and Low Cost”, and implemented the “3-wheel Drive” business strategy of promoting “corporate banking business, financial markets business and international business”.

In 2021, corporate banking business developed around the strategy of high focus on certain regions, industries, customers, and products under the continuous strengthening of risk control.

In terms of certain region, the Bank focused on the Yangtze River Delta economic circle, with our branches as the core for business development, and expanded the “Three-Hour China High-Speed Railway” customer circle deeply. With the growth of business teams, the business expansion area extended from the Yangtze River Delta to the middle and upper reaches of the Yangtze River in 2021, also expanding to northern Jiangsu, Shandong, and the Great Bay Area covering Guangdong, Hong Kong & Macao. Meanwhile the Bank developed cross-border financial services in Quanzhou and Xiamen to serve overseas Filipinos relying on our parent bank’s financial presence in the Philippines and Southeast Asia responding to the “One Belt, One Road” regional development strategy.

In terms of industries, the Bank focused on emerging industries including infrastructure construction, new infrastructure industries, high-end manufacturing and bio-medicine, etc., and cooperated with leading enterprises in such industries deeply. In 2021, the Bank has been exploring new businesses in green finance, setting standards for green industries, increasing the amount of loans for green industries, and actively participating in green syndication. Hence, the Bank was awarded the “Green Finance Award of the Year in 2021” by National Business Daily.

In terms of customer development, the Bank focused on government credit, industrial credit, and trade credit, with local government platforms, SOEs as the core, supported the private economy related to the industrial chain, expanded upstream & downstream customers from high-quality core enterprises, and carries out trade finance, accounts receivable finance, and supply chain finance. Relying on the information resources of our parent bank, we provided competitive financing prices and products for cross-border international business between China and Philippines as well as Southeast Asia, including import LC and export forfeiting, and the cross-border customers are increasing and diversifying.



You are Always in Good Hands

In terms of products development, the Bank focused on foreign banks’ special financial instrument portfolio solutions, provided not only traditional credit and deposit products, but also diversified financial products services such as corporate bond investment, trust investment, investment banking products, syndication loan, etc., so as to deepen business with our customers through the wider product lines.

In 2021, the Bank achieved double growth in the scale of deposits and loans, with an annual operating income of RMB274 million, increased 16.6% YOY; profit before provisions of RMB96.56 million and net profit of RMB50.16 million, increased 17.98% and 18.04% respectively. Meanwhile, our Bank’s asset quality has been improved steadily, with the non-performing loan ratio dropping from 0.42% in 2020 to 0.24% in 2021. The scale of deposits and loans expanded, with a deposit balance of RMB8.927 billion as the end of December 2021, an increase of 22.84% from the previous year; the scale of loans steadily improved while strictly controlling risks, with a loan balance of RMB5.506 billion by the end of December, an increase of 20.19% from 2020, and total assets exceeding RMB12.6 billion in 2021.

# MANAGEMENT REPORT

## Financial Markets Business

In 2021, the Bank's financial markets business achieved diversified development. In addition to the main asset and liability management business, foreign exchange & derivatives business, financial institution business, transaction banking business also achieved rapid growth and a number of new businesses were implemented.

## Asset and Liability Management

While managing the liquidity of the whole Bank, timely adjusted the business structure and asset allocation according to the changes of market situations to improve the level of ROA and efficiency. The business of asset and liability management mainly includes domestic and foreign currency money market business and various fixed income investment business. By the end of 2021, the balance of interbank assets of the Bank was RMB2.637 billion, accounting for 20.92% of the total assets. The investment asset was RMB3.554 billion, accounting for 28.19% of the total assets. The interbank finance was RMB1.798 billion, accounting for 16.5% of the total liabilities. Treasury business income was one of the main sources of profit for the Bank

The Bank's interbank assets are mainly interbank loans to non-bank financial institutions, and the partners of non-bank financial institutions are mainly financial leasing companies, consumer finance companies and auto financing companies with strong shareholder background; Interbank cooperation targets are mainly joint-stock banks, urban commercial banks and foreign banks. In terms of inter-bank liabilities, the Bank obtains overseas low-cost funds through the parent bank's offshore funds, and continues to expand the scope of domestic cooperative inter-bank institutions to broaden the source of active liability funds. The scale of inter-bank integration funds has increased significantly in recent years. In 2021, the Financial Markets Division opened up different financing channels other than interbank lending and pledge repo in the past, linked with overseas branches of Chinese state-owned banks and obtained committed loans by signing quadripartite agreements with onshore and offshore entities, so as to diversify and facilitate the financing forms of our Bank and ensure the overall liquidity safety of the Bank.

## FX & Derivatives Business

In 2021, FX & derivatives business flourished. We actively provided customers with various FX & derivatives services. In addition to products such as FX spot, FX forward, FX options, FX swaps, currency swaps and derivatives portfolio, we also actively provided customers with market consultation and customized hedging schemes according to customers' conditions. With our excellent services, the number of customers increased by 50% and the transaction volume of agency business increased by about 36% in 2021.

## Financial Institution Business

In 2021, the Bank continued to strengthen the maintenance and expansion of financial institution relations, expand interbank product marketing and innovation, and continued to improve the quality, efficiency of interbank assets and liabilities.

## Trade Finance Business

Relying on the parent bank's network in the Southeast Asian market, the Bank provided a series of comprehensive trade financing service schemes such as settlement and trade financing for overseas Chinese enterprises and Philippine enterprises in China, and increased trade financing business significantly year on year.

## New Qualification and New Businesses Innovation

In 2021, the bank successfully issued the first large-denomination certificate of deposit (CD) and the first foreign currency interbank deposit certificate in the interbank market which enriched sources of liabilities.

Given the Bank's strong capital strength and ample liquidity position, Moody's assigned the Bank's Baa2 long-term and Prime-2 short-term local and foreign currency deposit ratings with a stable outlook for the first time in 2021.

MOODY'S  
穆迪

Baa2

Stable  
稳定



## MANAGEMENT REPORT

### Information Technology

In 2021, a new IT strategy with “Digitalization, Refinement and Intensification” as the core has been kicked-off officially. Through digitalization technology transformation, we will empower our customers, provide them with the best experience, and fully serve the real economy by diversifying, controlling risks and obtaining service-oriented profit. Concurrently, digitalization empowers employees to work in a more convenient, flexible and efficient model, optimize costs, continuously improve financial services and enhance financial innovation. Meanwhile, it drives IT management capacity building, standardization and refinement of IT management. Strengthened IT R&D capability and deepened IT application. The Bank adheres to the principle of intensive construction, promote the integration of business and IT and risk control, and enhance IT support for business more effectively.

### Information Technology Major Events and Projects

In terms of system development, the Bank’s direction is to continuously improve self-development capabilities of core system technologies. In 2021, the credit management system, financial management system and office automation system (Phase II) were put into production, providing security and support for the digital transformation, so as to make significant contributions to the established system architecture plan of our Bank.

In terms of data governance, data governance system, with management and implementation levels as its framework, played a significant role in the specific governance of data quality throughout the year. Data quality was continued to be improved, solidifying the foundation of the digitalization strategy.



### Information Technology Risk Management

The Bank continued to improve IT risk-related policies and update business continuity plans. The Bank continuously implement system security assessments, vulnerability scans, baseline configuration checks, penetration tests, business continuity tests, and system security level protection assessments to effectively improve our Bank’s IT risk management and IT security capabilities. At the same time, we continuously improve the deployment of automated monitoring system to minimize risks effectively and efficiently.



# MANAGEMENT REPORT

## Human Resources

### Development

In 2021, the Bank launched Meaningful Banking 2.0 – “Better Metrobank, Better ME”, in which “ME” stands for both the Bank and our employees. The Bank always regards “Development” as one of the core pillars of “Meaningful Banking” and plans the people-oriented Learning Programs while providing diversified learning platforms and resources to our employees.

The Bank launched the new competency model – “BEST+S” successfully, which clearly defined the competencies and specific behaviors that employees need to have to support Bank’s 3-year business strategy. Thus, the Bank has launched various courses based on this competency model for all the employees to help them improve their overall competency.

#### 胜任力模型BEST+S



“WING Program” is a Development Program for our front office colleagues, which aims to help new front office colleagues to quickly understand our credit requirements & culture so as to integrate into the Bank’s business family as soon as possible. Meanwhile, this also helps existing front office colleagues to better understand customer needs and enhance their professional capabilities so as to provide better service to our customers. Moreover, in 2021, the WING Program was upgraded on human-centered base to help all the participants to equip the capabilities to find suitable solutions for their respective business problems while learning required business knowledge.



In terms of Talent Development, the Bank regularly review the Talent Inventory for the Bank’s healthy growth. In 2021, The Bank launched the first “Leadership Academy” with the aim of developing our future leaders. 25 colleagues from the front, middle and back office joined this 3-stage Leadership Program. Through diversified learning and exchange formats such as workshops, business projects and mentorship, the talents improved their strategic thinking skills and leadership abilities to help and lead our Bank’s business transformation.



The Bank launched the first “Leadership Academy” in 2021



# MANAGEMENT REPORT

## Honor

In 2021, the Bank has been deepening the core values of “Integrity, Service, Efficiency, Professionalism and Innovation” by organizing the 3<sup>rd</sup> “Metrobank Honor - Innovation Award” competition, and collected 61 cases. The selection is based on 10 dimensions such as cross-division\cross-region cooperation, strategic significance, pro-activity, contribution to the Bank’s productivity and promotion of the Bank’s brand, encouraging staff to continuously innovate to lead change, and pursue excellence for the honor of the Bank. In addition, the Bank has launched “Metrobank Honor - Article Solicitation Activities”, all employees were encouraged to actively participate in various internal and external articles writing activities to further enhance the brand awareness and reputation of the Bank, finally 5 articles won the relevant awards.

## Care

The Bank is committed to the concept of “We care you and you cared.” people-oriented, with the greatest enthusiasm to care for the physical and mental health of each employee. In 2021, the Bank has completely upgraded “Staff Club”, not only deliver a healthy concept of life through exercise for staff, but also show the rich and colorful spiritual world of our employee through the activities of the “Sharing Club”. In addition, all our branches have actively explored various “Staff Privilege” merchants to bring real benefits to our employees.

In May 2021, the Bank has held the “Extreme Challenge · Metrobank Rush”– Shanghai Staff Orientation Event, which further enhanced the employees’ sense of belonging and cohesion.



## Branding

Facing the changeable market environment, the Bank has been serving the business in an innovative way to convey the brand experience of “Engaging, Adaptive, Trustworthy, Convenient, Meaningful” to customers, the industry and the society. By organizing the “Leading with Excellence, Insight into the Future” touring forum, the Bank created a sense of zero distance to customers. By innovating the operation of wechat public account and enhancing active communication, served and helped business development, and improve brand image of the Bank. By innovating the charity model, we presented the Bank to our customers, the industry and the society as a responsible enterprise, and a brand enterprise worthy of customers’ trust.



“Extreme Challenge · Metrobank Rush”– Shanghai Staff Orientation Event in 2021



Event group photo of “Staff Club”



The 3<sup>rd</sup> “Metrobank Honor - Innovation Award”



“Leading with Excellence, Insight into the Future” touring forum



# MANAGEMENT REPORT

## Consumer Rights Protection

In 2021, the Bank coordinated with the regulators to carry out specialized campaigns including “3.15 Consumer Rights Protection”, “Popularizing Financial Literacy”, “Taking Financial Literacy into Ten Thousand Homes, Striving to be a Rational Investor, Striving to be a Good Financial Netizen” and so on. The Bank also took this opportunity to set up and circulate promotional slogans on the LED display at the entrance of each branch and the TV screen in the business hall. It was placed financial knowledge promotional materials and books in the business hall, and gave full play to the promotional role of the operation staff to promote financial knowledge to the customers, so as to effectively promote the financial knowledge popularization and promotional activities.

At the same time, the Bank organized employees to go out of branch outlets, and go into enterprises and communities to promote financial knowledge; organized comprehensive publicity activities on the eight rights of consumers, anti-money laundering, personal financial information, prevention of illegal fund raising and personal credit collection, etc. to increase the publicity of financial consumer protection and financial service policies and improve financial consumers’ awareness of risk prevention.

With the requirement of normalized pandemic prevention and control, the Bank launched multi-channel publicity through online media including the Bank’s official website and wechat public account, and published several short articles on financial literacy to expand the publicity audience as much as possible while effectively preventing and controlling the pandemic.

In 2021, the Bank carried out financial consumer rights protection publicity activities orderly to improve financial consumers’ financial knowledge, awareness of rights protection and abilities to identify illegal finance and prevent from risks. The Bank fully fulfill the main responsibilities as the protector of financial consumers’ legitimate rights and interests.



## Corporate Social Responsibility

To give back to the society, the Bank signed a 4-year charity cooperation strategy with Shanghai Soong Ching Ling Foundation in 2019. During this period, a series of charity events in the theme of “Caring for the growth of rural children” have been carried out including the establishment of “Metrobank Happy Scholarship”, improving the school environment in poor areas, empowering rural teachers and focusing on family education, etc. In 2021, through cooperation with peer banks and cross-brand cooperation, the Bank carried out different kinds of charity events. Up to now, there are 500 direct beneficiaries and 30,000 indirect beneficiaries from the Bank’s charity events.

### Together with the Peer Banks to Protect the Growth of Children

The Bank has been donating to two primary schools namely Wulian Primary School and Aoyao Primary School in Yongding District, Longyan City, Fujian Province. Previously, the Bank donated teaching facilities such as books, computers, bookshelves, tables and chairs to build “Growth Classrooms” for the children, and also granted specialized scholarships for literature and sports development. In June 2021, the Bank cooperated with the Foreign Banks Working Committee of Xiamen Banking Association and invited several foreign banks to spread charity together. We have visited two Primary schools in Yongding District, Longyan City, Fujian Province, Wulian Primary School and Aoyao Primary School, bringing the summer school uniforms customized by the Bank for them, as well as books and school supplies, meanwhile further learning about the situation of the children’s daily study and live.

### Brands Cross-border Talk about Family Education

In order to contribute to the healthy development of family education, the Bank has started a new exploration in finance plus education. In November 2021, the Bank organized a special session on “Family Education for the Future” together with Shanghai Soong Ching Ling Foundation and Honeywell (China) Limited. Through the lecture, we discussed the importance of family education in children’s growth with the experts in the field of family education of Social and Emotional Learning (SEL).



The establishment of “Metrobank Happy Scholarship”



Organizing a special session on “Family Education for the Future”





## Green Finance

To achieve Emission Peak and Carbon Neutrality, China will deepen nationwide economy and social transformation. At the mean-time, the higher requirements from green finance are raised to meet the targets of Carbon Peak and Carbon Neutrality. On one hand, achieving carbon neutrality requires a large amount of green and low-carbon investment, to create development opportunities for green finance. On the other hand, green transition may reduce the value of high carbon emission assets, which may bring transition risks. As a crucial part in construction of ecological civilization, the development of green finance will further accelerate economy transformation.

In 2021, aligning with the regulatory requirements and national standards, the Bank made green finance as one of the key business development directions and actively drive the construction of green credit from top down. The Bank implemented the new development concepts conscientiously, enhanced green finance initiatives continuously, strived to improve the adaptability, competitiveness and inclusiveness of financial services, in order to promote simultaneous improvement of the economic, social and environmental benefits. Hence, the Bank was awarded the “Green Finance Award of the Year in Y2021” issued by National Business Daily.

The main tasks of green finance finished by the Bank in 2021 were as the follows:

- **Strategy Guidance and Organization Upgrading.** The Bank has formulated the Bank’s Green Finance Guideline, which has been reviewed and approved by the Board of Directors. And the Bank has established a cross-divisions Green Finance Working Group, which called regular meetings, drove the bank-wide green finance business and promoted the relevant work in the Bank.
- **Focusing on the Business and Adjusting Strategies.** The Bank actively adjusted industry strategy from the passive management to the active support. The Bank has not only restricted the industries of high pollution, high energy consumption and over-capacity, but also set up several actively supported green finance industries including energy saving & environmental protection and agriculture governance. The bank has made the policy clear that provided some preference to green finance business and guided branches to develop business towards green finance area. Meanwhile, combing with the actual situation of various industries’ transition on Carbon Peak and Carbon Neutrality, the Bank provided financial supports to the new energy industry such as the wind power generation, linked with segments of industries and enhance the guidance for sales to gradually realize the transition of green finance.
- **Enhancing Management and Actively Publicization.** The Bank embedded environmental and social risk assessments into the whole process of credit business, and gradually identified and marked the green finance credit customers and projects in the credit system, reference to the domestic and overseas standards judging the qualified customers or projects. At the mean-time, it was refined in the internal FTP, staffing, credit review and evaluation process to actively drive the customers’ green business transition, and take opportunities to stipulate the terms of the customers’ corporate social responsibilities transition in credit contracts, so as to contribute to the green ecological transformation in various industries.



Winning the “Green Finance Award of the Year in Y2021” by National Business Daily

## CORPORATE GOVERNANCE

### Board of Directors

In 2021, the Board of Directors in the Bank is composed of 9 directors, including 3 independent directors. The Board of Directors is authorized to decide all substantial matters except for those to be decided by the shareholder. The Board of Directors conducts procedures in the aspects of decision-making, authorizing, and voting in strict compliance with laws, regulations and the Articles of Association. All the directors attend the board meeting in an earnest and responsible manner. They know the rights, obligations and responsibilities as a director, keep diligence to fulfill their responsibilities and pay attention to guarantee the interest of the Bank and the shareholder. The Board has built up an effective decision-making and supervising mechanism. During the year of 2021, the Bank held 4 regular board meetings and 4 interim meetings.

Name	Position
Arthur V. Ty	Chairman of Board
Lin Gui Xian	Vice Chairman of Board
David Lin	Executive Director, President
Robin A. King	Independent Director
Peter Pang	Independent Director
Stanley Lo	Independent Director
Charles W.B. Cheung	Non-executive Director
Richard Benedict S. So	Non-executive Director
Michael Ong	Non-executive Director



### Supervisor

The Bank has 1 supervisor, whose responsibility is to supervise the Board of Director and senior executives in an independent and fair way, and prevent the Board of Directors and senior executive's behaviors from hurting the legal rights and interests of the Bank, shareholders and depositors.

The supervisor attended all the board meetings and reviewed meeting materials and minutes of the Board of Directors and all of the committee meetings under the Board, and actively fulfilled her responsibilities.

### Committees under the Board of Directors

To ensure that relevant decisions of the Board are executed in compliance with laws and regulations and are in accordance with the Bank's strategic targets, the Bank has set up Executive Committee, Audit Committee, Risk Management Committee, Related Party Transactions Control Committee and Nomination and Remuneration Committee under the Board of Directors. These committees monitor management's execution of the strategic, risk and operational policies approved by the Board of Directors.

The committees fulfilled their roles and responsibilities as authorized by the Board of Directors. In 2021, the Executive Committee held 12 regular meetings and 2 interim meetings; The Risk Management Committee held 4 regular meetings and 6 interim meetings; The Audit Committee held 4 regular meetings and 2 interim meetings; The Related Party Transactions Control Committee held 4 regular meetings and the Nomination and Remuneration Committee held 4 regular meetings and 1 interim meeting.

### Committees under the Management Team

To ensure that management's execution of Board decisions is in accordance with the Board resolutions, the daily operation is in accordance with relevant regulatory policies, indicators and the daily business is conducted in accordance with the requirements of business development and risk control. The Bank set up Credit Committee, Assets and Liabilities Committee, Information Technology Committee, Anti Money Laundering Committee, Rewards and Discipline Committee and Emergency Management Committee under the management team. In 2021, all the committees actively fulfilled their responsibilities.



## CORPORATE GOVERNANCE

### Internal Audit

Internal Audit Division (IAD) is established by the Board of Directors, targeting to provide independent, objective assurance and consulting services designed to identify the potential risks for key businesses. The mission also includes to add value and to improve the comprehensive controls in the areas of risk management, internal control and governance process by considering both practical operation and best practice.

The conduct of the internal audit activity is done in accordance with the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics. As the third line of defense, IAD keeps highest level of independence. Its personnel report to the IAD Head who in turn reports functionally to the Board of Directors through the Audit Committee, and administratively to the President.

In 2021, pursuant to its regulatory and governance mandates, IAD adopted risk-based approach and globally accepted standards to conduct comprehensive audits of head office units, branches/sub-branches, systems and processes to help MBCL accomplish its objectives and improve the effectiveness of its risk management, control and governance processes. By covering higher-risk and major areas, IAD achieved to deeply meet the strategic goals of “Risk Prevention, Transformation Promotion, Structural Adjustment, Steady Growth”, whereas IAD also provided recommendations where control weaknesses exist and where the achievement of objectives is at risk, contributing enhanced accountability, performance and operation.

At the meantime, IAD fulfilled its supervision function through audit activities under the guidance of the MBCL’s business policy of “Digitalization, Focalization, Internationalization, Low Cost”, and positively response to the “Three-wheel Drive” of the corporate banking business, financial markets business and international business, audit inspections were designed to be focused on business process or product development, such as the theme audits for Credits, Financial Markets and Trade Finance business respectively, in order to facilitate a more risk-based approach by concentrating on more significant risk areas with limited resources to better support the steady growth of MBCL’s business development.

In spite of the impact of pandemic across the world over the year, IAD still completed its planned engagements as scheduled even without any onsite support from parent bank, this gives IAD more than 110% audit plan completion rate. With a continued emphasis on the highest level of integrity and unwavering diligence across the organization, IAD will continuously affirm its commitment to the Bank by providing solid and high-quality service, while also help the Bank for preventive measures on the potential risks.

### Senior Management

Name	Position	Gender	Year of Birth	Assignment Commencement	Highest Academic Degree	Years of Experience
David Lin	President	M	1954	2017.06.08	Fu Jen Catholic University Bachelor of Commerce in Business Administration	43
Thomas Huang	Senior Executive Vice President	M	1967	2015.05.11	Tamkang University Master of International Business Management	28
Billy Lau	Chief Finance Officer	M	1973	2012.07.13	City University of Hong Kong Bachelor of Arts (Honors)	25
Wesley Chen	Head of Credit Control	M	1961	2018.06.01	National Taiwan University Bachelor of Economics	33
Alice Shi	Head of Human Resources	F	1983	2018.08.06	Shanghai University of Finance and Economics Master of International Economics	16
Quan Lin	Head of Financial Markets	M	1979	2016.01.13	University of Durham Master of Science Finance and Investment	16
Katherine Gao	Head of Operations	F	1971	2010.11.01	Nantong Industry College Bachelor Degree of Foreign Industrial Trade	28
Phoenix Zhao	Head of Compliance	M	1982	2012.08.28	Nanjing University MBA	18
Tomas Wei	Head of Administration Management & Security	M	1972	2011.06.20	Beijing Institute of Machinery Industry Bachelor of Mechanical and Electrical Engineering	21
Willson Chen	Head of Information Technology	M	1975	2020.03.01	Shanghai Jiaotong University Bachelor of Engineering in Computer Science and Technology	26
Crystal Yang	Head of Internal Audit	F	1982	2019.11.14	Shanghai University of Finance and Economics Bachelor of Financial Management & Business English	17
Raymond Yang	Head of Corporate Banking & Business	M	1980	2018.10.08	Shandong University Bachelor of Business Administration	20
Li Bin	Head of Risk Management	M	1984	2020.07.01	East China Normal University Bachelor of Science in Information and Computing Sciences	17
Tang Junjun	GM of Changzhou Branch	M	1973	2015.07.20	Hefei University of Technology Bachelor of Engineering	26
Paul Zhang	GM of Nanjing Branch	M	1975	2015.10.15	Auckland Institute of Studies MBA	19
Alex Hong	GM of Shanghai Branch	M	1974	2016.05.18	National Central University Master of Management	24
Stephen Yu	GM of Quanzhou Branch	M	1976	2021.12.21	Xiamen University Master of International Trade	21
Honda Huang	GM of Xiamen Branch	M	1964	2021.11.08	National Chung-Cheng University Master of Finance	31
Angle Hang	GM of Suzhou Branch	F	1976	2020.07.22	Suzhou University Bachelor of Economics	24

# RISK MANAGEMENT

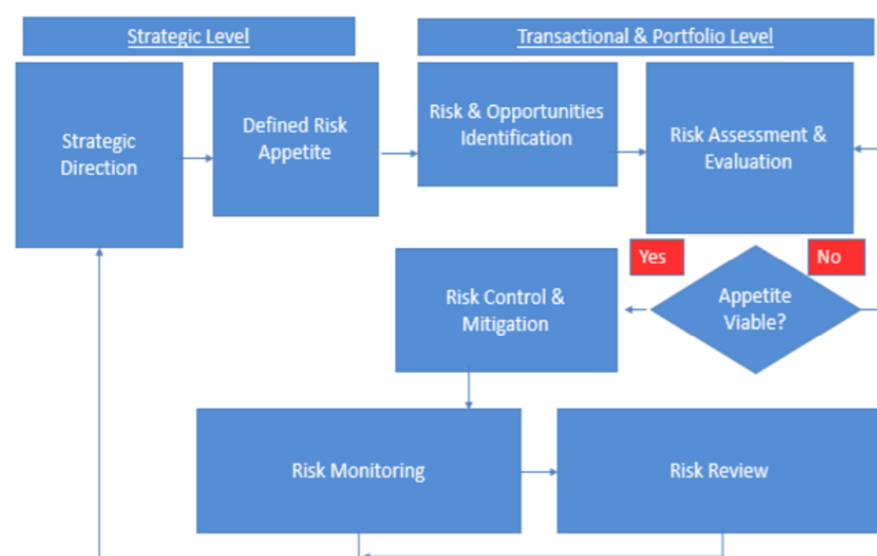
## Risk Governance

The Bank has exposure to different types of risks such as credit, market, liquidity, compliance, operational and country risk. It manages these risks comprehensively to achieve a balance between risk and return and ensure the Bank operates in a safe and prudent manner.

The Risk Management Committee (RMC) held 4 regular meetings and 6 email meetings in 2021. These meetings conducted a review of the Bank's risk control and management strategy. The RMC reviewed and approved relative policies and limits for credit, market, liquidity and operational risk, and conducted a regular and comprehensive review of the Bank's risk profile.



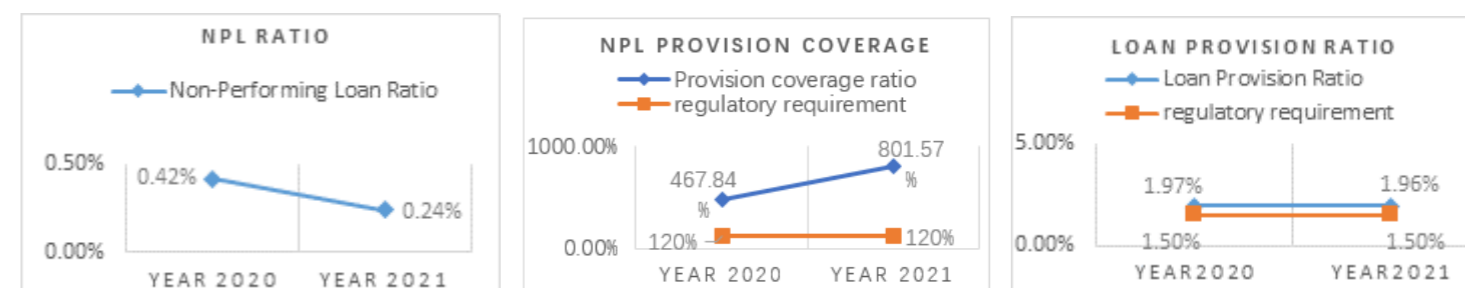
Risk Management Framework



## Credit Risk Management

Credit risk is the risk that the borrower or counterparty will not be able to meet its contractual obligations as they fall due or assume. In accordance with the policies of credit facility management and credit risk management of the Bank, faces primarily exist in on-balance-sheet businesses and off-balance-sheet businesses such as loans, trade financing, acceptance bills, interbank transactions, fixed-income securities and derivative financial instruments etc. In recent years, guided by New Basel Capital Accord and China Banking and Insurance Regulatory Commission's risk policy, and learning from parent bank's risk management system and risk management experience, Metrobank (China) has established credit risk management mechanism including risk exposure limit, credit approval limit, and management of mortgaged and pledged properties for various kinds of business. Meanwhile, Metrobank (China) continuously adjusts and improves its credit risk management system according to the macroeconomic financial environment and its business development goals.

In 2021, the Bank continued to strictly follow the regulatory guidance requirements on provision coverage ratio, loan provisioning ratio and non-performing loans, strengthen loan classification management and actively dispose of non-performing loans, so as to lay a solid foundation for the Bank's sound operation. As of the end of December, the non-performing ratio decreased from 0.42% at the end of 2020 to 0.24% at the end of 2021. The provision coverage ratio increased to 801.57% (end of 2020: 467.84%) and the loan provisioning ratio is 1.96% (end of 2020: 1.97%).



The bank has made the procedure of pre-loan investigation and post-loan management, and formed a series of complete system mechanism and operation procedures. The due diligence of the Bank shall follow principles of authenticity, completeness and effectiveness. Relationship managers shall perform duties of due diligence, conduct credit analysis according to the survey result and form written credit proposals. According to different business types, credit facility limits and risk mitigation measures, the Bank implements approval systems in different levels including Branch General Manager, President, Credit Committee and Executive Committee. The Bank has established post-loan inspection mechanism. Through regular investigation of the operation and financial status of credit customers, the Bank can timely master the repayment ability and willingness of the borrowers, to ensure identifying "pre-warning signals" in the early stage so that the Bank can take actions as soon as possible after problems are found.



# RISK MANAGEMENT

## Market Risk Management

Market risk refers to the risk of losses in the Bank's on-balance sheet and off-balance sheet businesses due to adverse changes in market prices. The Bank's market risk mainly includes currency risk and interest rate risk.

The Bank manages market risk at a strategic, transactional and portfolio level respectively. The BOD and senior management manage risk at strategic level by resolutions and each division takes action to improve risk management at the transactional and portfolio level.

The BOD and the RMC have oversight on management of the Bank's market risk. The Bank has established a limit management system for market risk. The Bank also continues to enhance and standardize the management procedure and reporting system for market risk.

The Risk Management Division is responsible for implementing and monitoring risk controls to manage the Bank's overall market risk management, including:

- Identify, analyze and measure risks from every transaction of the Bank;
- Assist Risk-Taking Personnel (i.e., Financial Markets Division) to develop risk mitigation strategy;
- Analyze risk exposure and make recommendation of limits to the RMC;
- Set up limit standards for monitoring and compliance reporting;
- Provide a risk assessment for new products and operating processes;
- Communicate all of the above with Risk-Taking Personnel.

Value at risk (VaR) limit, which is a major tool in controlling market risk in trading activities, is the value of maximum limit of potential losses due to price fluctuation that the Bank could take. The limits are calculated using the Basel framework, which states that Banks must have enough capital to sustain 10-day losses from their market risk-taking activities.

The Earning at Risk (EaR) limit is the primary control tool for the market risk of bank account activities. Risk-return (EaR) measures the potential decline in a bank's interest income which is a result of interest rate movement that is not conducive to the current repricing configuration. The risk-return limit is the difference between the target net interest income (NII) for the year and the actual net interest income (NII) on the books for the past year.

The market risk limits for banking book and trading book must be updated each year according to the annual budget, and the limits are set in accordance with a percentage of budgeted profit of each year in order to link the risks and expected income from trading activities to the overall income of the Bank. The VaR limit is approved by the Asset and Liability Committee and reviewed by the RMC before it is sent to the BOD for final approval.

## Currency Risk

The foreign currency transactions of the Bank are mostly in USD and in lesser amounts in AUD, GBP, JPY, EUR, SGD, HKD and PHP. The Bank's loans and advances to customers are mainly in RMB. The Bank makes appropriate adjustments of foreign currency net position to prevent currency risk caused by market exchange rate fluctuation.

## Interest Rate Risk

The Bank's interest rate risk mainly arises from the mismatch of contractual maturity date and repricing date of interest-generating assets and interest-bearing liabilities. Floating interest rate instruments expose the Bank to cash flow interest risk, whereas fixed interest rate instruments expose the Bank to fair value interest risk.

Interest rates of the Bank's loan and large amount deposits are primarily based on market. Interest rates of inter-bank placements and borrowings are determined by market. The Bank conducts regular assessment and monitoring on the macro-economic status during operation to reduce the risk caused by the interest rate fluctuation. It adjusts the structure and terms of relative assets and liabilities based on this assessment.



# RISK MANAGEMENT

## Liquidity Risk Management

Liquidity risk is the risk that no sufficient funds will be available to make debt repayment when falling due. Liquidity risk of the Bank mainly arises from early or concentrative withdrawal by depositors, delayed loan repayment by borrowers and amount or maturity mismatch of assets and liabilities.

In accordance with the relevant regulations of the Liquidity Risk Management Measures for Commercial Banks, the Bank should continuously meet the minimum regulatory standards for the high-quality liquidity assets adequacy ratio, liquidity ratio, and liquidity matching ratio. At the same time, the bank control the liquidity risk according to the different maturity of assets and liabilities.

### Governance Structure of Liquidity Risk Management

- The Board and senior management understand the liquidity risk inherent in the business the Bank engages in through the approval of policies, processes and limits. The Board and senior management impose liquidity risk limits and approve relevant guidelines on liquidity risk.
- For liquidity management, the risk approval process for MCO, assets and liabilities limit and other liquidity Limits is done at least annually. This is presented by the Bank's Risk Management Division and Financial Markets Division to its ALCO, for confirmation of the RMC and final approval of the Board.
- The ALCO holds meetings every month, discussing strategy for market risk and liquidity risk management, investment portfolio management policy, structure optimization of assets and liabilities, and forecast of market risk trend. The balance sheet committee also holds weekly capital meetings to discuss bank liquidity and to determine the level of fund transfer pricing (FTP);
- Financial Markets Division closely monitors the position, term, limit and cost to maintain liquidity in RMB and foreign currencies. It controls daily liquidity by maintaining a minimum prescribed level of cash buffer, and reports cash flow forecasts to satisfy the funding and investing requirement of the Bank.
- Accounting and Finance Division prepares daily liquidity ratio report including daily reserve funds and loan to deposit ratio, which is sent to Financial Markets Division and Risk Management Division, to check if the Bank comply with the CBIRC's minimum liquidity compliance ratios.
- Risk Management Division prepares the Maximum Cumulative Outflow (MCO) report. There is a MCO limit in terms of absolute liquidity gap amount. These limits are set and approved by ALCO, RMC and BOD. Any breach against these limits is reported to the ALCO, Risk Management Committee and management is required to take corrective measures;
- Financial Markets Division ensures the internal and regulatory limits are complied with at any time.

## Liquidity Risk Management Strategy and Policies

In 2021, the limits and policies were reviewed and confirmed by the RMC and approved by the Board. The Bank has a contingency funding plan that identifies 3 levels of potential illiquidity scenario, and performs liquidity stress test accordingly. The test scenarios are divided into light test, moderate test and severe test with different assumptions. Each scenario assumes increasing rates of deposit withdrawals influenced by internal and external factors to test funding issues and impact on liquidity and solvency. For each scenario, the Bank has relative actions to be taken. The contingency funding plan is approved by the BOD and reviewed at least annually.

### Major Liquidity Risk Identification, Measurement, Monitoring and Control Methods

#### 1. MCO Limit

The MCO limit will vary depending on the remaining portion of the Bank's funding capacity. The funding capacity is the amount that Financial Markets Division can generate on a Business-as-Usual (BAU) scenario to ensure that the Bank can comply with all its funding obligations within the specified amount of time.

#### 2. Management Action Triggers (MAT)

- Funding Utilization Triggers are set as an early alert of an impending liquidity squeeze.
- Liquidity Ratio, Liquidity Matching Ratio and High Quality Liquid Assets Adequacy Ratio: This trigger is set as an early warning alert to ensure that the ratios will not fall below the regulatory requirement.
- Financing Concentration: This trigger aims to provide an early warning alert on the potential funding concentration risk from a group of identified Large Fund Providers. The tolerance is set based on the capacity of the Bank to support a deposit run-off and considering also defined industry standards.
- Additional Trigger on interbank liabilities reliance ratio is set as an early warning alert to ensure that the ratio will not fall below the regulatory requirement.

#### 3. Product Cap

The Product Cap can take various forms: volume limit or limit on number of deals. As a tertiary limit, the product cap serves as a supplementary control. The Bank uses the product cap to minimize market liquidity risk.

#### 4. Qualitative Limits

Qualitative limits are set to ensure that the transactions entered into by the Financial Markets Division adheres to regulatory and accounting standards and are in accordance to all internally set policies and guidelines.



# RISK MANAGEMENT

## Major Liquidity Risk Indicators and Assessment

1. In 2021, the bank's actual levels of liquidity related ratios are all within the regulatory requirement.

Key indicators	12/2021	9/2021	6/2021	3/2021	Regulatory requirement
Liquidity Ratio	100.88%	89.95%	83.63%	73.47%	$\geq 25\%$
Liquidity Matching Ratio	178.92%	156.93%	171.12%	143.65%	$\geq 100\%$
High-Quality Liquid Assets Adequacy Ratio	146.31%	119.82%	129.36%	187.93%	$\geq 100\%$

2. In 2021, the Bank conducted regular monitoring of the internal MCO limits, Interbank Lending/Borrowing position Limit and Top 10/3/1 Depositors Concentration Risk Trigger. There is no breach on these limits/triggers in 2021.

### Major Factors Impact Liquidity Risk

- The regulatory requirements High-Quality Liquid Assets Adequacy Ratio was effective from June end 2019 but there is also an increasing trend in the asset size. The Bank shall maintain sufficient high quality liquid assets, i.e. government bonds and policy bank bonds with comparatively lower risk and high liquidity. However, it may affect the Bank's overall return from assets.
- The level of assets extending one year is increasing as a proportion of total risk assets. However, the Bank funding resources from deposit and interbank will be in shorter term.

### Stress Test

In 2021, the Bank conducted liquidity risk stress test on a quarterly basis and checked if the identified contingent funding sources can cover the liquidity requirement under these stressed scenarios. The stress test result shows that the current contingent funding sources are sufficient and can cover urgent liquidity emergency situations (i.e., within one month). In a prolonged liquidity crisis, liquidity support will be required from the parent bank.

## Compliance Risk Management

The Board of Directors of the Bank approved and issued the Compliance Manual, which made it clear that compliance management is a core risk management activity of the Bank, and authorized the Risk Management Committee and the Audit Committee to supervise the Bank's daily compliance risk management.

The Bank has integrated the concept of compliance culture into the core values of the enterprise, established a whole process management mechanism for the identification, evaluation, monitoring, response and assessment of compliance risks, equipped a special compliance management team, continuously improved the Bank's compliance management system and workflow, tried to improve the productivity of compliance management, prevent compliance risks and ensure sustainable development.

In 2021, according to our own development needs and internal and external regulatory requirements, the Bank continued to strengthen the various of compliance management work including internal control, case prevention and control, anti-money laundering,, legal affairs, etc., enhance the compliance awareness of units and employees at all levels and ensure all the banking activities were compliance through compliance training, compliance inspection, internal control assessment and evaluation. In the year, there was no major violations found in the inspections to the Bank and its branches by the regulators. As for some findings that need to be strengthened and improved raised by regulators, the Bank attached great importance to them and actively took rectification measures to continuously improve and enhance our internal refined management level.



2021 Annual Internal Control and Compliance Building Work Conference

# RISK MANAGEMENT

## Operational Risk Management

Operational risk refers to the possibility of loss caused by imperfect or defective internal procedures, employees and information technology systems, as well as external events including legal risks, but excluding strategic risks and reputational risks. There are seven main categories of operational risk losses that the Bank may face include internal fraud, external fraud, employment policies and workplace safety, clients, products & business practices, damage to physical assets, execution, delivery & process management, business disruption and system failures.

The Bank strictly follows the requirements of the “Operational Risk Management Guidelines for Commercial Banks” of the China Banking & Insurance Regulatory Commission and implements the operational risk control model of “integrated management and classification control” under the leadership of the Board of Directors and senior management. The Bank’s Operational Risk Management Policy provides detailed definitions of significant, important and general operational risk events, and specifies the process of recording, reporting and collecting operational risk events according to the event level, and establishes specific handling processes for operational risk identification, assessment, measurement, monitoring and control, offsetting, reporting, disclosure and acceptance. The Bank’s operational risk management is mainly based on the notification of operational risks by each unit and the self-examination and review of key risk control processes as the main tools to reasonably determine the Bank’s tolerance for these risks through the statistics and reporting of events. The Bank adopts the basic indicator method to measure the operational risk capital in accordance with the relevant requirements of the capital regulatory approach on the measurement of operational risk regulatory capital of commercial banks, taking into account the size and business of the Bank. In 2021, there was no significant operational risk events, undiscovered cases and case risk information.



## Information Technology Risk Management

Information Technology risk is business risk – specifically, the business risk associated with the use, ownership, operation, involvement, influence and adoption of IT in the Bank, such as potential adverse outcome, damage, loss, violation, failure or disruption. IT-related risk events can potentially impact the business and occur with uncertain frequency and magnitude, which creates challenges in meeting strategic objectives.

The Bank conducts the whole process of IT risk closed-loop management from risk identification, risk assessment, risk response and mitigation to risk control monitoring and reporting.

The Bank has established relatively comprehensive information technology management guidelines and policies, and reviewed them as needed, which included Information Security Management Framework, Information Security Risk Management Framework, Information Technology Process Risk Control Self-Assessment Guideline, Guidelines on System and Risk Control Self-Assessment, System Security Risk Assessment Framework, and etc.

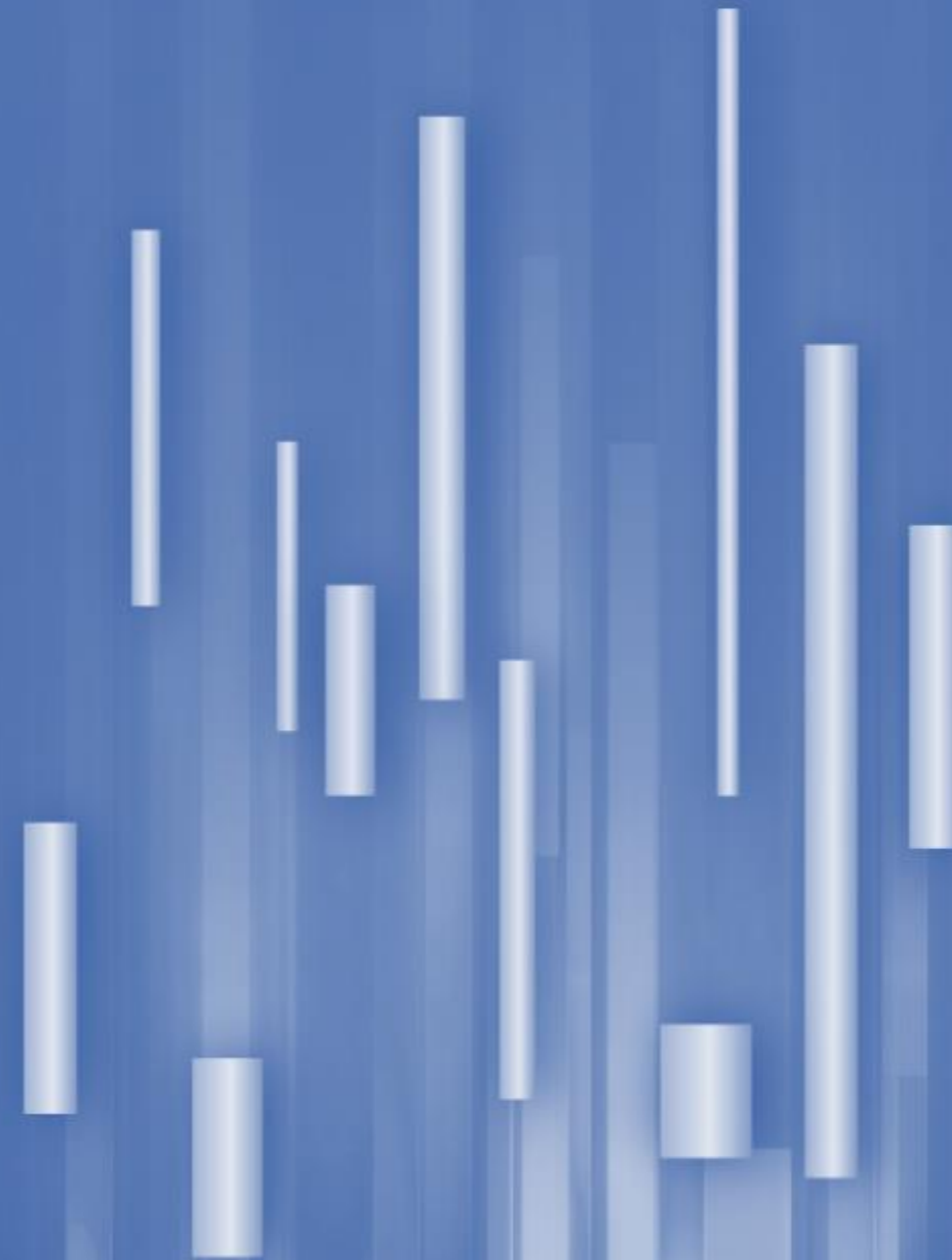
## Country Risk Management

Country-specific risk covers all the risks arising from the inability or unwillingness of a sovereign borrower or a specific country borrower to meet its foreign currency or local currency foreign debt repayment obligations as a result of regulation imposed by a country or a region due to possible or actual lack of foreign currency, regulations or political factors, which impose restrictions on foreign exchange transactions.

The Bank has formulated Internal Guidelines on Country Risk Management in accordance with the “Guidelines on Country Risk Management for Banking Financial Institutions” issued by the CBRC [2010]No.45, established relevant risk management systems and strengthened relevant management procedures to manage cross-border risk exposures and avoid excessive concentration of international credit or other businesses that generate cross-border risk exposures. Country risk limits are approved by the Board of Directors and reviewed annually.



# 2021 Annual Financial Audit Report



**Metropolitan Bank (China) Ltd.**  
**Annual Financial Audit Report**  
**31 December 2021**



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# Auditors' Report

Ernst & Young Hua Ming (2022) Shen Zi No 60928836\_B01  
Metropolitan Bank (China) Ltd.

To the Board of Directors of Metropolitan Bank (China) Ltd.,

## I. Opinion

We have audited the financial statements of Metropolitan Bank (China) Ltd., which comprise the balance sheets as at 31 December 2021, and the income statements, the statements of changes in equity and the statements of cash flows 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 as at 31 December 2021, and the financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises ("ASBEs").

## II. Basis for opinion

We conducted our audit in accordance with China Standards on Auditing ("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 Metropolitan Bank (China) Ltd. in accordance with *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.

## III. Responsibilities of the management and those charged with governance for the financial statements

The management of Metropolitan Bank (China) Ltd. is responsible for the preparation and fair presentation of the financial statements in accordance with ASBEs, and for designing, implementing and maintaining such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Company'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 the management either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Metropolitan Bank (China) Ltd.'s financial reporting process.

# Auditors' Report (continued)

Ernst & Young Hua Ming (2022) Shen Zi No 60928836\_B01  
Metropolitan Bank (China) Ltd.

## IV. 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 generally considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgement and maintain professional 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 internal control.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- (4) Conclude on the appropriateness of the 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 Metropolitan Bank (China) Ltd.'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 Metropolitan Bank (China) Ltd. to cease to continue as a going concern.
- (5) Evaluate the overall presentation (including the disclosure), structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

# Auditors' Report (continued)

Ernst & Young Hua Ming (2022) Shen Zi No 60928836\_B01  
Metropolitan Bank (China) Ltd.

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.

Ernst & Young Hua Ming LLP  
Shanghai Office

Chinese Certified Public Accountant:  
Wang, Lijun

Chinese Certified Public Accountant:  
Mo, Xiaoying

Shanghai, the People's Republic of China

18 April 2022

## BALANCE SHEET 31 December 2021

Unit: RMB yuan

	Note 5	31 December 2021	31 December 2020
<b>ASSETS</b>			
Cash and balances with the central bank	1	820,907,638.20	931,161,020.70
Due from banks	2	306,621,090.94	413,795,792.60
Placements with banks	3	2,340,287,886.47	2,414,147,887.50
Derivative financial assets	4	7,992,883.42	2,529,610.69
Loans and advances to customers	5	5,407,712,533.55	4,490,671,946.16
Financial investment			
-financial assets held-for-trading	6	6,195,572.09	-
-debt investments	7	371,502,302.64	-
-other debt investments	8	3,242,682,514.79	-
Available-for-sale financial assets	9	-	2,110,234,857.48
Held-to-maturity investment	10	-	20,988,034.87
Receivables investments	11	-	519,883,000.00
Fixed assets	12	8,913,136.71	11,155,493.41
Right-of-use assets	13	36,080,567.69	-
Deferred tax assets	14	25,541,420.61	12,783,843.46
Other assets	15	34,759,642.29	124,629,586.60
<b>TOTAL ASSETS</b>		<b>12,609,197,189.40</b>	<b>11,051,981,073.47</b>

The notes to financial statements form an integral part of these financial statement



## BALANCE SHEET (CONTINUED)

31 December 2021

Unit: RMB yuan

	Note 5	31 December 2021	31 December 2020
<b>LIABILITIES</b>			
Due to banks and other financial institutions	16	92,259,311.04	61,482,886.42
Placements from banks	17	1,620,296,621.83	1,683,905,320.00
Customer deposits	18	8,963,658,253.67	7,266,629,719.63
Derivative financial liabilities	4	7,610,324.78	3,649,651.13
Payroll payables	19	39,801,425.84	36,136,432.15
Tax payables	20	12,725,264.37	15,903,169.29
Provisions	21	9,916,522.98	-
Bonds payables	22	99,932,703.23	249,341,917.06
Lease liabilities	23	36,620,663.19	-
Other liabilities	24	13,339,916.06	43,654,244.68
<b>TOTAL LIABILITIES</b>		<b>10,896,161,006.99</b>	<b>9,360,703,340.36</b>
<b>EQUITY</b>			
Paid-up capital	25	1,500,000,000.00	1,500,000,000.00
Capital reserves	26	453,890.00	453,890.00
Other comprehensive income	27	(30,508,325.53)	(4,004,896.15)
Surplus reserves	28	22,751,533.03	17,735,089.44
General reserves	29	175,451,611.62	135,893,825.83
Retained earnings	30	44,887,473.29	41,199,823.99
<b>TOTAL EQUITY</b>		<b>1,713,036,182.41</b>	<b>1,691,277,733.11</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>12,609,197,189.40</b>	<b>11,051,981,073.47</b>

The financial statements have been signed by:

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 President

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 Chief Financial Officer and Head of Finance

The notes to financial statements form an integral part of these financial statements.

## INCOME STATEMENT

For the year ended 31 December 2021

Unit: RMB yuan

	Note 5	2021	2020
<b>1. OPERATING INCOME</b>			
Net interest income	31	267,296,947.82	146,420,040.54
Interest income	31	434,139,075.40	262,201,619.79
Interest expenses	31	(166,842,127.58)	(115,781,579.25)
Net fee and commission income	32	7,108,883.96	6,394,383.84
Fee and commission income	32	8,509,221.95	8,004,386.42
Fee and commission expenses	32	(1,400,337.99)	(1,610,002.58)
Investment income	33	1,910,799.58	93,081,716.00
Net gain/(loss) from changes in fair value		167,662.98	(1,144,925.39)
Foreign exchange loss	34	(2,712,247.10)	(9,853,929.36)
<b>TOTAL OPERATING INCOME</b>		<b>273,772,047.24</b>	<b>234,897,285.63</b>
<b>2. OPERATING EXPENSES</b>			
Tax and surcharges		(3,099,119.22)	(1,857,811.76)
General and administrative expenses	35	(174,112,815.00)	(151,177,508.43)
Credit impairment losses	36	(29,213,969.89)	-
Assets impairment losses	37	(193,135.94)	(23,510,387.48)
Other operating expenses		(3,300.34)	(21,388.13)
<b>TOTAL OPERATING EXPENSES</b>		<b>(206,622,340.39)</b>	<b>(176,567,095.80)</b>
<b>3. OPERATING PROFIT</b>		<b>67,149,706.85</b>	<b>58,330,189.83</b>
Add: Non-operating income		1,146,678.60	316,117.47
Less: Non-operating expenses		1,056,172.66	1,299,276.37
<b>4. PROFIT BEFORE TAX</b>		<b>67,240,212.79</b>	<b>57,347,030.93</b>
Less: Income tax expense	38	17,075,776.85	14,848,179.39
<b>5. NET PROFIT</b>		<b>50,164,435.94</b>	<b>42,498,851.54</b>

The notes to financial statements form an integral part of these financial statements.

## INCOME STATEMENT

For the year ended 31 December 2021

Unit: RMB yuan

	Note 5	2021	2020
6. OTHER COMPREHENSIVE INCOME			
Item to be reclassified to profit or loss:			
Fair value changes of available-for-sale financial assets		-	(7,378,655.19)
Fair value changes of other debt investments	(28,831,002.48)		-
Fair value changes of loans and advances to customers at fair value through other comprehensive income	70,538.41		-
Impairment of other debt investments	1,726,917.59		-
Impairment of loans and advances to customers at fair value through other comprehensive income	(454,772.48)		-
7. TOTAL COMPREHENSIVE INCOME		<u>22,676,116.98</u>	<u>35,120,196.35</u>



The notes to financial statements form an integral part of these financial statements.



**STATEMENT OF CHANGES IN EQUITY**  
For the year ended 31 December 2021

Unit: RMB yuan

**For the year ended 31 December 2021**

	Paid-up capital	Capital reserves	Other comprehensive income	Surplus reserves	General reserves	Retained earnings	Total
Balance as at 31 December 2020	1,500,000,000.00	453,890.00	(4,004,896.15)	17,735,089.44	135,893,825.83	41,199,823.99	1,691,277,733.11
Changes in accounting policies	-	-	984,889.58	-	-	(1,902,557.26)	(917,667.68)
Balance as at 1 January 2021	1,500,000,000.00	453,890.00	(3,020,006.57)	17,735,089.44	135,893,825.83	39,297,266.73	1,690,360,065.43
Movements during the year	-	-	(27,488,318.96)	5,016,443.59	39,557,785.79	5,590,206.56	22,676,116.98
(i) Total comprehensive income	-	-	(27,488,318.96)	-	-	50,164,435.94	22,676,116.98
(ii) Profit appropriation	-	-	-	5,016,443.59	-	(5,016,443.59)	-
1. Appropriation to surplus reserves	-	-	-	5,016,443.59	-	(5,016,443.59)	-
2. Appropriation to general reserves	-	-	-	-	39,557,785.79	(39,557,785.79)	-
Balance as at 31 December 2021	1,500,000,000.00	453,890.00	(30,508,325.53)	22,751,533.03	175,451,611.62	44,887,473.29	1,713,036,182.41

The notes to financial statements form an integral part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY(continued)**  
**For the year ended 31 December 2021**

Unit: RMB yuan

**For the year ended 31 December 2020**

	Paid-up capital	Capital reserves	Other comprehensive income	Surplus reserves	General reserves	Retained earnings	Total
Balance as at 1 January 2020	1,500,000,000.00	453,890.00	3,373,759.04	13,485,204.29	103,196,701.12	35,647,982.31	1,656,157,536.76
Movements during the year	-	-	(7,378,655.19)	4,249,885.15	32,697,124.71	5,551,841.68	35,120,196.35
(i) Total comprehensive income	-	-	(7,378,655.19)	-	-	42,498,851.54	35,120,196.35
(ii) Profit appropriation							
1. Appropriation to surplus reserves	-	-	-	4,249,885.15	-	(4,249,885.15)	-
2. Appropriation to general reserves	-	-	-	-	32,697,124.71	(32,697,124.71)	-
Balance as at 31 December 2020	1,500,000,000.00	453,890.00	(4,004,896.15)	17,735,089.44	135,893,825.83	41,199,823.99	1,691,277,733.11

The notes to financial statements form an integral part of these financial statements.



**STATEMENT OF CASH FLOWS (continued)**  
**For the year ended 31 December 2021**

Unit: RMB yuan

	Note 5	2021	2020
<b>1. Cash Flows From Operating Activities:</b>			
Net increase in placements from banks		-	454,135,365.85
Net increase in customer deposits and due to banks	1,690,709,324.02		566,946,462.12
Cash received from interest, service fee and commission income	328,414,362.94		281,361,179.17
Cash received from other operating activities	16,624,615.17		346,232.48
Subtotal of cash inflows from operating activities	2,035,748,302.13		1,302,789,239.62
Net increase in due from central bank and due from banks	(26,531,725.32)		(26,456,170.62)
Net increase in loans and advances to customers	(930,477,311.55)		(322,634,486.53)
Net increase in placements with banks	(231,271,000.00)		(278,000,000.00)
Net decrease in placements from banks	(78,095,820.00)		-
Net decrease in financial assets sold for repurchase	-		(98,000,000.00)
Net increase in financial assets at fair value through profit or loss	(3,000,000.00)		-
Cash paid for interest, service fee and commission expense	(149,691,667.43)		(116,656,531.63)
Cash paid to and on behalf of employees	(118,244,139.75)		(97,949,571.91)
Cash paid for taxes and surcharges	(46,058,719.70)		(30,092,765.31)
Cash paid for other operating activities	(31,740,505.83)		(61,636,004.99)
Subtotal of cash outflows from operating activities	(1,615,110,889.58)		(1,031,425,530.99)
Net cash flows generated from operating activities	39	420,637,412.55	271,363,708.63

The notes to financial statements form an integral part of these financial statements.

**STATEMENT OF CASH FLOWS (continued)**  
**For the year ended 31 December 2021**

Unit: RMB yuan

	Note 5	2021	2020
<b>2. Cash Flows From Investing Activities:</b>			
Proceeds from disposal/maturity of investment securities		3,952,833,795.84	2,240,468,289.85
Cash received from investment income		118,715,295.48	58,538,440.48
Net cash received from disposal of fixed assets and intangible assets		649,196.16	1,063,028.70
Subtotal of cash inflows from investing activities		4,072,198,287.48	2,300,069,759.03
Cash paid for investments		(4,881,343,281.83)	(3,480,210,016.96)
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(4,644,595.47)	(10,134,221.21)
Subtotal of cash outflows from investing activities		(4,885,987,877.30)	(3,490,344,238.17)
Net cash flows used in investing activities		(813,789,589.82)	(1,190,274,479.14)
<b>3. Cash Flows From Financing Activities:</b>			
Cash received from bond issuance		213,363,320.19	248,500,050.00
Subtotal of cash inflows from financing activities		213,363,320.19	248,500,050.00
Cash paid from bond repayment		(363,716,244.88)	(300,000,000.00)
Cash paid to other financing activities		(12,314,134.86)	-
Subtotal of cash outflows from financing activities		(376,030,379.74)	(300,000,000.00)
Net cash flows used in financing activities		(162,667,059.55)	(51,499,950.00)
4. Effect of Exchange Rate Changes on Cash and Cash Equivalents		(5,680,431.63)	(66,799,632.87)
5. Net Decrease in Cash and Cash Equivalents		(561,499,668.45)	(1,037,210,353.38)
Add: Opening Balances of Cash and Cash Equivalents		2,372,437,086.20	3,409,647,439.58
6. Closing Balances of Cash and Cash Equivalents	40	1,810,937,417.75	2,372,437,086.20

The notes to financial statements form an integral part of these financial statements.

**NOTES TO FINANCIAL STATEMENTS**  
For the year ended 31 December 2021

Unit: RMB yuan

**1. Corporate Information**

Metropolitan Bank (China) Ltd. (the "Bank") was established by Metropolitan Bank & Trust Company ("Metrobank") as a wholly foreign invested bank in Nanjing, China.

On 4 May 2009, Metrobank was approved by China Banking and Insurance Regulatory Commission (the "CBIRC") to convert Metropolitan Bank & Trust Company Shanghai Branch (the "Former Shanghai Branch") to Metropolitan Bank (China) Ltd., a wholly owned foreign bank invested by Metrobank, in accordance with the "Administrative Regulations of the People's Republic of China on Foreign-invested Banks", the "Implementing Rules of the Administrative Regulations of the People's Republic of China on Foreign-invested Banks" and other relevant regulations.

The Bank obtained its Financial License (No. 00386154) on 7 January 2010 upon approval from the CBIRC. On 14 January 2010, the Bank obtained Business License (No.0098690) issued by State Administration for Industry and Commerce. The registered capital is RMB 1.3 billion, which has been verified by capital verification report De Shi Bao Yan Zi (10) No. 0039 issued by Deloitte Touche Tohmatsu Hua Yong CPA Ltd. Upon approval by the CBIRC, Metrobank further injected RMB 0.2 billion of capital to the Bank in 2014, which has been verified by capital verification report De Shi Bao Yan Zi (14) No. 0822 issued by Deloitte Touche Tohmatsu Hua Yong CPA Ltd. The registered capital of the Bank was thus increased to 1.5 billion and a new Business License was obtained with the unified social credit code as 91320000717826301G.

The date of business conversion between the Bank and the Former Shanghai Branch was 27 February 2010 ("Conversion date"). Total assets, rights and obligations of the Former Shanghai Branch were transferred to the Bank on the Conversion date. The Bank commenced its business on 2 March 2010.

**NOTES TO FINANCIAL STATEMENTS**  
For the year ended 31 December 2021

Unit: RMB yuan

The business scope of the Bank is all of the following foreign exchange services and Renminbi services to customers other than Chinese citizens as follows: (1) taking public deposits; (2) issuing short-term, medium-term and long-term loans; (3) handling the acceptance and discount of bills; (4) purchasing and selling government bonds, financial bonds, and securities denominated in foreign currency other than stocks; (5) providing L/C service and guarantee; (6) handling domestic and foreign settlements; (7) purchasing and selling foreign exchanges by itself or as agent; (8) insurance agent service; (9) inter-bank placement; (10) providing safe-deposit box service; (11) providing credit investigation and consulting service; and (12) other business approved by the CBIRC.

As of 31 December 2021, besides Head Office incorporated in Nanjing, the Bank has set up 6 branches respectively in Shanghai, Nanjing, Changzhou, Quanzhou, Xiamen and Suzhou.

**2. Basis of preparation**

The financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises-Basic Standard and the specific standards, the implementation guidance, interpretations and other relevant provisions issued and revised subsequently by the Ministry of Finance of People's Republic of China (MOF) (collectively referred to as "Accounting Standards for Business Enterprises").

The financial statements are presented on a going concern basis.



## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

**2. Basis of preparation (continued)**

The Bank's financial statements have been prepared under the historical cost as the basis of measurement, except for the some financial instruments. If the assets are impaired, corresponding provisions should be recognized in accordance with relevant standards.

Statement of Compliance

The financial statements of the Bank have been prepared in accordance with the Accounting Standards for Business Enterprises, and present fairly and fully, the financial position of the Bank as at 31 December 2021 and the results of the operations and the cash flows for the year then ended.

**3. Significant accounting policies and estimates**

The financial information in the financial statements is prepared in according with the following significant accounting policies and estimates.

**(1) Accounting year**

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

**(2) Functional currency**

Both the reporting currency and the presentation currency for financial statements are the Renminbi ("RMB"). All amounts are stated in RMB, unless otherwise stated.

## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

**(3) Cash and cash equivalents**

Cash refers to the cash on hand of the Bank. Cash equivalents refer to short term highly liquid assets, which are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value. Cash equivalents comprise unrestricted balances with the central bank, due from and placements with banks and other financial institutions and reverse repurchase agreements with original maturity of less than three months.

**(4) Foreign currency transactions and translations**

Transactions in foreign currencies are translated into the reporting currency accordingly.

Foreign currency transactions are recorded in the respective functional currency at the exchange rates ruling at the transaction date. Monetary items denominated in foreign currencies are translated into the functional currency at the applicable exchange rates ruling at the balance sheet date. Exchange differences arising are recognized in the income statement. Non-monetary items measured at historical cost in a foreign currency are translated using the exchange rates ruling at the dates of the initial transactions, so their amounts in reporting currency are stable. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates when the fair value is determined, the exchange difference thus resulted should be recognized in the income statement or other comprehensive income of the current period.

## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

**3. Significant accounting policies and estimates (continued)****(4) Foreign currency transactions and translations (continued)**

Cash flows arising from transactions in foreign currencies are translated using the weighted average exchange rates for the year (unless the exchange rate fluctuation makes it inappropriate to adopt these exchange rate, and the exchange rates on the transaction date shall be adopted). The effect of exchange rate movements on cash is presented separately in statement of cash flows as a reconciling item.

**(5) 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.

Recognition and derecognition of financial instruments

The Bank recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of a financial instrument.

The Bank derecognises a financial asset (or, where applicable, a part of a financial asset, or part of a group of similar financial assets), that is to be written off from the account and balance sheet, when the following conditions are met:

- (i) the rights to receive cash flows from the financial assets have expired; or
- (ii) the Bank transferred the rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) has transferred substantially all the risks and rewards of the financial asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the financial asset, but has transferred control of the financial asset.

The financial liabilities are derecognized when the obligation over them has been discharged, or cancelled, or has expired. If the original financial liabilities are replaced with substantively different terms in essence by the same creditor, or the provisions of the contract are substantively modified in its nature, such replacement or modifications are treated as derecognition of original liabilities and recognition of new liabilities, with the difference recorded in profit or loss .

## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

All financial assets and liabilities in “regular way trades” are initially recognized and derecognized on the trade date. A regular way purchase or sale of financial assets represents a purchase or sale of a financial asset under contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned. Trade date is the date when the Bank is obliged to purchase or sell financial assets.

Classification and measurement of financial assets

Financial assets of the Bank are initially classified into three categories: financial assets at fair value through profit or loss, financial assets at amortised cost, and financial assets at fair value through other comprehensive income based on the Bank's business model for managing the financial assets and their contractual cash flow characteristics.





## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

## 3. Significant accounting policies and estimates (continued)

## (5) Financial instruments (continued)

Financial liabilities of the Bank are initially classified as either financial liabilities at fair value through profit or loss, or other financial liabilities. Underlying fees of financial liabilities at fair value through profit or loss are directly recognised in profit or loss, while those of other financial liabilities are attributed to the acquisition of financial liabilities.

Subsequent measurements of financial assets are based on their classification:

*Debt investments at amortised cost*

The Bank measures financial assets at amortised cost if both of the following conditions are met: the financial asset is held with the business model with the objective to hold financial assets in order to collect the contractual cash flows; The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets at amortised cost are subsequently measured using the effective interest method. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

*Debt investments at fair value through other comprehensive income*

The Bank measures financial assets at fair value through other comprehensive income if both of the following conditions are met: the financial asset is held with the business model with the objective to hold financial assets in order to collect both the contractual cash flows and cash flows arising from the sale of assets ; The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets at amortised cost are subsequently measured using the effective interest method. A gain or loss arising from a change in the fair value is recognised as other comprehensive income, except for interest come, credit impairment losses and foreign exchange gains or losses, which are recognised in profit or loss. The gain or loss recognised in other comprehensive income will be reversed and recognised in profit or loss when the financial assets are derecognised.

*Financial assets at fair value through profit or loss*

The financial assets other than the above financial assets measured at amortised cost and financial assets at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Such financial assets are subsequently measured at fair value with net changes in fair value recognised in profit or loss.

Classification and measurement of financial liabilities

The financial liabilities of the Bank are, on initial recognition, classified into financial liabilities at fair value through profit or loss, other financial liabilities. For financial liabilities at fair value through profit or loss, relevant transaction costs are directly recognised in profit or loss, and transaction costs relating to other financial liabilities are included in the initial recognition amounts.

## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

## 3. Significant accounting policies and estimates (continued)

## (5) Financial instruments (continued)

Subsequent measurement of financial liabilities is based on their classification:

*Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading (including derivatives instruments attributable to financial liabilities ) and those designated as at fair value through profit or loss. Financial liabilities held for trading (including derivative instruments attributable to financial liabilities) are subsequently measured at fair value and the gain or loss arising from a change in the fair value will be recognised in profit or loss.

## Other financial liabilities

Such financial liabilities are subsequently measured at amortised cost using the effective interest rate method.

Impairment of financial instruments

Based on the expected credit losses (ECL), the Bank recognises an allowance for ECL for the financial assets measured at amortised cost, debt investments at fair value through other comprehensive income, credit commitment and financial guarantee contracts.

The Bank assesses whether the credit risk has increased significantly since initial recognition at each balance sheet date. If the credit risk has not increased significantly since initial recognition, classified as stage 1, the loss allowance is measured at an amount equal to 12-month ECL by the Bank and the interest income is calculated according to the carrying amount and the effective interest rate; if the credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets, classified as stage 2, the loss allowance is measured at an amount equal to lifetime ECL by the Bank and the interest income is calculated according to the carrying amount and the effective interest rate; if such financial assets are credit-impaired after initial recognition, classified as stage 3, the loss allowance is measured at an amount equal to lifetime ECL by the Bank and the interest income is calculated according to the amortised costs and the effective interest rate.

At each balance sheet date, the Bank assesses whether the credit risk on the relevant financial instruments has increased significantly since initial recognition. The Bank determines changes in the probability of default of financial instruments within the expected lifetime by comparing the probability of default of financial instruments as at the balance sheet date with that as at the date of initial recognition on an individual or collective basis with regard to the credit risk characteristics of different clients. If the credit risk of financial instruments is low on the balance sheet date, the Bank assumes that the credit risk has not increased significantly since the initial recognition.

The disclosure related to the assumption of the measurement of ECL refers to Note 7. (2.1).

## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

**3. Significant accounting policies and estimates (continued)****(5) Financial instruments (continued)**Impairment of financial instruments (continued)

When there are one or more events that have adverse effects on the expected future cash flows of financial assets, the financial assets are credit-impaired.

When the Bank no longer reasonably expects to collect part or all of the contractual cash flows, the Bank writes down the carrying amount of the financial assets.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when and only when the Bank currently has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Financial guarantee contracts

Financial guarantee contracts are those contracts that require a payment to be made by the issuer to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are measured, on initial recognition, at fair value. For financial guarantee contracts that are not designated as financial liabilities at fair value through profit or loss, they are, after initial recognition, subsequently measured at the higher of: (i) the amount of provisions for ECL at the balance sheet date, and (ii) the amount initially recognised less the cumulative amortisation recognised in accordance with the guidance for revenue recognition.

Derivatives financial instruments

The Bank uses derivative financial instruments and derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any profit or loss arising from changes in fair value of derivatives are taken directly in profit or loss, except for those related to the hedge accounting.

## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

Transfer of financial assets

A financial asset is derecognised when the bank has transferred substantially all the risks and rewards of the financial asset to the transferee. A financial asset is not derecognised when the Bank retains substantially all the risks and rewards of the financial asset.

When the Bank neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the following treatment shall be used: (i) if the Bank has not retained control, it derecognises the financial asset and recognises assets or liabilities incurred separately; (ii) if the Bank has retained control, it continues to recognise the financial asset to the extent of its continuing involvement in the transferred financial asset and recognises an associated liability.



## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

**3. Significant accounting policies and estimates (continued)****(5) Financial instruments (continued)**Transfer of financial assets (continued)

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the carrying amount of the asset and the amount of financial guarantee. The amount of financial guarantee is the maximum amount of consideration that an entity could be required to repay.

**(6) Fixed assets**

Fixed assets can be recognized only when the economic benefits related to fixed assets are likely to flow into the Bank, and the cost of fixed assets can be measured reliably. Subsequent expenditure can be recognized in the cost of fixed assets when the recognition criteria set above is met, and the replaced carrying amount should be derecognized. Otherwise, such expenditure is normally charged to the income statement in the period when it is incurred.

Fixed assets are initially measured at cost. The cost of a purchased fixed asset comprises the purchase price, relevant taxes and any other directly attributable expenditure for bringing the asset to working condition for its intended use.

Depreciation is calculated using the straight-line method. The estimated useful lives, estimated residual values and annual depreciation rates of fixed assets are as follows:

	Estimated Useful Life	Estimated Residual Value	Annual Depreciation Rate
Motor vehicles	5 years	10%	18%
Computers	5 years	10%	18%
Office equipments	5 years	10%	18%

Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each year end.

## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

**3. Significant accounting policies and estimates (continued)****(7) Construction in progress**

The cost of construction in progress is determined according to the actual expenditure for the construction, including all necessary expenditure incurred during the construction period.

The costs are transferred out when the asset is ready for its intended use.

**(8) Intangible assets**

An intangible asset is recognized only when it is probable that economic benefits associated with the asset will flow to the Bank and the cost of the asset can be measured reliably.

The useful life is determined according to the economic useful lives. The useful life of the intangible assets as shown below:

	Useful life
Software	10 years

An intangible asset with definite useful life is amortised over its useful life with the straight-line method. The useful life and amortization method of intangible assets with finite useful lives are reviewed at each balance sheet date. If the expected useful life of the asset or the amortization method differs significantly from previous assessments, the amortization period or amortization method is changed accordingly as a change in accounting estimate.

**(9) Long-term deferred assets**

Long-term deferred assets are amortised using the straight-line method. Amortization period is as follow:

	Amortization period
Leasehold improvements	5 – 10 years



## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

**(10) Repurchase and reverse repurchase agreements**

Assets sold under agreements to repurchase at a specified future date (“repos”) are not derecognized from the statement of financial position. The corresponding cash received, including accrued interest, is recognized on the statement of financial position as a “repurchase agreement”. The difference between the sale and repurchase prices is treated as an interest expense and is accrued over the life of the agreement using the effective interest rate method.

Conversely, assets purchased under agreements to resell at a specified future date (“reverse repos”) are not recognized on the statement of financial position. The corresponding cash paid, including accrued interest, is recognized on the statement of financial position as a “reverse repurchase agreement”. The difference between the purchase and resale prices is treated as an interest income and is accrued over the life of the agreement using the effective interest rate method.

**(11) Foreclosed assets**

Foreclosed assets are initially recognized at fair value, and are subsequently measured at the lower of the carrying value and net recoverable amount. If the recoverable amount is lower than the carrying value of the foreclosed assets, the assets are written down to the recoverable amount.



## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

**3. Significant accounting policies and estimates (continued)****(12) Impairment of asset**

Impairment losses on assets except for deferred tax assets and financial assets are determined based on the following:

The Bank assesses at the balance sheet date whether there is any indication that an asset may be impaired. If any, the Bank estimates the recoverable amount of the asset and perform impairment tests.

The recoverable amount of an asset is the higher of its fair value less costs to sell and the present value of the future cash flow expected to be derived from the asset. The Bank estimates the recoverable amount on an individual basis. If it is not possible to estimate the recoverable amount of the individual asset, the Bank determines the recoverable amount of the asset group to which the asset belongs. Identification of an asset group is based on whether major cash flows generated by the asset group are largely independent of the cash flows from other assets or asset groups.

When the recoverable amount of an asset or asset group is less than its carrying amount, the carrying amount is reduced to the recoverable amount. The impairment of asset is provided for and the impairment loss is recognized in the income statement for the current period.

Once an impairment loss is recognized, it should not be reversed in a subsequent period.

**(13) Employee Benefits**

Employee benefits are all forms of consideration given by the Bank in exchange for service rendered by employees or for the termination of employment, including short-term employee benefits, post-employment benefits, termination benefits and other long-term benefits.

Short-term employee benefits

Short-term employee benefits are accrued in the period in which services have been rendered by the employees of the Bank, and recognized in the income statement.

Post-employment benefits (defined contribution plan)

Employees of the Bank participate in the retirement insurance and unemployment insurance plans administered by the local government and enterprise annuity, and the contribution is recognized to income statement of that period.

## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

**3. Significant accounting policies and estimates (continued)****(14) Provisions**

An obligation related to a contingency is recognized as provisions when all of the following conditions are satisfied (except for contingent liability recognized in a business combination not under common control):

- (i) the obligation is a present obligation of the Bank;
- (ii) it is probable that an outflow of economic benefits will be required to settle the obligation;
- (iii) the amount of the obligation can be measured reliably.

The provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. 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. The Bank reviews the carrying amount of a provision at the balance sheet date. The carrying amount of a provision will be adjusted when there is clear evidence that the amount does not reflect the current best estimate.

**(15) Revenue and expense recognition**Interest income and interest expense

"Interest income" and "interest expense" item in the income statement of the Bank are the interest income and expense calculated by using the effective interest method on financial assets at amortised cost, financial assets at fair value through other comprehensive income and financial liabilities at amortised cost.

The effective interest method is used in the calculation of the amortised cost of a financial asset or a financial liability and in the allocation and recognition of the interest income or interest expense in profit or loss over the relevant period. The effective interest rate is that exactly discounts estimated future cash flows through the expected life of a financial asset or financial liability to the gross carrying amount of a financial asset or the amortised cost of a financial liability. When calculating the effective interest rate, the Bank estimates the expected cash flows by considering all contractual terms of the financial instrument but does not consider expected credit losses. The calculation includes all amounts paid or received by the Bank that are an integral part of the effective interest rate, transaction costs and all premiums or discounts.

## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

For those purchased or originated credit-impaired financial assets, the Bank calculates the interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition the credit-adjusted effective interest rate is that exactly discounts the estimated future cash flows through the expected life of the financial asset to the amortised cost of a financial asset that is a purchased or originated credit-impaired financial asset.

For those financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets, the Bank calculates the interest income by applying the effective interest rate to the amortised cost of the financial asset in subsequent reporting periods.



## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

**3. Significant accounting policies and estimates (continued)****(15) Revenue and expense recognition (continued)**Fee and commission income

The Bank earns fee and commission income from a diverse range of services it provides to its customers. For those services that are provided over a period of time, fee and commission income is accrued in accordance with the terms and conditions of the service agreement. For other services, fee and commission income is recognised when the transactions are completed.

**(16) Government subsidies**

Government grants are recognised when all attaching conditions will be complied with and the grants will be received. 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; if fair value is not reliably determinable, it is measured at a nominal amount.

A government grant related to income is accounted for as follows: (1) if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and released in profit or loss or offset against related expenses over the periods in which the related costs are recognised; (2) if the grant is a compensation for related expenses or losses already incurred, it is recognised immediately in profit or loss or offset against relevant expenses.

A government grant related to assets shall be offset against the carrying amounts of relevant assets, or recognised as deferred income and amortised in profit or loss over the useful life of the related asset by annual instalments in a systematic and rational way (however, a government grant measured at a nominal amount is recognised directly in profit or loss). When the assets are sold, transferred, retired or damaged before the end of their useful lives, the rest of the remaining deferred income is released to profit or loss for the period in which the relevant assets are disposed of.

## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

**3. Significant accounting policies and estimates (continued)****(17) Income taxes**

Income tax comprises current and deferred tax. Income tax is recognized as income or an expense and include in the income statement for the current period, except to the extent that the tax relates to a transaction or event which is recognized directly in equity.

Current income tax liabilities or assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the tax authorities according to the requirements of the tax laws.

For temporary differences at the balance sheet date between the tax bases of assets and liabilities and their book values, and temporary differences between the book values and the tax bases of items which have not been recognized as assets and liabilities but the tax bases of which can be determined for tax purposes, deferred taxes are provided using the liability method.

A deferred tax liability is recognized for all taxable temporary differences, except that the transaction which the deferred tax liability arises from neither is an initial recognition of goodwill nor is a business combination and at the time of the transaction, it affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recognized for deductible temporary differences carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized, except that the deferred tax asset relating to the deductible temporary differences arises from a transaction which neither a business combination nor affects the accounting profit or taxable profit or loss.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, according to the requirements of tax laws. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Bank expects at the balance sheet date, to recover the assets or settle the liabilities.



## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

## 3. Significant accounting policies and estimates (continued)

## (17) Income taxes(continued)

At the balance sheet date, the Bank reviews the book value of deferred tax assets. If it is probable that sufficient taxable income cannot be generated to use the tax benefits of deferred tax assets, the book value of deferred tax assets should be reduced. Conversely, at the balance sheet date, the Bank reviews previously unrecognized deferred tax assets. Deferred tax assets are recognized to the extent that it has become probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax assets and deferred tax liabilities are offset and the net amount is reported in the statement of financial position if, and only if, the Bank has a legally enforceable right to offset current tax assets and current tax liabilities, and the deferred taxes relate to the same taxable entity and the same taxation authority, or although the deferred taxes are related to different taxable entities, related entities intend to counteract those deferred taxes and report them in net value while acquire the asset and pay off the liabilities at the same time in every significant period to switch back.

## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

## (18) Leases

Identification of leases

At inception of a contract, the Bank assesses whether the contract is, or contains, a lease. A contract is or contains a lease if the contract conveys the right to control the use of one or more identified assets 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 for a period of time, the Bank assesses whether, throughout the period of use, the customer has both of the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset.

Assessment of the lease term

The lease term is the non-cancellable period of a lease for which the Bank has the right to use an underlying asset. If the Bank has an option to extend the lease, that is, the Bank has the right to extend the lease, and is reasonably certain to exercise that option, the lease term also includes periods covered by an option to extend the lease. If the Bank has an option to terminate the lease, that is, the Bank has the right to terminate the lease, but is reasonably certain not to exercise that option, the lease term includes periods covered by an option to terminate the lease. The Bank reassesses whether it is reasonably certain to exercise an extension option, purchase option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in the circumstances that is within the control of the Bank and affects whether the Bank is reasonably certain to exercise an option not previously included in its determination of the lease term.

As lessee*Right-of-use assets*

The right-of-use assets of the Bank mainly include buildings and vehicles.

At the commencement date of the lease, the Bank recognises right-of-use assets and lease liabilities. Right-of-use assets are measured at cost, including the amount of lease liabilities initially recognised, lease payments made at or before the commencement date, less any lease incentives received, initial direct costs incurred, an estimate of costs incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are depreciated on a straight-line basis subsequently by the Bank. If the Bank is reasonably certain that the ownership of the underlying asset will be transferred to the Bank at the end of the lease term, the Bank depreciates the asset from the commencement date to the end of the useful life of the asset. Otherwise, the Bank depreciates the assets from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term.

## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

## 3. Significant accounting policies and estimates (continued)

## (18) Leases (continued)

As lessee (continued)*Right-of-use assets (continued)*

The Bank remeasures the lease liabilities at the present value of the changed lease payments and adjusts the carrying amount of the right-of-use assets accordingly, when the carrying amount of the right-of-use asset is reduced to zero. and there is a further reduction in the measurement of the lease liabilities, the Bank recognises the remaining amount of the remeasurement in profit or loss.

*Lease liabilities*

At the commencement date of the lease the Bank measures the lease liabilities at the present value of the lease payments to be made over the lease term, except for short-term leases and leases of low-value assets. In calculating the present value of the lease payments, the Bank uses its incremental borrowing rate. The Bank calculates the interest expenses of lease liabilities in each period during the lease term using the constant periodic rate of interest, and recognises such interest expenses in profit or loss. Variable lease payments that are not included in the measurement of lease liabilities are recognised in profit or loss as incurred.

After the commencement date, the Bank remeasures lease liabilities by discounting the revised lease payments if any of the following occur:

- (1) there is a change in the amounts expected to be payable under a residual value guarantee;
- (2) there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments;
- (3) there is a change in the assessments of options to purchase the underlying asset, extend or terminate the lease, or the circumstances of the actual exercise of these options.

*Short-term leases and leases of low-value assets*

The Bank considers a lease that at the commencement date of the lease, has a lease term of 12 months or less and does not contains any purchase option as a short-term lease: and a lease for which the value of the individual underlying asset is not more than RMB50,000 when it is new as a lease of low-value assets. If the Bank subleases an asset or expects to sublease an asset, the head lease does not qualify as a lease of a low-value asset. The Bank chooses not to recognise the right-of-use assets and lease liabilities for short-term leases and leases of low-value assets, and the rental expenses are amortised on a straight-line basis over each period of the lease term.

## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

## 3. Significant accounting policies and estimates (continued)

## (19) Fiduciary activities

Where the Bank acts in a fiduciary capacity such as custodian or agent, assets arising thereon together with related undertakings to return such assets to customers are excluded from the balance sheet statement.

The Bank grants entrusted loans on behalf of trustors, which are recorded off-balance sheet. The Bank, as a trustee, grants such entrusted loans to borrowers under the direction of those trustors who fund these loans. The Bank has been contracted by those trustors to manage the administration and collection of these loans on their behalf. Those trustors determine both of the underwriting criteria for and the terms of all entrusted loans including their purposes, amounts, interest rates, and repayment schedules. The Bank charges a commission related to its activities in connection with entrusted loans which are recognized on a straight-line basis over the period in which the service is provided. The risk of loss is borne by those trustors.

## (20) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank. It can also be a present obligation arising from past events that is not recognized because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably. Contingent liabilities are disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable and can be reliably estimated, it will then be recognized as a provision.

## (21) Dividends

Dividends are recognized as a liability and deducted from equity when they are approved by the Bank's shareholder and declared. Interim dividends are deducted from equity when they are approved and declared, and no longer at the discretion of the Bank. Dividend for the year that is approved after the balance sheet date is disclosed as an event after the balance sheet date.

## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

## 3. Significant accounting policies and estimates (continued)

## (22) Fair value measurement

At each balance sheet date, the Bank measures its financial assets held-for-trading, other debt instrument through profit or loss through other comprehensive income, loans and receivables at fair value through profit or loss and derivatives at fair value. 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. The fair value measurement is based on the assumption that the orderly transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Bank. The fair value of an asset or a liability is measured using the assumption that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure the fair value. Use of observable inputs is maximized and unobservable inputs will only be used when observable inputs are not available or obtaining observable inputs becomes unpractical.

For assets and liabilities measured and disclosed at fair value, the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date; Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; Level 3 inputs are unobservable inputs for the asset or liability.

For assets and liabilities held at the end of the balance sheet date that are measured at fair value on a recurring basis, the Bank continues to make assessment as to whether there is transfer between different levels of the fair value hierarchy.

## (23) Significant accounting judgements and estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities at the balance sheet date. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future..

Judgements

During the process of applying the Bank's accounting policies, management has made the following judgements which have significant effects on the amounts recognized in financial statements:

## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

## 3. Significant accounting policies and estimates (continued)

## (23) Significant accounting judgements and estimates (continued)

Judgements (continued)*Business model*

The classification of financial assets at initial recognition is dependent on the Bank's business model for managing financial assets. When determining the business model, the Bank considers the methods to include evaluation and report financial asset performance to key management, the risks affecting the performance of financial assets and the risk management, and the manner in which the relevant management receives remuneration. When assessing whether the objective is to collect contractual cash flows, the Bank needs to analyse and assess the reasons, timing, frequency and value of the sale before the maturity date of the financial assets.

*Characteristics of the contractual cash flows*

Financial assets are initially classified based on their contractual cash flow characteristics. When judging whether the contractual cash flow are solely payments of principal and interest on the principal amount outstanding, the considerations contain: (i) judging whether there exists significant difference compared with the benchmark cashflow, when evaluating the modification of the time value of the money, (ii) judging whether fair value of the early repayment characteristics is immaterial for financial assets with early repayment characteristics.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting period, are listed below.

*Impairment of financial instruments*

The Bank uses the expected credit loss model to evaluate the impairment of financial instruments since 1 January 2021. The Bank is required to perform significant judgement and estimation and take into account all reasonable and supportable information, including forward-looking information. When making such judgments and estimates, the Bank estimates the expected changes in the debtor's credit risk based on historical repayment data combined with economic policies, macroeconomic indicators, industry risks and other factors. Different estimates may affect the impairment provision and the provision for credit impairment may not be equal to actual credit losses in the future.



## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

## 3. Significant accounting policies and estimates (continued)

## (22) Significant accounting judgements and estimates (continued)

Estimation uncertainty (continued)*Impairment of non-current assets besides financial assets (except goodwill)*

Non-current assets other than financial assets are reviewed for impairment on financial reporting date. When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its coverable amount. For intangible assets with indefinite useful lives, the impairment test is made annually and when impairment indications exist. For other non-current assets besides financial assets, the impairment test is made when there is an indication that their carrying amount is not recoverable. When the carrying amount of an asset or a group of assets is higher than their recoverable amount, i.e. higher of its fair value less costs to sell and the present value of estimated future discounted cash flows it is indicated that the impairment losses have occurred. Fair value less costs to sell refers to the selling contract price from fair trading of similar asset or the observable market price, less the incremental costing directly attributes to the asset disposal. When estimating the present value of future discounted cash flows. The management must estimate the future cashflow of the asset or the group of assets and choose a proper discount rate to determine the present value. Deferred income tax assets.

*Deferred tax assets*

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

*Lessee's incremental borrowing rate*

The Bank measures the lease liability at the present value of the lease payments discounted using its incremental borrowing rate. According to the economic environment, the Bank takes the observable interest rate as the reference basis for determining the incremental borrowing rate, then adjusts the observable interest rate based on its own circumstances, underlying assets, lease terms and amounts of lease liabilities to determine the applicable incremental borrowing rate.

*Fair value of financial instruments*

If the market for a financial instrument is not active, the Bank establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable and willing parties, if available, reference to the current fair value of another instrument that is substantially the same, or discounted cash flow analysis. To the extent practicable, valuation technique makes maximum use of market inputs. However, where market inputs are not available, management needs to make estimates on such unobservable market inputs.

## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

## 3. Significant accounting policies and estimates (continued)

## (24) Changes in accounting policy and estimates (continued)

New Financial Instrument Standards

In 2017, MOF issued the revised principles of The Accounting Standards for Business Enterprises No.22-Recognition and measurement of financial Instruments, Accounting Standards for Business Enterprises No.23-Transfers of Financial Assets, Accounting Standards for Business Enterprises No.24-Hedging and Accounting Standards for Business Enterprises No.37-presentation of Financial Instruments (collectively referred to as " New Financial Instrument Standards "). The Bank has adopted those revised accounting standards since 1 January 2021. In accordance with the transition requirements, the information for comparable periods should not be adjusted and the retained profits or other comprehensive income should be retrospectively adjusted according to the difference between the new standards and the existing standards at the first adoption date.

The New Financial Instrument Standards has changed the classification and measurement of financial assets and identified three main measurement categories: amortised costs, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss. The entity shall consider their own business model, as well as the contractual cash flow characteristics of financial assets for the above classification. Equity investment shall be at fair value through profit or loss, but the investment in a non-trading equity instrument may be irrevocably designated as a financial asset at fair value through other comprehensive income at the initial recognition.

According to the new financial instrument standard, the measurement of financial asset impairment is changed from "incurred loss model" to "expected credit loss model", which is applicable to financial assets measured at amortised cost, financial assets at fair value through other comprehensive income, as well as loan commitments and financial guarantee contracts.

The income of the pension management products held by the Bank depends on the yield of the underlying assets. Before 1 January 2021, the pension management products were classified as available-for-sale financial assets. On 1 January 2021, the Bank analyzed that the contractual cash flows of the products represented not only the payments of principal and interest on the principal amount outstanding, so the products were reclassified as financial assets measured at fair value through profit or loss and reported as financial assets held-for-trading.

Forfeiting, discount and rediscount business held by the Bank used to be classified as loans and advances to customers measured at amortised cost before 1 January 2021. In daily business, the Bank sells forfeiting, discount and rediscount business of some loans and advances and thus the business model is to collect both the contractual cash flows and cash flows arising from sale of these loans and advances to customers. Therefore, the Bank reclassified these loans and advances to customers as financial assets at fair value through other comprehensive income on 1 January 2021.

## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

## 3. Significant accounting policies and estimates (continued)

## (24) Changes in accounting policy and estimates (continued)

New Financial Instrument Standards(continued)

At the date of first-time adoption of New Financial Instrument Standards, a comparison of related line items in the balance sheet of the Bank before and after the revision are as follows:

	Original financial instrument standards		New financial instrument standards	
	Measurement category	Book value	Measurement category	Book value
<b>Financial assets</b>				
Cash and due from central bank	Amortised cost	931,161,020.70	Amortised cost	931,480,565.05
Due from banks	Amortised cost	413,795,792.60	Amortised cost	415,106,138.74
Placements with banks	Amortised cost	2,414,147,887.50	Amortised cost	2,427,966,609.44
Derivative financial assets	Fair value through profit or loss	2,529,610.69	Fair value through profit or loss	2,529,610.69
<b>Loans and advances to customers</b>				
	Amortised cost	4,490,671,946.16	Amortised cost	4,312,743,715.72
			Fair value through other comprehensive income	186,696,216.61
<b>Financial investment</b>				
	Amortised cost	540,871,034.87	Amortised cost	543,442,303.48
	Fair value through profit or loss	-	Fair value through profit or loss	3,004,663.15
	Fair value through other comprehensive income (available-for-sale financial assets)	2,110,234,857.48	Fair value through other comprehensive income (other debt investments)	2,161,209,746.53
<b>Other assets</b>				
-interest receivables		76,235,486.75		-
<b>Financial liabilities</b>				
<b>Due to banks and other financial institutions</b>				
	Amortised cost	61,482,886.42	Amortised cost	61,483,608.64
Placements from banks	Amortised cost	1,683,905,320.00	Amortised cost	1,687,861,489.53
Customer deposits	Amortised cost	7,266,629,719.63	Amortised cost	7,297,301,578.87
Derivative financial liabilities	Fair value through profit or loss	3,649,651.13	Fair value through profit or loss	3,649,651.13
<b>Provisions</b>				
Bonds payables	Amortised cost	249,341,917.06	Amortised cost	249,341,917.06
<b>Other liabilities</b>				
-interest payables		35,008,435.45		-



## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

## 3. Significant accounting policies and estimates (continued)

## (24) Changes in accounting policy and estimates (continued)

New Financial Instrument Standards (continued)

At the date of first-time adoption of New Financial Instrument Standards, reconciliation of the carrying amounts of the financial instruments in the balance sheet of the Bank after the revision are as follows:

	Carrying amount in accordance with original financial instrument standards 2020/12/31	Interest Receivables in accordance with original financial instrument standards 2020/12/31	Reclassification	Remeasurement ECL	Other	Carrying amount in accordance with new financial instrument standards 2021/1/1
Cash and balances with the central bank	931,161,020.70	319,544.35	-	-	-	931,480,565.05
Due from banks	413,795,792.60	25,616.14	-	1,284,730.00	-	415,106,138.74
Placements with banks	2,414,147,887.50	12,698,363.51	-	1,120,358.43	-	2,427,966,609.44
Derivative financial assets	2,529,610.69	-	-	-	-	2,529,610.69
Loans and advances to customers	4,490,671,946.16	7,466,303.42	-	1,301,682.75	-	4,499,439,932.33
To: Loans and advances to customers at fair value through other comprehensive income			(186,696,216.61)			
From: Loans and advances to customers at amortised cost			186,696,216.61			
Available-for-sale financial assets	2,110,234,857.48	53,678,474.90	(2,163,913,332.38)	-	-	-
To: Other debt investments			(2,160,908,669.23)			
To: Financial assets held-for-trading			(3,004,663.15)			
Held-to-maturity investment	20,988,034.87	598,767.12	(21,586,801.99)	-	-	-
To: Debt investments			(21,586,801.99)			



## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

## 3. Significant accounting policies and estimates (continued)

## (24) Changes in accounting policy and estimates (continued)

New Financial Instrument Standards (continued)

At the date of first-time adoption of New Financial Instrument Standards, reconciliation of the carrying amounts of the financial instruments in the balance sheet of the Bank after the revision are as follows:  
(continued)

	Carrying amount in accordance with original financial instrument standards 2020/12/31	Interest Receivables in accordance with original financial instrument standards 2020/12/31	Reclassification	ECL	Remeasurement Other	Carrying amount in accordance with new financial instrument standards 2021/1/1
Receivables investments	519,883,000.00	1,059,677.91	(520,942,677.91)	-	-	-
To: Debt investments			(520,942,677.91)			
Financial investment						
-Debt investments	-	-	542,529,479.90	912,823.58	-	543,442,303.48
From: Held-to-maturity investment			21,586,801.99	(1,276.03)		
From: Receivables investments			520,942,677.91	914,099.61		
Financial investment						
-Financial assets held-for-trading	-	-	3,004,663.15	-	-	3,004,663.15
From: Available-for-sale financial assets			3,004,663.15			
Financial investment						
-Other debt investments	-	-	2,160,908,669.23	-	301,077.30	2,161,209,746.53
From: Available-for-sale financial assets			2,160,908,669.23		301,077.30	
Interest receivables	<u>76,235,486.75</u>	<u>(76,235,486.75)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

### 3. Significant accounting policies and estimates (continued)

#### (24) Changes in accounting policy and estimates (continued)

##### New Financial Instrument Standards (continued)

At the date of first-time adoption of New Financial Instrument Standards, reconciliation of the carrying amounts of the financial instruments in the balance sheet of the Bank after the revision are as follows: (continued)

	Carrying amount in accordance with original financial instrument standards 2020/12/31	Interest Receivables in accordance with original financial instrument standards 2020/12/31	Reclassification	Remeasurement ECL Other		Carrying amount in accordance with new financial instrument standards 2021/1/1
Due to banks and other financial institutions	61,482,886.42	722.22	-	-	-	61,483,608.64
Placements from banks	1,683,905,320.00	3,956,169.53	-	-	-	1,687,861,489.53
Customer deposits	7,266,629,719.63	30,671,859.24	-	-	-	7,297,301,578.87
Derivative financial liabilities	3,649,651.13	-	-	-	-	3,649,651.13
Bonds payables	249,341,917.06	-	-	-	-	249,341,917.06
Provisions	-	-	-	6,218,178.52	-	6,218,178.52
Interest payables	<u>35,008,435.45</u>	<u>(35,008,435.45)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

## 3. Significant accounting policies and estimates (continued)

## (24) Changes in accounting policy and estimates (continued)

New Financial Instrument Standards (continued)

At the date of first-time adoption of New Financial Instrument Standards, the reconciliation of the impairment of financial instrument in accordance with expected credit losses model under new financial instrument standards from incurred losses model under original financial instrument standards are listed below:

	Impairment loss in accordance with original financial instrument standards /Provisions in accordance with the contingency standards	Remeasurement	Impairment loss in accordance with new financial instrument standards
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**Loans and receivables (original financial instrument standards)/****Financial assets at amortised cost (new financial instrument standards)**

Due from banks	1,390,693.78	(1,284,730.00)	105,963.78
Placements with banks	1,215,612.50	(1,120,358.43)	95,254.07
Loans and advances to customers	90,252,433.24	(1,301,682.75)	88,950,750.49
Receivables investments	7,917,000.00	(914,099.61)	7,002,900.39
Other assets-other receivables	904,862.08	-	904,862.08

**Loans and receivables (original financial instrument standards)/****Financial assets at fair value through other comprehensive income (new financial instrument standards)**

Loans and advances to customers	-	925,247.11	925,247.11
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**Available-for-sale financial assets (original financial instrument standards)/****Financial assets at fair value through other comprehensive income (new financial instrument standards)**

Financial investments	301,077.30	86,861.70	387,939.00
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**Held-to-maturity investment (original financial instrument standards)/****Financial assets at amortised cost (new financial instrument standards)**

Financial investments	-	1,276.03	1,276.03
Credit commitments	-	6,218,178.52	6,218,178.52
Total	101,981,678.90	2,610,692.57	104,592,371.47

## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

## 3. Significant accounting policies and estimates (continued)

## (24) Changes in accounting policy and estimates (continued)

New Leases Standards

In 2018, the MOF issued revised Accounting Standards for Business Enterprises No 21- Leases (the "New Leases Standards"). The New Leases Standards introduce a single model similar to the current accounting treatment of finance leases, requiring the lessee to recognise right-of-use assets and lease liabilities for all the leases, except for short-term leases and leases of low-value assets, and recognise depreciation and interest expense, respectively. The Bank has accounted for leases under the revised leases standard since 1 January 2021. For the contracts which existed before the first implementation date, the Bank chooses not to reevaluate whether the contract is or contains, a lease. According to the New Leases Standards, the comparative information is not restated. At the date of first-time adoption of New Financial Instrument Standards, the Bank recognized the impact of the new leases standards on retained earnings at the beginning of 2021.

(1) for leases previously classified as finance leases before first-time adoption, the Bank recognised the right-of-use asset and the lease liabilities at the carrying amount of the lease assets and lease liabilities under the original standards applicable on the first implementation date.

(2) for leases previously classified as operating leases before first-time adoption, the Bank recognised lease liabilities based on the present value of the remaining lease payments discounted at the incremental borrowing rate on first implementation date and measured right-of-use assets based on the amount equal to the lease liabilities, adjusted by any related prepaid lease payments.

(3) the Bank applied Note 3.12 to perform impairment test for right-of-use assets and to account for accordingly.

For leases of low-value assets or for which the lease terms ending up within 12 months before the first adoption date, the Bank applied a simplified approach instead of recognizing the right-of-use assets and lease liabilities. Besides, for operating leases before the first adoption date, the following simplified approaches are adopted:

(1) the Bank recognised lease liabilities with similar characteristics using the same discount rate; and the measurement of the right-of-use assets may not include the initial direct costs.

(2) if there is an option to renew or terminate the lease, the Bank determines the lease term according to the actual exercise of the option and other latest conditions at the initial application date.

(3) for lease changes before the first adoption date, the Bank will conduct accounting treatment according to the final arrangement of lease changes.



## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

## 3. Significant accounting policies and estimates (continued)

## (24) Changes in accounting policy and estimates (continued)

New Leases Standards (continued)

For the unpaid minimum lease payments for significant operating leases as at 31 December 2020, the reconciliation of the differences between the present value of the remaining lease payments discounted at the incremental borrowing rate and the lease liabilities recognised on the balance sheet as at 1 January 2021 are as follows:

Minimum lease payments for significant operating leases as at 31 December 2020	54,694,629.47
Less: Lease payments using the simplified approach	2,111,020.20
Of which: Short-term leases	57,949.49
Leases that ends within 12 months	1,917,474.05
Leases of low-value assets that ends above 12 months	135,596.66
	3.11%
The weighted average incremental borrowing rate	
Present value of minimum lease payments for significant operating leases as at 1 January 2021	39,128,178.81
Lease liabilities as at 1 January 2021	39,128,178.81

In addition, after initial application, the cash payments for the principal and interest of the lease liabilities are classified within financing activities, and the payments for short-term leases, leases of low-value assets and variable lease payments not included in the measurement of the lease liabilities are classified within operating activities.

New Revenue Standards

In 2017, the MOF issued the revised Accounting Standard for Business Enterprises No. 14 - Revenue (the "New Revenue Standards"). The New Revenue Standards introduce a five-step model for recognition of revenue from contracts with customers. According to the new revenue standard, the pattern of revenue recognition shall reflect the way in which the entity transfers goods or provides services to customers, and the amount shall reflect the consideration to which the entity expects to be entitled in exchange for those goods or services. Meanwhile, the New Revenue Standards standardize the judgment and estimates which are necessary for each step of revenue recognition. The Bank has adopted New Revenue Standards since 1 January 2021. The standards are not applicable for the revenue generated from financial instruments, including net interest income, investment income, gain from changes in fair value and foreign exchange gain regulated in accordance with new financial instrument standards. The adoption of the New Revenue Standards has no significant impact on the Bank's financial statements.

## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

## 3. Significant accounting policies and estimates (continued)

## (24) Changes in accounting policy and estimates (continued)

Change in presentation of financial statements

According to Notice on Revising the Format of the Financial Enterprise Financial Statements of 2018(Cai Kuai [2018] No. 36), the Bank shall attribute the interest income accrued by using effective interest rate method to the carrying amount of corresponding financial instruments instead of solely presenting in the interest receivable item or interest payable item. The "interest receivable" item and "interest payable" item only reflect the uncollected interest receivable or unpaid interest payable of matured financial instruments on financial reporting date, and are presented into "other assets" item and "other liabilities" item. The Bank present the "interest receivable" item and "interest payables" item into "other assets" item and "other liabilities" item in the comparison period without retroactively adjusting the interest of financial instruments to the carrying amount of corresponding financial instruments. These changes in accounting policies have no impact on the Bank's net profit and equity.

"Net increase in financial assets at fair value through profit or loss" item is added as an item of cash flows from operating activities of cash flow statements. It reflects the net received and paid cash flows from operating activities for purchasing or selling financial assets held for trading. This item was presented in cash flows from investing activities in 2020.

## 4. Taxes

The major categories of taxes applicable to the Bank and the related tax rates for the current accounting year are listed as follows:

Value Added Tax	-	Taxable income is subjected to a 6% output VAT tax less deductible input tax
City Maintenance and Construction Tax	-	7% of amount of paid-up turnover tax
Education Surcharge	-	3% of amount of paid-up turnover tax
Local Education Surcharge	-	2% of amount of paid-up turnover tax
Corporate Income Tax	-	Corporate taxable income is subjected to a tax rate of 25%.

## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

## 5. Notes to financial statements

## (1) Cash and balances with the central bank

	2021	2020
Cash on hand	638,409.47	351,491.78
Balances with the central bank		
Statutory reserve fund		
- RMB	609,450,263.00	587,705,968.26
- foreign currency	76,355,383.20	71,567,952.62
Excess reserves	134,125,712.62	271,535,608.04
Subtotal	819,931,358.82	930,809,528.92
Interest receivables	337,869.91	-
Total	<u>820,907,638.20</u>	<u>931,161,020.70</u>

In accordance with relevant regulations issued by the People's Bank of China ("PBOC"), the Bank should place with the PBOC a reserve fund, which could not be used for daily operations.

For customer deposits denominated in foreign currencies, the statutory reserve fund is calculated at 9% (31 December 2020: 5%) of the balance of foreign customer deposits at the end of the November 2021. For customer deposits denominated in RMB, the statutory reserve fund is calculated at 8% (31 December 2020: 10.5%) of the balance of RMB customer deposits at the first ten-day period of the last month of 2021.

## (2) Due from banks

	2021	2020
Domestic banks	169,676,209.22	132,960,671.41
Overseas banks	137,740,086.44	282,225,814.97
Subtotal	307,416,295.66	415,186,486.38
Interest receivables	126,388.89	-
Less: provisions	921,593.61	1,390,693.78
Total	<u>306,621,090.94</u>	<u>413,795,792.60</u>

## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

## 5. Notes to financial statements (continued)

## (3) Placements with banks

	2021	2020
Domestic banks	450,000,000.00	330,498,000.00
Other domestic financial institutions	1,425,028,000.00	1,841,743,000.00
Overseas banks	455,000,000.00	243,122,500.00
Subtotal	2,330,028,000.00	2,415,363,500.00
Interest receivables	13,116,973.78	-
Less: provisions	2,857,087.31	1,215,612.50
Total	<u>2,340,287,886.47</u>	<u>2,414,147,887.50</u>

## (4) Derivative financial instruments

Derivative financial instruments refer to a financial product whose value depends on the value of another "basic" financial product index or other variables on which it is attached. Usually these "basic" products include stocks, commodities, bond market prices, index market prices or exchange rates, and interest rates.

The nominal amount of derivative financial instruments refers to the contract value of the "basic" assets on which they are attached, and reflects the unsettled part of the balance sheet date. The contract value reflects the risk exposure of the Bank's derivative financial instruments at the end of the accounting period rather than the fair value.

Fair value refers to the price that market participants can receive for the sale of an asset or pay for the transfer of a liability in an orderly transaction that occurs on the measurement date.

The Bank has no derivative financial instruments designated as hedging instruments for hedging purposes.





## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

## 5. Notes to financial statements (continued)

## (5) Loans and advances to customers (continued)

## (5.2) By types of collateral or guarantee

	2021	2020
Unsecured loans	146,929,206.00	263,927,834.32
Guaranteed loans	3,748,529,871.53	2,902,039,454.92
Secured by mortgages	144,494,602.31	299,641,600.00
Secured by pledges	1,466,542,062.32	1,115,315,490.16
Subtotal	5,506,495,742.16	4,580,924,379.40
Interest receivables	8,733,234.45	-
Total	<u>5,515,228,976.61</u>	<u>4,580,924,379.40</u>

## (5.3) Overdue Loans by types of collateral or guarantee

Overdue loans are loans of which the principals or related interests are overdue for one day or above.

As of 31 December 2021, the overdue loans of the Bank analyzed by types of collateral or guarantee are as follows:

	2021				Total
	Overdue 1 day to 90 days (included)	Overdue 90 days to 1 year (included)	Overdue 1 year to 3 years (included)	Overdue 3 years above	
Guaranteed loans	-	2,958,442.92	-	-	<u>2,958,442.92</u>

As of 31 December 2020, the overdue loans of the Bank analyzed by types of collateral or guarantee are as follows:

	2020				Total
	Overdue 1 day to 90 days (included)	Overdue 90 days to 1 year (included)	Overdue 1 year to 3 years (included)	Overdue 3 years above	
Guaranteed loans	<u>3,501,489.95</u>	-	-	5,000,000.00	<u>8,501,489.95</u>

## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

## 5. Notes to financial statements (continued)

## (5) Loans and advances to customers (continued)

## (5.4) Provisions of loans

The allowance for loans and advances measured at amortised cost are measured according to the 12-month expected credit losses and lifetime expected credit losses respectively. The movement of impairment provisions during 2021 is as follows:

	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses	Stage 3 Credit-impaired financial assets (Lifetime expected credit losses)	Total
At 1 January 2021	71,041,782.21	-	17,908,968.28	88,950,750.49
During 2021				
Accrual/(reversal)	24,184,477.08	-	(587,420.61)	23,597,056.47
Write-off	-	-	(5,000,000.00)	(5,000,000.00)
Exchange difference	(31,363.90)	-	-	(31,363.90)
Closing balance	<u>95,194,895.39</u>	<u>-</u>	<u>12,321,547.67</u>	<u>107,516,443.06</u>

The movement of impairment provisions during 2020 is as follows:

	2020		Total
	Individually assessed	Collectively assessed	
Opening balance	20,697,185.16	54,260,737.08	74,957,922.24
Accrual	1,211,783.12	18,347,966.47	19,559,749.59
Write-off	(4,000,000.00)	-	(4,000,000.00)
Exchange difference	-	(265,238.59)	(265,238.59)
Closing balance	<u>17,908,968.28</u>	<u>72,343,464.96</u>	<u>90,252,433.24</u>

## (6) Financial assets held for trading

Financial assets at fair value through profit or loss

Pension management products	<u>6,195,572.09</u>
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## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

## 5. Notes to financial statements (continued)

## (7) Debt investments

	2021
Bonds investments issued by	
Policy banks	20,868,853.13
Entrusted investments	353,000,000.00
Subtotal	373,868,853.13
Interest receivables	1,275,611.63
Less: provision	3,642,162.12
Net Value	<u>371,502,302.64</u>

As at 31 December 2021, the Bank recorded all debt investments in Stage 1, and measured the provision based on expected credit losses for the next 12 months.

## (8) Other debt investments

	2021
Bonds investments issued by	
Government and central bank	59,826,930.00
Policy banks	870,828,460.00
Business enterprises	2,143,863,858.94
Interbank negotiable certificates of deposit issued by	
Commercial banks	99,908,300.00
Subtotal	3,174,427,548.94
Interest receivables	68,254,965.85
Net Value	<u>3,242,682,514.79</u>

As at 31 December 2021, the Bank recorded all other debt investments in Stage 1, and measured the provision based on expected credit losses for the next 12 months.

## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

## 5. Notes to financial statements (continued)

## (9) Available-for-sale financial assets

	2020
Bonds investments issued by, at fair value:	
Government and central bank	49,968,050.00
Policy banks	820,091,740.00
Business enterprises	1,107,471,051.63
Foreign governments	30,107,730.00
Interbank certificates of deposit issued by, at fair value:	
Commercial banks	99,892,700.00
Pension management products	3,004,663.15
Subtotal	2,110,535,934.78
Less: provision	301,077.30
Net Value	<u>2,110,234,857.48</u>

Impairment provisions for available-for-sale financial assets represented the country risk reserve provided for a foreign government bond held by the Bank at the year-end according to Yin Jian Fa [2010] No. 45 "Circular of the China Banking Regulatory Commission on Printing and Distributing the Guidelines for Country Risk Management of the Banking Financial Institutions".

## (10) Held-to-maturity investment

	2020
Bonds investments issued by:	
Policy banks	20,988,034.87
Total	<u>20,988,034.87</u>

## (11) Receivables investments

	2020
Entrusted investments	527,800,000.00
Less: provision	7,917,000.00
Net Value	<u>519,883,000.00</u>

The main investment portfolio of the entrusted investments is the trust loans which are managed and operated by the trust company as a fund trustee.

## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

## 5. Notes to financial statements (continued)

## (12) Fixed assets

2021	Motor vehicles	Computers	Office equipments	Total
Cost				
Opening balance	1,704,384.23	36,572,379.49	4,700,183.22	42,976,946.94
Additions	-	502,147.94	21,190.04	523,337.98
Transfer from construction progress in	-	120,504.31	329,849.35	450,353.66
Disposals	-	(3,971,855.98)	(495,962.94)	(4,467,818.92)
Closing balance	1,704,384.23	33,223,175.76	4,555,259.67	39,482,819.66
Accumulated depreciation				
Opening balance	1,533,946.03	27,209,579.37	3,077,928.13	31,821,453.53
Additions	-	2,307,052.74	401,308.61	2,708,361.35
Disposals	-	(3,543,820.33)	(416,311.60)	(3,960,131.93)
Closing balance	1,533,946.03	25,972,811.78	3,062,925.14	30,569,682.95
Net book value				
Opening balance	170,438.20	9,362,800.12	1,622,255.09	11,155,493.41
Closing balance	170,438.20	7,250,363.98	1,492,334.53	8,913,136.71
2020	Motor vehicles	Computers	equipments	Total
Cost				
Opening balance	1,704,384.23	45,867,729.07	4,508,572.16	52,080,685.46
Additions	-	742,991.54	65,966.19	808,957.73
Transfer from construction progress in	-	31,609.76	310,000.00	341,609.76
Disposals	-	(10,069,950.88)	(184,355.13)	(10,254,306.01)
Closing balance	1,704,384.23	36,572,379.49	4,700,183.22	42,976,946.94
Accumulated depreciation				
Opening balance	1,522,266.79	33,948,960.84	2,864,518.59	38,335,746.22
Additions	11,679.24	2,320,474.62	344,830.76	2,676,984.62
Disposals	-	(9,059,856.09)	(131,421.22)	(9,191,277.31)
Closing balance	1,533,946.03	27,209,579.37	3,077,928.13	31,821,453.53
Net book value				
Opening balance	182,117.44	11,918,768.23	1,644,053.57	13,744,939.24
Closing balance	170,438.20	9,362,800.12	1,622,255.09	11,155,493.41

## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

## 5. Notes to financial statements (continued)

## (13) Right-of-use assets

2021	Buildings	Motor vehicles	Total
Cost			
Opening balance	37,523,808.05	415,938.18	37,939,746.23
Additions	9,881,376.35	-	9,881,376.35
Closing balance	47,405,184.40	415,938.18	47,821,122.58
Accumulated depreciation			
Opening balance	-	-	-
Additions	11,605,656.05	134,898.84	11,740,554.89
Closing balance	11,605,656.05	134,898.84	11,740,554.89
Net book value			
Opening balance	37,523,808.05	415,938.18	37,939,746.23
Closing balance	35,799,528.35	281,039.34	36,080,567.69

## (14) Deferred tax assets/(liabilities)

2021	As at 31 December 2020	Changes in Accounting policies	As at 1 January 2021	Charged to profit and loss	Charged to equity	As at 31 December 2021
Impairment losses	9,388,892.27	(1,174,705.83)	8,214,186.44	1,966,242.33	-	10,180,428.77
Changes in fair value of other debt investments	1,335,009.25	-	1,335,009.25	-	9,610,334.16	10,945,343.41
Changes in fair value of held-for-trading financial assets	-	-	-	(48,893.02)	-	(48,893.02)
Changes in fair value of derivative financial instruments	280,010.12	-	280,010.12	(375,649.77)	-	(95,639.65)
Changes in fair value of forfeiting and discounted bills	-	-	-	-	(23,512.80)	(23,512.80)
Payroll payables	3,159,108.04	-	3,159,108.04	416,248.42	-	3,575,356.46
Accounting-tax difference of fixed assets	(1,379,176.22)	-	(1,379,176.22)	(91,617.09)	-	(1,470,793.31)
Provisions	-	1,554,544.63	1,554,544.63	924,586.12	-	2,479,130.75
Total	12,783,843.46	379,838.80	13,163,682.26	2,790,916.99	9,586,821.36	25,541,420.61



## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

## 5. Notes to financial statements (continued)

## (14) Deferred tax assets/(liabilities) (continued)

2020	Opening balance	Charged to profit and loss	Charged to equity	Closing balance
Impairment losses	4,693,576.52	4,695,315.75	-	9,388,892.27
Changes in fair value of available-for-sale financial assets	(1,124,542.47)	-	2,459,551.72	1,335,009.25
Changes in fair value of held-for-trading financial assets	5,575.00	(5,575.00)	-	-
Changes in fair value of derivative financial instruments	(11,796.23)	291,806.35	-	280,010.12
Payroll payables	2,674,357.34	484,750.70	-	3,159,108.04
Accounting-tax difference of fixed assets	(1,228,531.52)	(150,644.70)	-	(1,379,176.22)
<b>Total</b>	<b>5,008,638.64</b>	<b>5,315,653.10</b>	<b>2,459,551.72</b>	<b>12,783,843.46</b>

## (15) Other assets

	Notes	2021	2020
Foreclosed assets	15.1	12,281,922.37	24,974,414.50
Other receivables	15.2	5,171,266.94	5,924,093.66
Long-term deferred expenses	15.3	9,358,975.51	10,319,863.98
Intangible assets	15.4	10,159,552.43	10,977,785.36
Construction in progress	15.5	1,461,790.43	2,407,013.93
Interest receivables	15.6	-	76,235,486.75
<b>Subtotal</b>		<b>38,433,507.68</b>	<b>130,838,658.18</b>
Less: Provision		<b>3,673,865.39</b>	<b>6,209,071.58</b>
<b>Net Value</b>		<b>34,759,642.29</b>	<b>124,629,586.60</b>

## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

## 5. Notes to financial statements (continued)

## (15) Other assets (continued)

## (15.1) Foreclosed assets

	2021	2020
Buildings	12,281,922.37	24,974,414.50

As at 31 December 2021, the Bank has made provision of RMB2,804,853.31 for foreclosed assets (31 December 2020: RMB5,304,209.50).

## (15.2) Other receivables

## (i) By Aging

	2021			
	Book value	%	Provision	Net value
Within 1 year	1,439,684.55	28%	-	1,439,684.55
1-2 years	175,619.50	3%	-	175,619.50
2-3 years	1,492,722.57	29%	-	1,492,722.57
Over 3 years	2,063,240.32	40%	(869,012.08)	1,194,228.24
<b>Total</b>	<b>5,171,266.94</b>	<b>100%</b>	<b>(869,012.08)</b>	<b>4,302,254.86</b>

	2020			
	Book value	%	Provision	Net value
Within 1 year	2,329,315.77	39%	-	2,329,315.77
1-2 years	1,495,687.57	26%	-	1,495,687.57
2-3 years	710,385.34	12%	-	710,385.34
Over 3 years	1,388,704.98	23%	(904,862.08)	483,842.90
<b>Total</b>	<b>5,924,093.66</b>	<b>100%</b>	<b>(904,862.08)</b>	<b>5,019,231.58</b>

## (ii) By nature

	2021	2020
Rental deposits	3,155,809.19	2,768,951.34
Prepayments	1,142,419.77	2,246,254.34
Others	873,037.98	908,887.98
<b>Total</b>	<b>5,171,266.94</b>	<b>5,924,093.66</b>

## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

## 5. Notes to financial statements (continued)

## (15) Other assets (continued)

## (15.3) Long-term deferred expenses

2021	Opening balance	Additions	Amortizations	Closing balance
Leasehold improvements	10,319,863.98	3,000,538.28	(3,961,426.75)	9,358,975.51

2020	Opening balance	Additions	Amortizations	Closing balance
Leasehold improvements	9,994,127.02	3,371,238.81	(3,045,501.85)	10,319,863.98

## (15.4) Intangible assets

	2021	2020
Cost		
Opening balance	20,417,239.94	16,635,709.13
Additions	542,314.87	1,934,809.87
Transfer from construction in progress	865,801.85	1,846,720.94
Disposal	(670,480.35)	-
Closing balance	21,154,876.31	20,417,239.94
Amortizing		
Opening balance	9,439,454.58	7,556,193.39
Additions	2,084,840.48	1,883,261.19
Disposal	(528,971.18)	-
Closing balance	10,995,323.88	9,439,454.58
Net carrying amount		
Opening balance	10,977,785.36	9,079,515.74
Closing balance	10,159,552.43	10,977,785.36

## (15.5) Construction in progress

	2021	2020
Opening balance	2,407,013.93	952,595.45
Additions	1,770,050.03	6,804,364.34
Transfers	(2,715,273.53)	(5,349,945.86)
Closing balance	1,461,790.43	2,407,013.93

## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

## 5. Notes to financial statements (continued)

## (15.5) Interest receivables

	2020
Interest receivables	
- from investments	55,336,919.93
- from loans	7,466,303.42
- from due from and placements with financial institutions	13,043,524.00
- from derivatives	388,739.40
Total	76,235,486.75

## (16) Due to banks and other financial institutions

	2021	2020
Overseas banks	59,388,091.33	42,806,674.82
Domestic financial institutions	32,784,803.04	18,676,211.60
Interest payables	86,416.67	-
Total	92,259,311.04	61,482,886.42

## (17) Placements from banks

	2021	2020
Domestic banks	518,295,500.00	575,249,000.00
Overseas banks	1,087,514,000.00	1,108,656,320.00
Interest payables	14,487,121.83	-
Total	1,620,296,621.83	1,683,905,320.00

## (18) Customer deposits

	2021	2020
Demand deposits		
Corporate customers	3,742,927,441.43	3,467,748,463.10
Personal customers	21,169,063.12	15,086,040.69
Time deposits		
Corporate customers	4,639,392,618.71	2,980,286,040.20
Personal customers	522,959,912.44	803,275,859.62
Others	200,000.00	233,316.02
Interest payables	37,009,217.97	-
Total	8,963,658,253.67	7,266,629,719.63

## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

## 5. Notes to financial statements (continued)

## (19) Payroll payables

Amount unpaid	2021	2020
Salary, bonus, subsidy and allowance	39,801,425.84	36,136,432.15
Amount payable	2021	2020
Salary, bonus, subsidy and allowance	99,006,798.83	91,538,027.37
Employee benefits	1,051,070.80	1,251,218.02
Social insurance	4,904,233.84	3,267,975.99
Including: Medical insurance	4,506,856.67	3,035,128.80
Injury insurance	154,548.89	7,149.44
Maternity insurance	242,828.28	225,697.75
Housing fund	6,668,178.24	4,777,101.05
Defined contribution plan	10,376,231.32	2,289,048.16
Including: Retirement insurance	7,968,500.76	493,143.94
Enterprise annuity	2,150,618.00	1,775,791.00
Unemployment insurance	257,112.56	20,113.22
Total	122,006,513.03	103,123,370.59

## (20) Tax payables

	2021	2020
Value-added Tax	4,727,364.66	3,679,809.26
Corporate Income Tax	5,906,218.94	11,520,797.86
Others	2,091,680.77	702,562.17
Total	12,725,264.37	15,903,169.29

## (21) Provisions

	Opening balance	Increase	Decrease	Closing balance
Provision for credit commitment and financial guarantee	6,218,178.52	3,698,344.46	-	9,916,522.98

The provisions for credit commitment and financial guarantee are measured according to the 12-month expected credit losses and lifetime expected credit loss respectively. The movement of credit impairment provisions during 2021 is as follows:

	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Total
Opening balance	6,218,178.52	-	-	6,218,178.52
Additions	3,709,294.64	-	-	3,709,294.64
Exchange differences	(10,950.18)	-	-	(10,950.18)
Closing balance	9,916,522.98	-	-	9,916,522.98





## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

## 5. Notes to financial statements (continued)

## (22) Bonds payables

	2021	2020
Interbank negotiable certificates of deposit	99,932,703.23	249,341,917.06
Total	<u>99,932,703.23</u>	<u>249,341,917.06</u>

On 31 December 2021 and 31 December 2020, the balances of bonds payables are as follows:

Date of issuance	Duration	Amount	2020				2021			
			Opening balance	Issuance	Amortization of discount/ premium	Reimbursement	Closing balance	Issuance	Amortization of discount/ premium	Reimbursement
2021/12/10	1 month	100,000,000.00	-	-	-	-	99,768,200.00	164,503.23	-	99,932,703.23
2020/11/5	3 months	100,000,000.00	-	99,175,100.00	505,763.42	-	99,680,863.42	319,136.58	100,000,000.00	-
2020/11/9	3 months	50,000,000.00	-	49,587,550.00	240,885.93	-	49,828,435.93	171,564.07	50,000,000.00	-
2020/12/21	1 month	100,000,000.00	-	99,737,400.00	95,217.71	-	99,832,617.71	167,382.29	100,000,000.00	-

In 2021, the Bank issued RMB interbank negotiable certificates of deposit in the national interbank market, with a face value of RMB 100 and discount interest.

## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

## 5. Notes to financial statements (continued)

## (23) Lease liabilities

	2021
Within 1 year	13,851,769.88
1-5 years	24,779,448.27
Total undiscounted lease liabilities	38,631,218.15
<b>Total</b>	<b>36,620,663.19</b>

## (24) Other liabilities

	2021	2020
Accounts payable	7,409,762.56	2,309,908.01
Accrued expenses	4,465,842.84	4,880,836.30
Deferred income	1,372,335.44	1,364,046.20
Interest payables	-	35,008,435.45
others	91,975.22	91,018.72
<b>Total</b>	<b>13,339,916.06</b>	<b>43,654,244.68</b>

## (25) Paid-up capital

	2021	2020
	RMB equivalent	RMB equivalent
	%	%
	1,500,000,000.00	1,500,000,000.00
	100%	100%

The original registered capital has been verified by Deloitte Touche Tohmatsu Hua Yong CPA Ltd., and the capital verification report De Shi Bao Yan Zi (10) No. 0039 and De Shi Bao Yan Zi (14) No. 0822 were issued.

## (26) Capital reserves

2021	Opening balance	Additions	Closing balance
Excess of contributed capital	453,890.00	-	453,890.00
<b>2020</b>	<b>Opening balance</b>	<b>Additions</b>	<b>Closing balance</b>
Excess of contributed capital	453,890.00	-	453,890.00

## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

## 5. Notes to financial statements (continued)

## (27) Other comprehensive income

Accumulated balance of other comprehensive income in the balance sheet:

2021	Opening balance	Changes during the year	Closing balance
Fair value changes of other debt investments	(4,004,896.15)	(28,831,002.48)	(32,835,898.63)
Fair value changes of loans and advances to customers at fair value through other comprehensive income	-	70,538.41	70,538.41
Provisions for other debt investments	290,954.25	1,726,917.59	2,017,871.84
Provisions for loans and advances to customers at fair value through other comprehensive income	693,935.33	(454,772.48)	239,162.85
<b>Total</b>	<b>(3,020,006.57)</b>	<b>(27,488,318.96)</b>	<b>(30,508,325.53)</b>
<b>2020</b>	<b>Opening balance</b>	<b>Changes during the year</b>	<b>Closing balance</b>
Accumulated fair value changes of available-for-sale financial assets	4,498,169.91	(9,838,206.92)	(5,340,037.01)
Tax impact on accumulated fair value changes of available-for-sale financial assets	(1,124,410.87)	2,459,551.73	1,335,140.86
<b>Total</b>	<b>3,373,759.04</b>	<b>(7,378,655.19)</b>	<b>(4,004,896.15)</b>

## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

## 5. Notes to financial statements (continued)

## (27) Other comprehensive income (continued)

Other comprehensive income in the income statement:

	Before tax	Less: Previously accrued OCI transfer to the income statemen	Less: tax	After tax
2021				
Items that may be reclassified to the income statement:				
Fair value changes of other debt investments	(37,409,632.00)	1,031,704.64	(9,610,334.16)	(28,831,002.48)
Fair value changes of loans and advances to customers at fair value through other comprehensive income	94,051.21	-	23,512.80	70,538.41
Impairment provision for other debt investments	2,302,556.78	-	575,639.19	1,726,917.59
Impairment provision for loans and advances to customers at fair value through other comprehensive income	(606,363.30)	-	(151,590.82)	(454,772.48)
Total	<u>(35,619,387.31)</u>	<u>1,031,704.64</u>	<u>(9,162,772.99)</u>	<u>(27,488,318.96)</u>
2020				
Items that may be reclassified to the income statement:				
Fair value changes of available-for-sale financial assets	(5,717,779.64)	4,120,427.28	(2,459,551.73)	(7,378,655.19)
Total	<u>(5,717,779.64)</u>	<u>4,120,427.28</u>	<u>(2,459,551.73)</u>	<u>(7,378,655.19)</u>



## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

## 5. Notes to financial statements (continued)

## (28) Surplus reserves

2021	Opening balance	Additions	Closing balance
Statutory surplus reserves	<u>17,735,089.44</u>	<u>5,016,443.59</u>	<u>22,751,533.03</u>
2020	Opening balance	Additions	Closing balance
Statutory surplus reserves	<u>13,485,204.29</u>	<u>4,249,885.15</u>	<u>17,735,089.44</u>

In accordance with the Company Law and Articles of Association of the Bank, the Bank has appropriated 10% of its net profits to the statutory surplus reserves. Statutory surplus reserves should be appropriated until its balance reaches 50% of the Bank's registered capital.

## (29) General reserves

2021	Opening balance	Additions	Closing balance
General reserves	<u>135,893,825.83</u>	<u>39,557,785.79</u>	<u>175,451,611.62</u>
2020	Opening balance	Additions	Closing balance
General reserves	<u>103,196,701.12</u>	<u>32,697,124.71</u>	<u>135,893,825.83</u>

In accordance with Cai Jin [2012] No. 20 "Impairment Loss on Loans for Financial Institutions", the Bank is required to set aside general reserves from net profit as profit appropriation. The balance of general reserves should be no less than 1.5% of the balance of risk-bearing assets as at year-end.

## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

## 5. Notes to financial statements (continued)

## (30) Retained earnings

	2021	2020
Opening balance before adjustment	41,199,823.99	35,647,982.31
Impact of adopting New Financial Instrument Standards	(1,902,557.26)	-
Opening balance after adjustment	39,297,266.73	35,647,982.31
Net profit	50,164,435.94	42,498,851.54
Less: Appropriations to		
- statutory surplus reserves	5,016,443.59	4,249,885.15
- general reserves	<u>39,557,785.79</u>	<u>32,697,124.71</u>
Closing balance	<u>44,887,473.29</u>	<u>41,199,823.99</u>

## (31) Net interest income

	2021	2020
Interest income		
Balances with the central bank	12,043,598.97	9,974,684.66
Due from banks and placements with banks	50,842,801.23	39,128,537.99
Reverse repurchase agreements	-	66,252.42
Debt investments	25,540,486.76	-
Other debt investments	102,151,956.52	-
Loans and advances	243,560,231.92	213,032,144.72
Including:		
Corporate loans	236,704,935.62	204,027,503.54
Discounted bills	3,400,070.13	4,335,141.92
Trade finance	<u>3,455,226.17</u>	<u>4,669,499.26</u>
Subtotal	<u>434,139,075.40</u>	<u>262,201,619.79</u>
Interest expenses		
Due to banks and placements from banks	(32,205,999.24)	(5,251,619.69)
Customer deposits	(132,253,698.44)	(109,328,816.87)
Repurchase agreements	(325,043.57)	(306,958.90)
Interbank certificates of Deposit	(943,710.86)	(894,183.79)
Lease liabilities	<u>(1,113,675.47)</u>	<u>-</u>
Subtotal	<u>(166,842,127.58)</u>	<u>(115,781,579.25)</u>
Net interest income	<u>267,296,947.82</u>	<u>146,420,040.54</u>

## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

## 5. Notes to financial statements (continued)

## (32) Net fee and commission income

	2021	2020
Fee and commission income		
Settlement and clearing fees	3,677,101.83	4,494,869.36
Commitment and agency fees	3,801,267.73	2,099,454.58
Others	1,030,852.39	1,410,062.48
Subtotal	8,509,221.95	8,004,386.42
Fee and commission expenses		
Service charge expenses	(1,400,337.99)	(1,610,002.58)
Net fee and commission income	7,108,883.96	6,394,383.84

## (33) Investment income

	2021	2020
Net gain on disposal of available-for-sale financial assets	-	2,721,186.46
Net gain on disposal of other debt investments	1,500,275.67	-
Net loss on disposal of financial assets at fair value through profit or loss	-	(201,000.01)
Net loss on disposal of financial assets held-for-trading	(76,037.73)	-
Interest income from bond investments	-	57,768,510.35
Interest income from receivables investments	-	32,121,359.12
Others	486,561.64	671,660.08
Total	1,910,799.58	93,081,716.00

## (34) Foreign exchange (loss)/gain

Foreign exchange gain or loss includes exchange gain from spot foreign exchanges deals with customers and for proprietary trading, realized gain or loss from foreign exchange forward and swap transactions, and exchange gain or loss of translation of monetary assets and liabilities in foreign currencies.

## (35) General and administrative expenses

	2021	2020
Staff costs	122,006,513.03	103,123,370.59
Depreciation	14,448,916.24	2,676,984.62
Amortization	6,046,267.23	4,928,763.04
Other operating expenses	31,611,118.50	40,448,390.18
Total	174,112,815.00	151,177,508.43

## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

## 5. Notes to financial statements (continued)

## (36) Credit Impairment losses

	2021
Credit impairment losses/(reverses) for	
Due from banks	815,629.83
Placements with banks	2,762,057.48
Loans and advances	22,990,693.17
Other debt investments	2,298,309.07
Debt investments	(3,362,014.30)
Loan commitments and financial guarantee contracts	3,709,294.64
Total	29,213,969.89

## (37) Impairment losses

	2021	2020
Impairment losses/(reverses) for		
Due from banks	-	974,077.17
Placements with banks	-	1,215,612.50
Loans and advances	-	19,559,749.59
Available-for-sale financial assets	-	(1,707,651.78)
Receivables investments	-	3,468,600.00
Others	193,135.94	-
Total	193,135.94	23,510,387.48

## (38) Income tax expense

	2021	2020
Current income tax expenses	20,290,742.21	20,163,832.49
Deferred income tax expenses	(3,214,965.36)	(5,315,653.10)
Total	17,075,776.85	14,848,179.39

The reconciliation of income tax expense to profit before tax is as follows:

	2021	2020
Profit before tax	67,240,212.79	57,347,030.93
Tax charge at the statutory tax rate of 25%	16,810,053.20	14,336,757.73
Tax exempted income	(421,078.68)	(118,816.63)
Non-deductible items	824,568.15	768,004.11
Research and development expenditures super-deduction	(137,765.82)	(137,765.82)
Income tax expense	17,075,776.85	14,848,179.39

## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

## 5. Notes to financial statements (continued)

## (39) Cash flows from operating activities

Reconciliation of net profit to cash flows from operating activities:

	2021	2020
Net profit	50,164,435.94	42,498,851.54
Add: Impairment losses	28,983,057.46	23,510,387.48
Depreciation for fixed assets	2,708,361.35	2,676,984.62
Depreciation for right-of-use assets	11,740,554.89	-
Amortization for intangible assets	2,084,840.48	1,883,261.19
Amortization for long-term deferred expenses	3,961,426.75	3,045,501.85
Unrealized exchange gain	4,154,564.62	(13,571,913.37)
Loss from changes in fair value	(167,662.98)	1,144,925.39
Interest on NCD	943,710.86	894,183.79
Interest on lease liabilities	1,113,675.47	-
Investment income and interest income	(129,603,242.86)	(93,081,716.00)
Increase in deferred tax assets	(2,790,916.99)	(5,315,653.10)
Increase in operating receivables	(1,182,010,324.25)	(630,395,963.00)
Increase in operating payables	1,629,354,931.81	938,074,858.24
Net cash flows generated from operating activities	<u>420,637,412.55</u>	<u>271,363,708.63</u>

## (40) Cash and Cash Equivalents

	2021	2020
Cash	638,409.47	351,491.78
Cash equivalents		
Non-restricted deposits with the central bank	134,125,712.62	271,535,608.04
With original maturity less than three months		
- Due from banks	307,416,295.66	415,186,486.38
- Placements with banks	1,368,757,000.00	1,685,363,500.00
Subtotal	<u>1,810,299,008.28</u>	<u>2,372,085,594.42</u>
Total	<u>1,810,937,417.75</u>	<u>2,372,437,086.20</u>

## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

## 6. Segment report

Based on the internal structure, management requirement and internal reporting system, the Bank divides its business lines into two reporting segments. The management of the Bank assesses the financial performance of these reporting segments periodically to decide the allocation of resources and make performance appraisal. The services provided by the Bank's two reporting segments are mainly credit and deposit business and financial markets business.

The segment of credit and deposit business covers services of corporate and personal deposits and loans, remittances, and trade finance, etc.

The segment of financial markets business covers placements with and from banks in inter-bank market, fixed income investment, and service of purchasing and selling foreign exchanges, etc.

The disclosure of the segments is based on the accounting policy and basis of preparation which individual segment adopts to report to the management. The basis of preparation is consistent with that adopted by the Bank when preparing the financial statements.

Segment revenues, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The basis for allocation is mainly based on occupation of or contribution to resources. Income taxes are managed on a group basis and are not allocated to operating segments.



## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

## 6. Segment report(continued)

2021	Credit and deposit	Financial Markets	Total
Net interest income	136,036,201.98	131,260,745.84	267,296,947.82
Net fee and commission income	7,108,883.96	-	7,108,883.96
Other income, net (i)	17,396,616.18	(16,887,022.46)	509,593.72
General and administrative expenses and non-operating expenses	(108,251,187.05)	(66,917,800.61)	(175,168,987.66)
Including: Depreciation and amortization	(12,665,643.44)	(7,829,540.03)	(20,495,183.47)
Tax and surcharges	(2,540,678.42)	(558,440.80)	(3,099,119.22)
Credit impairment losses	(23,337,973.51)	(5,875,996.38)	(29,213,969.89)
Impairment losses	(193,135.94)	-	(193,135.94)
Profit before tax of segment	26,218,727.20	41,021,485.59	67,240,212.79
Less: Income tax expense			17,075,776.85
Net profit			50,164,435.94
2021	Credit and deposit	Financial Markets	Total
Segment assets	5,821,458,070.52	6,787,739,118.88	12,609,197,189.40
Segment liabilities	9,037,864,110.31	1,858,296,896.68	10,896,161,006.99
Credit commitments	3,041,085,952.74	-	3,041,085,952.74

## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

## 6. Segment report(continued)

2020	Credit and deposit	Financial Markets	Total
Net interest income	103,703,327.85	42,716,712.69	146,420,040.54
Net fee and commission income	6,394,383.84	-	6,394,383.84
Other income, net (i)	85,914,339.33	(3,536,748.74)	82,377,590.59
General and administrative expenses and non-operating expenses	(123,883,508.09)	(28,593,276.71)	(152,476,784.80)
Including: Depreciation and amortization	(6,179,476.46)	(1,426,271.20)	(7,605,747.66)
Tax and surcharges	(1,331,326.98)	(526,484.78)	(1,857,811.76)
Impairment losses	(23,028,349.59)	(482,037.89)	(23,510,387.48)
Profit before tax of segment	47,768,866.36	9,578,164.57	57,347,030.93
Less: Income tax expense			14,848,179.39
Net profit			42,498,851.54
2020	Credit and deposit	Financial Markets	Total
Segment assets	5,079,935,938.96	5,972,045,134.51	11,051,981,073.47
Segment liabilities	7,346,254,168.68	2,014,449,171.68	9,360,703,340.36
Credit commitments	1,552,154,969.63	-	1,552,154,969.63

(i) Included investment income, gain or loss from changes in fair value, foreign exchange gain or loss, other operating expenses and non-operating income.

Geographical information

The Bank's external operating income is mainly attributable to China for the year 2021 and year 2020. Non-current assets are all located in China.

## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

**7. Financial Risk Management****(1) Overview of risk management****(1.1) Overview of risks**

The Bank is exposed to various types of risks in business operations. The key risks currently faced by the Bank include credit risk, liquidity risk, market risk and operational risk. Market risk includes foreign exchange risk and interest rate risk.

The Bank's risk management objective is to minimize the negative risk impact while maximizing the benefits or return to the Bank. To control risk, the fundamental risk management strategy of the Bank is to identify and analyze the Bank's exposure to various risks, to establish appropriate risk tolerance limits, and to monitor these risks in a timely and effective manner.

**(1.2) Risk management structure**

The Board of Directors of the Bank is responsible for establishing Bank's overall risk management strategies given business objectives. The Board of Directors supervise and control the overall business activities and business risks through the functions of its subcommittees. These include the Executive Committee, Risk Management Committee, Audit Committee, Related Party Transactions Control Committee and Nomination and Remuneration Committee. Management committees include Credit Committee, Assets and Liabilities Committee, Information Technology Committee, Anti Money Laundry Committee, Reward and Discipline Committee and Emergency Management Committee.

**(2) Credit Risk****(2.1) Credit Risk Management**

Credit risk refers to the potential loss born by the Bank when its borrowers or counterparties fail to meet their contractual obligations on due date. The Bank's on-balance sheet credit risk mainly arises from loan and other credit businesses. The Bank's off-balance sheet credit risk mainly arise from bank accepted draft and letters of credit issued. The management of the Bank closely monitors and manages the credit risk from these types of exposures.

The Bank manages credit risk by establishing credit risk management system, which includes:

- (i) Credit policy covers mortgage and pledge requirements, credit and financial analysis, risk rating and reporting, and regulatory requirements;
- (ii) The limit of credit authorization and review;
- (iii) The exposure limit for loan applicants, certain industries and countries, and bond issuers (bond investments);
- (iv) Supervise and control the compliance status of those approved exposure limit.

## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

**7. Financial Risk Management (continued)****(2) Credit Risk (continued)**

2021

According to whether there is a significant increase in credit risk and whether there is an impairment of assets, the Bank measures the impairment loss for different assets with ECL of 12 months or the entire lifetime respectively. The key measuring parameters of ECL include probability of default (PD), loss given default (LGD) and exposure at default (EAD). The Bank takes into account the quantitative analysis of historical statistics (such as ratings of counterparties, manners of guarantees and types of collaterals, repayments, etc.) and forward-looking information in order to establish the model of PD, LGD and EAD.

Relative definitions are listed as below

- PD refers to the possibility that the debtor will not be able to fulfil its obligations of repayment over the next 12 months or throughout the entire remaining lifetime. The Bank's PD is adjusted based on the results of the ECL model, taking into account the forward-looking information to reflect the debtor's point-in-time (PIT) PD under the current macroeconomic environment;
- LGD refers to the Bank's expectation of the extent of the loss resulting from the default exposure. Depending on the type of counterparty, the method and priority of the recourse, and the type of collaterals, the LGD varies. The LGD is the percentage of loss of risk exposure at the time of default, calculated over the next 12 months or over the entire remaining lifetime;
- EAD is the amount that the Bank should be reimbursed in the next 12 months or throughout the remaining lifetime when the default occurs.

The assessment of a significant increase in credit risk and the calculation of ECL both involve forward-looking information. Through the analysis of historical data, the Bank identifies the key economic indicators that affect the credit risk and ECL of various business sectors.

The impact of these economic indicators on the PD and the LGD varies according to different business sectors. The Bank applies experts' judgement in this process. According to the result of the judgement, the Bank predicts these economic indicators annually and determines the impact of these economic indicators on the PD and the LGD.

NOTES TO FINANCIAL STATEMENTS(continued)  
For the year ended 31 December 2021

Unit: RMB yuan

## 7. Financial Risk Management (continued)

## (2) Credit Risk (continued)

## (2.2) Maximum credit risk exposure without consideration of any collateral and other credit enhancements

Concentration of credit risk arises when a number of the Bank's customers perform similar operating activities or locate in the same geographical region, or have similar economic characteristics, and their ability to fulfill contractual obligation will be affected by similar economic events. Concentration of credit risk reflects the sensitivity of the Bank's business performance towards certain industries or regions.

As of balance sheet date, the maximum credit risk exposure of the Bank without taking into consideration of collaterals and other credit enhancements is as follows:

	2021	2020
Balances with the central bank	820,269,228.73	930,809,528.92
Due from banks	306,621,090.94	413,795,792.60
Placements with banks	2,340,287,886.47	2,414,147,887.50
Derivative financial assets	7,992,883.42	2,529,610.69
Loans and advances to customers	5,407,712,533.55	4,490,671,946.16
Financial investments		
-financial assets held-for-trading	6,195,572.09	-
-debt investments	371,502,302.64	-
-other debt investments	3,242,682,514.79	-
Available-for-sale financial assets	-	2,110,234,857.48
Held-to-maturity investment	-	20,988,034.87
Receivables investments	-	519,883,000.00
Other financial assets	3,157,109.19	78,795,988.08
Total	<u>12,506,421,121.82</u>	<u>10,981,856,646.30</u>
Credit commitments	<u>3,041,085,952.74</u>	<u>1,552,154,969.63</u>
Maximum credit risk exposure	<u>15,547,507,074.56</u>	<u>12,534,011,615.93</u>

## (2.3) Risk concentration

The concentration of counterparties in the same industry sector, geographical location or having similar economic characteristics would expose the Bank to higher credit risk. Credit risk may vary from different industries or geographical regions due to their unique economic development characteristics.

The Bank mainly provides loans and other credit facilities to domestic customers.

NOTES TO FINANCIAL STATEMENTS(continued)  
For the year ended 31 December 2021

Unit: RMB yuan

## 7. Financial Risk Management (continued)

## (2) Credit Risk (continued)

## (2.3) Risk concentration (continued)

Loans and advances distributed by industries are listed below:

	Book Value	2021 %	Book Value	2020 %
Manufacturing	315,022,188.39	6%	490,112,509.88	11%
Wholesale and retail	469,595,236.92	9%	618,993,282.94	14%
Construction	858,794,944.49	15%	443,423,258.19	10%
Agriculture, forestry, farming and fishing	99,000,000.00	2%	159,500,000.00	3%
Transportation	80,000,000.00	1%	140,000,000.00	3%
Leasing and business services	2,587,696,884.85	47%	2,076,892,092.41	44%
Paper-making and paper products	-	0%	5,000,000.00	0%
Culture, sports and entertainment	90,000,000.00	2%	134,000,000.00	3%
Water conservancy, environment and public facilities management	588,000,000.00	11%	310,000,000.00	7%
Real estate	-	0%	70,000,000.00	2%
Finance	418,386,487.51	7%	133,003,235.98	3%
Subtotal	5,506,495,742.16	100%	4,580,924,379.40	100%
Interest receivables	8,733,234.45		-	
Total	5,515,228,976.61		4,580,924,379.40	
Less: provision	107,516,443.06		90,252,433.24	
Net value	<u>5,407,712,533.55</u>		<u>4,490,671,946.16</u>	

Loans and advances distributed by regions are shown below:

	2021	2020
Shanghai	1,563,685,002.11	1,616,671,922.03
Jiangsu	3,586,860,909.12	2,595,085,833.83
Fujian	355,949,830.93	369,166,623.54
Subtotal	5,506,495,742.16	4,580,924,379.40
Interest receivables	8,733,234.45	-
Total	5,515,228,976.61	4,580,924,379.40
Less: provision	107,516,443.06	90,252,433.24
Net amount	<u>5,407,712,533.55</u>	<u>4,490,671,946.16</u>



## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

## 7. Financial Risk Management (continued)

## (2) Credit Risk (continued)

## (2.4) Collateral

The amount and types of collateral that the Bank needs to acquire depends on its credit risk evaluation of its counterparties. The Bank establishes related guidelines on the types of collateral and evaluation criteria.

The management will monitor the market value of collateral periodically and may require borrowers to increase collateral based on the related contracts. When reviewing the adequacy of loss provision, the change in the collateral's market value will be monitored and carefully considered.

For commercial loans, collateral mainly includes certificates of deposits, receivables, real estates, etc.

## (2.5) Credit quality

The credit quality of financial assets of the Bank (excluding impairment provision) is analyzed as follows:

## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

## 7. Financial Risk Management (continued)

	Neither overdue nor impaired	Overdue but not impaired	Impaired	Total
2021				
Balances with the central bank	820,269,228.73	-	-	820,269,228.73
Due from banks	307,542,684.55	-	-	307,542,684.55
Placements with banks	2,343,144,973.78	-	-	2,343,144,973.78
Financial assets held-for-trading	6,195,572.09	-	-	6,195,572.09
Derivative financial assets	7,992,883.42	-	-	7,992,883.42
Loans and advances to customers	5,501,775,931.38	-	13,453,045.23	5,515,228,976.61
Debt investments	375,144,464.76	-	-	375,144,464.76
Other debt investments	3,242,682,514.79	-	-	3,242,682,514.79
Other financial assets	3,157,109.19	-	869,012.08	4,026,121.27
Total	12,607,905,362.69	-	14,322,057.31	12,622,227,420.00
2020				
Balances with the central bank	930,809,528.92	-	-	930,809,528.92
Due from banks	415,186,486.38	-	-	415,186,486.38
Placements with banks	2,415,363,500.00	-	-	2,415,363,500.00
Derivative financial assets	2,529,610.69	-	-	2,529,610.69
Loans and advances to customers	4,561,632,889.45	-	19,291,489.95	4,580,924,379.40
Available-for-sale financial assets	2,110,234,857.48	-	-	2,110,234,857.48
Held-to-maturity investment	20,988,034.87	-	-	20,988,034.87
Receivables investments	527,800,000.00	-	-	527,800,000.00
Other financial assets	78,795,988.08	-	904,862.08	79,700,850.16
Total	11,063,340,895.87	-	20,196,352.03	11,083,537,247.90

As at 31 December 2021, the Bank has no overdue but not impaired financial assets (31 December 2020:nil).

## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

## 7. Financial Risk Management (continued)

## (2) Credit Risk (continued)

## (2.5) Credit quality (continued)

Loans and advances that are neither overdue nor impaired

Loans and advances that are neither overdue nor impaired are classified as pass or special mention on the balance sheet date.

The composition of loans that are neither overdue nor impaired by type of collaterals as at the balance sheet date is as follows:

2021	Pass	Special Mention	Total
Unsecured loans	147,405,028.75	-	147,405,028.75
Guaranteed loans	3,751,130,445.95	-	3,751,130,445.95
Loans secured by mortgages	134,179,836.25	-	134,179,836.25
Loans secured by pledges	1,469,060,620.43	-	1,469,060,620.43
<b>Total</b>	<b>5,501,775,931.38</b>	<b>-</b>	<b>5,501,775,931.38</b>
2020	Pass	Special Mention	Total
Unsecured loans	263,927,834.32	-	263,927,834.32
Guaranteed loans	2,893,537,964.97	-	2,893,537,964.97
Loans secured by mortgages	288,851,600.00	-	288,851,600.00
Loans secured by pledges	1,115,315,490.16	-	1,115,315,490.16
<b>Total</b>	<b>4,561,632,889.45</b>	<b>-</b>	<b>4,561,632,889.45</b>

Loans and advances that are overdue but not impaired

As at 31 December 2021, the Bank has no overdue but not impaired loans and advances.

Impaired loans and advances

If there is objective evidence that a single or multiple negative events occurred after the initial recognition of loans and advances and the impact on the expected future cash flows from the events can be estimated reliably, the relevant loans and advances should be recognized as impaired. These loans are classified as "Substandard", "Doubtful" or "Loss". As of balance sheet date, the balance of impaired loans and advances is RMB13,453,045.23 (2020: the balance of impaired loans and advances is RMB19,291,489.95), among which the balance of guaranteed loans is RMB2,958,442.92 (2020: the balance of guaranteed loans is RMB8,501,489.95).

## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

## 7. Financial Risk Management (continued)

## (3) Liquidity risk

Liquidity risk is defined as the risk that the Bank is unable to meet its financial obligations on the due date. Liquidity risk of the Bank mainly arises from early or concentrative withdrawal by customers, delayed loan repayment by borrowers, and amount or maturity mismatch of its assets and liabilities.

In accordance with the "Administrative Regulations of the People's Republic of China on Foreign-invested Banks" and the relevant regulations, the Bank must continuously meet the minimum regulatory standards for high-quality liquid assets adequacy ratio, liquidity ratio and liquidity matching ratio. The Bank manages liquidity risk according to the maturity of assets and liabilities.

The liquidity risk management policies established by the Bank are mainly as follows:

- (i) Financial Markets Division closely monitors the structure, term, limit, and funding cost of RMB and foreign currency positions to maintain liquidity;
- (ii) The Assets and Liabilities Committee holds meetings at least once per month to discuss management policies of market risk and liquidity risk, portfolio management policies, structure optimization of assets and liabilities, and exchange rate and interest rate pricing;
- (iii) The duties of Financial Markets Division of the Bank ensure that internal limits and liquidity regulatory requirements are complied with at any time.

## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

## 7. Financial Risk Management (continued)

## (3) Liquidity risk (continued)

The undiscounted cash flows of the Bank's financial assets and liabilities by contractual maturities as at 31 December 2021 are as follows:

	Overdue/ on demand	Within 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Undated	Total
Cash and balances with the central bank	134,764,691.19	-	337,300.81	-	-	-	685,805,646.20	820,907,638.20
Due from banks	156,495,377.68	150,203,491.04	-	-	-	-	-	306,698,868.72
Placements with banks	-	1,382,938,787.35	487,015,297.90	478,084,688.40	-	-	-	2,348,038,773.65
Derivative financial assets	-	688,399.52	743,136.74	6,561,347.16	-	-	-	7,992,883.42
Loans and advances to customers	-	425,512,745.86	1,379,848,110.80	3,325,935,320.37	438,179,627.76	4,579,221.40	-	5,574,055,026.19
Financial assets held-for-trading	-	-	-	-	6,195,572.09	-	-	6,195,572.09
Debt investments	-	99,277,261.05	4,066,625.00	255,810,603.22	-	26,453,857.35	-	385,608,346.62
Other debt investments	-	368,711,624.24	250,969,186.73	1,363,804,934.77	1,445,716,268.61	-	-	3,429,202,014.35
Other financial assets	-	-	-	10,500.00	3,146,609.19	-	-	3,157,109.19
<b>Total financial assets</b>	<b>291,260,068.87</b>	<b>2,427,332,309.06</b>	<b>2,122,979,657.98</b>	<b>5,430,207,393.92</b>	<b>1,893,238,077.65</b>	<b>31,033,078.75</b>	<b>685,805,646.20</b>	<b>12,881,856,232.43</b>
Due to banks and other financial institutions	72,172,894.37	-	20,153,753.42	-	-	-	-	92,326,647.79
Placements from banks	-	820,192,294.82	389,650,781.26	419,310,549.27	-	-	-	1,629,153,625.35
Customer deposits	3,767,784,344.81	746,151,903.78	1,026,649,800.88	3,158,762,944.54	317,818,553.98	-	-	9,017,167,547.99
Bonds payables	-	100,000,000.00	-	-	-	-	-	100,000,000.00
Derivative financial liabilities	-	664,265.33	749,351.33	6,196,708.12	-	-	-	7,610,324.78
Lease liabilities	-	1,128,232.62	2,337,434.44	10,386,102.82	24,779,448.27	-	-	38,631,218.15
Other financial liabilities	1,606,698.52	-	-	10,241,906.88	27,000.00	-	-	11,875,605.40
<b>Total financial liabilities</b>	<b>3,841,563,937.70</b>	<b>1,668,136,696.55</b>	<b>1,439,541,121.33</b>	<b>3,604,898,211.63</b>	<b>342,625,002.25</b>	<b>-</b>	<b>-</b>	<b>10,896,764,969.46</b>
Credit commitments	81,430,468.75	289,250,064.68	645,815,687.70	2,024,589,731.61	-	-	-	3,041,085,952.74



## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

## 7. Financial Risk Management (continued)

## (3) Liquidity risk (continued)

The undiscounted cash flows of the Bank's financial assets and liabilities by contractual maturities as at 31 December 2020 are as follows:

	Overdue/ on demand	Within 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Undated	Total
Cash and balances with the central bank	271,913,233.37	-	293,410.80	-	-	-	659,273,920.88	931,480,565.05
Due from banks	413,833,481.34	-	-	-	-	-	-	413,833,481.34
Placements with banks	-	918,143,024.21	1,124,352,278.48	396,785,625.00	-	-	-	2,439,280,927.69
Derivative financial assets	-	358,766.10	162,838.45	369,547.85	1,638,458.29	-	-	2,529,610.69
Loans and advances to customers	267,265.88	153,195,611.37	515,341,072.55	3,379,877,088.66	624,844,261.07	1,168,681.02	-	4,674,693,980.55
Available-for-sale financial assets	-	1,027,346,151.53	39,436,812.55	182,465,246.86	1,078,676,312.77	-	-	2,327,924,523.71
Held-to-maturity investment	-	-	-	772,499.05	3,089,996.20	23,089,996.20	-	26,952,491.45
Receivables investments	-	-	81,292,485.34	116,327,456.38	360,974,791.66	-	-	558,594,733.38
Other financial assets	-	-	-	1,300.00	2,559,201.33	-	-	2,560,501.33
<b>Total financial assets</b>	<b>686,013,980.59</b>	<b>2,099,043,553.21</b>	<b>1,760,878,898.17</b>	<b>4,076,598,763.80</b>	<b>2,071,783,021.32</b>	<b>24,258,677.22</b>	<b>659,273,920.88</b>	<b>11,377,850,815.19</b>
Due to banks and other financial institutions	56,482,886.42	5,011,194.44	-	-	-	-	-	61,494,080.86
Placements from banks	-	505,110,421.11	853,810,394.08	336,673,234.00	-	-	-	1,695,594,049.19
Customer deposits	3,496,083,602.50	882,527,786.47	1,010,122,569.03	1,918,634,141.50	15,583,860.32	-	-	7,322,951,959.82
Bonds payables	-	100,000,000.00	150,000,000.00	-	-	-	-	250,000,000.00
Derivative financial liabilities	-	1,488,678.87	221,705.73	353,963.24	1,585,303.29	-	-	3,649,651.13
Other financial liabilities	1,570,727.26	-	-	4,166,471.29	-	-	-	5,737,198.55
<b>Total financial liabilities</b>	<b>3,554,137,216.18</b>	<b>1,494,138,080.89</b>	<b>2,014,154,668.84</b>	<b>2,259,827,810.03</b>	<b>17,169,163.61</b>	<b>-</b>	<b>-</b>	<b>9,339,426,939.55</b>
Credit commitments	18,423,891.38	223,106,834.57	396,868,420.98	913,755,822.70	-	-	-	1,552,154,969.63

## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

## 7. Financial Risk Management (continued)

## (4) Market risk

Market risk refers to the risk of losses occurred in the Bank's on and off balance sheet business due to adverse changes of market prices. The Bank's market risk mainly includes currency risk and interest rate risk.

The Bank's risk management organizational structure consists of its Boards of Directors, Risk Management Committee under the Boards of Directors, The Assets and Liabilities Committee under the President, different business units such as Branches and Financial Markets Division, risk control units such as Risk Management, Operation, Accounting and Finance and Internal Audit. The Bank has an established market risk limit management system and has refined and standardized management procedures and reporting process of market risk.

The Bank performs sensitivity analysis that considers effects of relevant market risk on assumption that only one single variable changes. As few variables of risks change alone, and correlations among risk variables have significant impact on final changes by one single risk variable, the results of sensitivity analysis may provide limited information on the amount of market risk.

## (4.1) Currency risk

The Bank's currency risk arises mainly from currency mismatches of assets and liabilities and foreign currency trading business. The Bank makes appropriate adjustments of foreign currency net position to prevent currency risk caused by market exchange rate fluctuation.

As at 31 December 2021, the Bank's financial assets and financial liabilities by currency are as follows:

	RMB	USD (RMB equivalent)	EUR (RMB equivalent)	Other (RMB equivalent)	Total
Cash and balances with the central bank	744,406,079.33	76,501,558.87	-	-	820,907,638.20
Due from banks	164,453,502.17	130,490,606.42	5,430,671.77	6,246,310.58	306,621,090.94
Placements with banks	2,084,648,248.68	255,639,637.79	-	-	2,340,287,886.47
Derivative financial assets	7,992,883.42	-	-	-	7,992,883.42
Loans and advances to customers	4,977,415,903.20	317,553,801.58	112,742,828.77	-	5,407,712,533.55
Financial assets held-for-trading	6,195,572.09	-	-	-	6,195,572.09
Debt investments	371,502,302.64	-	-	-	371,502,302.64
Other debt investments	2,995,815,088.50	246,867,426.29	-	-	3,242,682,514.79
Other financial assets	3,157,109.19	-	-	-	3,157,109.19
<b>Total financial assets</b>	<b>11,355,586,689.22</b>	<b>1,027,053,030.95</b>	<b>118,173,500.54</b>	<b>6,246,310.58</b>	<b>12,507,059,531.29</b>

## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

## 7. Financial Risk Management (continued)

## (4) Market risk (continued)

## (4.1) Currency risk (continued)

As at 31 December 2021, the Bank's financial assets and financial liabilities by currency are as follows: (continued)

	RMB	USD (RMB equivalent)	EUR (RMB equivalent)	Other (RMB equivalent)	Total
Due from banks and other financial institutions	33,812,247.31	58,447,063.73	-	-	92,259,311.04
Placements from banks	1,384,428,851.89	127,571,828.74	108,295,941.20	-	1,620,296,621.83
Customer deposits	8,132,819,924.20	830,275,061.79	66,790.09	496,477.59	8,963,658,253.67
Bonds payables	99,932,703.23	-	-	-	99,932,703.23
Derivative financial liabilities	7,610,324.78	-	-	-	7,610,324.78
Lease liabilities	36,620,663.19	-	-	-	36,620,663.19
Other financial liabilities	11,728,692.37	146,913.03	-	-	11,875,605.40
<b>Total financial liabilities</b>	<b>9,706,953,406.97</b>	<b>1,016,440,867.29</b>	<b>108,362,731.29</b>	<b>496,477.59</b>	<b>10,832,253,483.14</b>
<b>Net position</b>	<b>1,648,633,282.25</b>	<b>10,612,163.66</b>	<b>9,810,769.25</b>	<b>5,749,832.99</b>	<b>1,674,806,048.15</b>
<b>Credit commitments</b>	<b>2,865,312,763.67</b>	<b>157,242,397.06</b>	<b>18,530,792.01</b>	<b>-</b>	<b>3,041,085,952.74</b>

As at 31 December 2020, the Bank's financial assets and financial liabilities by currency are as follows:

	RMB	USD (RMB equivalent)	EUR (RMB equivalent)	Other (RMB equivalent)	Total
Cash and balances with the central bank	859,515,317.37	71,645,703.33	-	-	931,161,020.70
Due from banks	114,238,559.96	242,824,196.03	49,338,626.97	7,394,409.64	413,795,792.60
Placements with banks	1,664,600,000.00	749,547,887.50	-	-	2,414,147,887.50
Derivative financial assets	2,529,610.69	-	-	-	2,529,610.69
Loans and advances to customers	4,213,642,212.13	206,260,925.09	64,439,363.36	6,329,445.58	4,490,671,946.16
Available-for-sale financial assets	1,966,711,525.85	143,523,331.63	-	-	2,110,234,857.48
Held-to-maturity investment	20,988,034.87	-	-	-	20,988,034.87
Receivables investments	519,883,000.00	-	-	-	519,883,000.00
Other financial assets	75,574,868.53	3,163,718.41	53,081.52	4,319.62	78,795,988.08
<b>Total financial assets</b>	<b>9,437,683,129.40</b>	<b>1,416,965,761.99</b>	<b>113,831,071.85</b>	<b>13,728,174.84</b>	<b>10,982,208,138.08</b>
	RMB	USD (RMB equivalent)	EUR (RMB equivalent)	Other (RMB equivalent)	Total
Due from banks and other financial institutions	20,408,577.17	41,074,309.25	-	-	61,482,886.42
Placements from banks	1,050,000,000.00	521,992,000.00	104,325,000.00	7,588,320.00	1,683,905,320.00
Derivative financial liabilities	3,649,651.13	-	-	-	3,649,651.13
Customer deposits	6,252,571,186.39	1,013,889,414.55	150,402.86	18,715.83	7,266,629,719.63
Bonds payables	249,341,917.06	-	-	-	249,341,917.06
Other financial liabilities	35,949,147.90	4,795,428.60	839.25	218.25	40,745,634.00
<b>Total financial liabilities</b>	<b>7,611,920,479.65</b>	<b>1,581,751,152.40</b>	<b>104,476,242.11</b>	<b>7,607,254.08</b>	<b>9,305,755,128.24</b>
<b>Net position</b>	<b>1,825,762,649.75</b>	<b>(164,785,390.41)</b>	<b>9,354,829.74</b>	<b>6,120,920.76</b>	<b>1,676,453,009.84</b>
<b>Credit commitments</b>	<b>1,374,668,867.54</b>	<b>149,641,450.71</b>	<b>27,844,651.38</b>	<b>-</b>	<b>1,552,154,969.63</b>

## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

**7. Financial Risk Management (continued)****(4) Market risk (continued)****(4.1) Currency risk (continued)**

As at 31 December 2021, based on the assumption that all other variables remain constant, if the foreign currency depreciates/appreciates by 1% against the standard currency, the Bank's net profit or loss will increase/decrease by RMB4,773,499.38 (2020: RMB2,196,247.29); the Bank's other comprehensive income after tax will decrease/increase by RMB4,969,795.13 (2020: RMB1,076,424.99).

The sensitivity analysis above is performed on the basis that assets and liabilities have static currency risk structure. It shows the impact of a change in foreign exchange rates against RMB on the Bank's profit after tax and equity, given other variables remain constant.

The analysis is based on the following assumptions:

- (1) Exchange rate sensitivity refers to the gains and losses caused by the 1% change of the closing rate (mid-rate) of foreign currencies against RMB as at the balance sheet date;
- (2) Exchange rate fluctuation refers to the fluctuation of all foreign currencies against RMB in the same direction simultaneously;
- (3) Off-balance sheet items are excluded in net position.

Due to the assumptions mentioned above, the actual impact of exchange rate fluctuation on the Bank's foreign exchange gain or loss may differ from the above sensitivity analysis.

**(4.2) Interest rate risk**

The Bank's interest rate risk mainly arises from the mismatch of contractual maturity date and re-pricing date of interest-generating assets and interest-bearing liabilities.

Floating interest rate instruments expose the Bank to cash flow interest risk, whereas fixed interest rate instruments expose the Bank to fair value interest risk. Floating interest rate instruments are re-priced at intervals of less than one year. Fixed interest rate instruments are priced at the inception of financial instruments and are fixed until maturity. The Bank measures the re-pricing risk of interest-generating assets and interest-bearing liabilities by re-pricing date of floating interest rate instruments and maturity date of fixed interest rate instruments.

The Bank conducts timely assessment and monitoring on the macro-economic status during operation to reduce the risk caused by the interest rate fluctuation. It adjusts the structure and terms of relative assets and liabilities based on this assessment.





## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

## 7. Financial Risk Management (continued)

## (4) Market risk (continued)

## (4.2) Interest rate risk (continued)

As at 31 December 2021, the Bank's analysis of financial assets and liabilities by the earlier of maturity date and re-pricing date is as follows:

	Within 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Overdue/Non-interest bearing	Total
Cash and balances with the central bank	743,575,975.62	-	-	-	-	77,331,662.58	820,907,638.20
Due from banks	306,494,702.05	-	-	-	-	126,388.89	306,621,090.94
Placements with banks	1,372,519,441.79	483,382,540.95	471,268,929.95	-	-	13,116,973.78	2,340,287,886.47
Derivative financial assets	-	-	-	-	-	7,992,883.42	7,992,883.42
Loans and advances to customers	405,469,848.40	1,343,935,378.42	3,241,575,212.52	406,899,036.30	1,099,823.46	8,733,234.45	5,407,712,533.55
Financial assets held-for-trading	-	-	-	6,195,572.09	-	-	6,195,572.09
Debt investments	98,708,011.05	-	251,248,685.62	-	20,269,994.34	1,275,611.63	371,502,302.64
Other debt investments	358,867,331.50	238,265,381.10	1,272,507,573.30	1,304,787,263.04	-	68,254,965.85	3,242,682,514.79
Other financial assets	-	-	-	-	-	3,157,109.19	3,157,109.19
<b>Total financial assets</b>	<b>3,285,635,310.41</b>	<b>2,065,583,300.47</b>	<b>5,236,600,401.39</b>	<b>1,717,881,871.43</b>	<b>21,369,817.80</b>	<b>179,988,829.79</b>	<b>12,507,059,531.29</b>
Due to banks and other financial institutions	15,766,833.11	20,000,000.00	-	-	-	56,492,477.93	92,259,311.04
Placements from banks	808,295,500.00	387,514,000.00	410,000,000.00	-	-	14,487,121.83	1,620,296,621.83
Customer deposits	4,506,673,780.32	1,014,417,577.76	3,112,980,331.82	292,577,345.80	-	37,009,217.97	8,963,658,253.67
Bonds payables	99,932,703.23	-	-	-	-	-	99,932,703.23
Derivative financial liabilities	-	-	-	-	-	7,610,324.78	7,610,324.78
Lease liabilities	1,091,288.31	2,254,935.75	9,906,729.96	23,367,709.17	-	-	36,620,663.19
Other financial liabilities	-	-	-	-	-	11,875,605.40	11,875,605.40
<b>Total financial liabilities</b>	<b>5,431,760,104.97</b>	<b>1,424,186,513.51</b>	<b>3,532,887,061.78</b>	<b>315,945,054.97</b>	<b>-</b>	<b>127,474,747.91</b>	<b>10,832,253,483.14</b>
<b>Net position</b>	<b>(2,146,124,794.56)</b>	<b>641,396,786.96</b>	<b>1,703,713,339.61</b>	<b>1,401,936,816.46</b>	<b>21,369,817.80</b>	<b>52,514,081.88</b>	<b>1,674,806,048.15</b>

## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

## 7. Financial Risk Management (continued)

## (4) Market risk (continued)

## (4.2) Interest rate risk (continued)

As at 31 December 2020, the Bank's analysis of financial assets and liabilities by the earlier of maturity date and re-pricing date is as follows:

	Within 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Overdue/Non-interest bearing	Total
Cash and balances with the central bank	859,241,576.30	-	-	-	-	71,919,444.40	931,161,020.70
Due from banks	413,795,792.60	-	-	-	-	-	413,795,792.60
Placements with banks	915,278,387.50	1,113,869,500.00	385,000,000.00	-	-	-	2,414,147,887.50
Derivative financial assets	-	-	-	-	-	2,529,610.69	2,529,610.69
Loans and advances to customers	130,146,085.75	480,759,833.26	3,286,262,009.29	592,121,496.19	1,121,498.44	261,023.23	4,490,671,946.16
Available-for-sale financial assets	999,949,310.00	29,806,652.70	139,877,750.00	940,601,144.78	-	-	2,110,234,857.48
Held-to-maturity investment	-	-	-	-	20,988,034.87	-	20,988,034.87
Receivables investments	-	72,693,000.00	98,500,000.00	348,690,000.00	-	-	519,883,000.00
Other financial assets	-	-	-	-	-	78,795,988.08	78,795,988.08
<b>Total financial assets</b>	<b>3,318,411,152.15</b>	<b>1,697,128,985.96</b>	<b>3,909,639,759.29</b>	<b>1,881,412,640.97</b>	<b>22,109,533.31</b>	<b>153,506,066.40</b>	<b>10,982,208,138.08</b>
Due to banks and other financial institutions	20,408,577.17	-	-	-	-	41,074,309.25	61,482,886.42
Placements from banks	504,325,000.00	848,869,500.00	330,710,820.00	-	-	-	1,683,905,320.00
Customer deposits	4,369,951,494.94	998,463,686.21	1,883,311,352.91	14,903,185.57	-	-	7,266,629,719.63
Bonds payables	99,832,617.71	149,509,299.35	-	-	-	-	249,341,917.06
Derivative financial liabilities	-	-	-	-	-	3,649,651.13	3,649,651.13
Other financial liabilities	-	-	-	-	-	40,745,634.00	40,745,634.00
<b>Total financial liabilities</b>	<b>4,994,517,689.82</b>	<b>1,996,842,485.56</b>	<b>2,214,022,172.91</b>	<b>14,903,185.57</b>	<b>-</b>	<b>85,469,594.38</b>	<b>9,305,755,128.24</b>
<b>Net position</b>	<b>(1,676,106,537.67)</b>	<b>(299,713,499.60)</b>	<b>1,695,617,586.38</b>	<b>1,866,509,455.40</b>	<b>22,109,533.31</b>	<b>68,036,472.02</b>	<b>1,676,453,009.84</b>

## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

## 7. Financial Risk Management (continued)

## (4) Market risk (continued)

## (4.2) Interest rate risk (continued)

As at 31 December 2021, based on the assumption that all other variables remain constant, if the deposit and loan interest rate increases/decreases by 100 basis points, the Bank's net profit or loss will decrease/increase by RMB6,624,848.27 (2020: RMB9,151,300.65); the Bank's other comprehensive income after tax will decrease/increase by RMB19,551,399.67 (2020: RMB10,513,425.84).

The sensitivity analysis above is performed on the basis that assets and liabilities have static interest rate risk structure. It reflects the impact of interest rate movement on the Bank's annualized interest income for over a one year period. The key assumptions are as follows:

- (1) All assets and liabilities with re-pricing date or maturity date less than 1 month, 1 month to 3 months, and 3 months to 1 year are assumed to be re-priced or matured in the middle of the respective period;
- (2) There is a parallel yield curve move relative to current interest rates;
- (3) There are no other changes for the portfolio of assets and liabilities;
- (4) Off-balance sheet items are excluded.

Due to the assumptions mentioned above, the actual net interest income from interest rate movement may differ from the sensitivity analysis results.

The impact on equity is estimated from the change in market value of "Available-for-sale" financial assets caused by a parallel shift of yield curve arising from the interest rate change.

## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

## 8. Capital Management

The Bank has adopted a strong capital management method to prevent and mitigate the inherent risk in business operation and complied with the requirements of regulatory authorities. The Bank also targets to maintain sufficient capital adequacy ratio for operations and maximizing shareholder's value. The Bank adjusts its capital structure actively to adapt to the change of economic environment and related risk characteristics.

The Bank calculates and discloses capital adequacy ratio according to "Regulations Governing Capital of Commercial Banks (Provisional)". CBIRC requires that a commercial bank's core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio should not be lower than 7.5%, 8.5%, and 10.5% respectively.

Core tier-one capital includes paid-up capital, capital reserve, other comprehensive income, surplus reserves, general reserves and retained earnings. The Bank has no other tier-one capital. Tier-two capital mainly includes surplus provision for loan impairment.

	2021	2020
Core tier-one capital	1,713,036,182.41	1,691,277,733.11
Paid-up capital	1,500,000,000.00	1,500,000,000.00
Capital reserves	453,890.00	453,890.00
Other comprehensive income	(30,508,325.53)	(4,004,896.15)
Surplus reserves	22,751,533.03	17,735,089.44
General reserves	175,451,611.62	135,893,825.83
Retained earnings	44,887,473.29	41,199,823.99
Core tier-one capital deductions	10,159,552.43	10,977,785.36
Other intangible assets	10,159,552.43	10,977,785.36
Provision for loan impairment	-	-
Net core tier-one capital	1,702,876,629.98	1,680,299,947.75
Net tier-one capital	1,702,876,629.98	1,680,299,947.75
Tier-two capital	94,382,300.00	70,960,900.00
Surplus provision for loan impairment	94,382,300.00	70,960,900.00
Net capital base	1,797,258,929.98	1,751,260,847.75
Weighted risk assets	10,749,494,425.13	9,458,920,311.18
Core tier-one capital adequacy ratio	15.84%	17.76%
Tier-one capital adequacy ratio	15.84%	17.76%
Capital adequacy ratio	16.72%	18.51%

The capital adequacy ratios and related components of the Bank are calculated based on the statutory financial statements prepared under the Chinese Accounting Standards for Business Enterprises. During the year, the Bank has complied with the capital requirements imposed by the regulator.

## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

## 9. Fair Value

Fair value is the amount for which an asset could be exchanged, or a liability could be settled, between knowledgeable and willing parties at an arm's length transaction.

If an active market exists, such as an authorized securities exchange, the market value is the best reflection of the fair value of financial instruments. Since there is no available market value for part of the financial assets and liabilities held by the Bank, the discounted cash flow method or other valuation methods described below are used to determine the fair value for those assets and liabilities. However, the value determined by such methods is subject to the impact of future cash flows, time assumption and discount rates used.

The following methods and assumptions have been used by the Bank in estimating fair values of each financial assets and liabilities:

- (1) The fair value of financial assets and financial liabilities at fair value through profit or loss (including derivative financial assets and liabilities) is measured at their market price. Where market price is not available, fair value is estimated using the discounted cash flows method or with reference to the quoted price of counterparties.
- (2) The fair value of fixed rate loans is estimated by comparing the market interest rates offered when the loans are granted, with the current market rates offered on similar loans. Changes in the credit quality of loans within the portfolio are not taken into consideration in determining the gross fair values. To measure the impact of deterioration in credit quality, the potential loss may be recognized separately by deducting the amount of loan impairment loss from the carrying amount and fair value of the loan facility;
- (3) Customer deposits are priced based on fixed rate or floating rate depending on the product type. The fair value of demand deposits is determined based on the amount payable on demand. The fair value of fixed deposits are estimated using the discounted cash flows method with the prevailing deposit rate for the remaining tenor of the fixed deposit as the discount rate.

Those financial instruments for which their carrying amounts are the reasonable approximations of their fair values because, for example, they are short term in nature or re-priced at current market rates periodically, are as follows:

## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

## 9. Fair Value(continued)

Assets

Cash and balances with the central bank  
 Due from banks  
 Placements with banks  
 Interest receivable  
 Loans and advances to customers  
 Debt investments  
 Held-to-maturity investment  
 Receivables investments  
 Other assets

Liabilities

Due to banks and other financial institutions  
 Placements from banks  
 Customer deposits  
 Interest payable  
 Bonds payables  
 Lease liabilities  
 Other liabilities

All the assumptions and methods mentioned above provide a consistent basis for determining of fair value of the Bank's assets and liabilities. However, other institutions may use different assumptions and methods. Therefore, the fair values disclosed by different financial institutions may not be comparable.



## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

## 9. Fair Value (continued)

The valuation technique or method for financial instrument (measured at fair value) determined by the Bank can be classified into 3 hierarchies:

Level 1: Quoted active market price

If the quotation for the same assets or liabilities in the active market on the measurement day can be obtained, the fair value is determined on the basis of such quotation;

Level 2: Valuation technique using observable inputs

This valuation technique is used for financial instruments where the prices are derived from standard valuation models, and significant inputs to these models are directly observable.

Level 3: Valuation technique with significant non-observable inputs

This valuation technique is used where at least one significant input is not observable and reliance is placed on reasonable assumptions made on market conditions.

The analysis of financial instruments recorded at fair value by level of fair value hierarchies is as follows:

	Inputs in fair value measurement			Total
	Quoted active market price Level 1	Significant observable inputs Level 2	Significant non-observable inputs Level 3	
2021				
Derivative financial assets	-	7,992,883.42	-	7,992,883.42
Financial assets held-for-trading	-	6,195,572.09	-	6,195,572.09
Other debt investments	-	3,242,682,514.79	-	3,242,682,514.79
<b>Total financial assets</b>	<b>-</b>	<b>3,256,870,970.30</b>	<b>-</b>	<b>3,256,870,970.30</b>
Derivative financial Liabilities	-	7,610,324.78	-	7,610,324.78
<b>Total financial liabilities</b>	<b>-</b>	<b>7,610,324.78</b>	<b>-</b>	<b>7,610,324.78</b>
	Quoted active market price Level 1	Significant observable inputs Level 2	Significant non-observable inputs Level 3	Total
2020				
Derivative financial assets	-	2,529,610.69	-	2,529,610.69
Available-for-sale financial assets	-	2,110,234,857.48	-	2,110,234,857.48
<b>Total financial assets</b>	<b>-</b>	<b>2,112,764,468.17</b>	<b>-</b>	<b>2,112,764,468.17</b>
Derivative financial liabilities	-	3,649,651.13	-	3,649,651.13
<b>Total financial liabilities</b>	<b>-</b>	<b>3,649,651.13</b>	<b>-</b>	<b>3,649,651.13</b>

## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

## 9. Fair Value (continued)

In 2021 and 2020, there was neither transfer from level 1 and level 2 to level 3, nor transfer between level 1 and level 2 in the fair value hierarchy.

The Bank has established a market risk management regime governed ultimately by the Board of Directors, where the internal control framework for fair value measurement was established to meet the requirements of both internal management and information disclosure. Over time, the Bank has constructed the systematical management of market risk covering all procedures in identifying, measuring, monitoring, and verifying the fair value of its assets and liabilities with the combined effort of all related departments from front desk to back office.

## 10. Related party relationship and transactions

## (1) Criteria of identifying related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party, or, both parties are subject to common control or common significant influence.

Details of the Bank's related parties are as follows:

- (i) the parent company of the Bank;
- (ii) the party subject to common control of the same parent company;
- (iii) the key management personnel of the Bank or the parent company, and their close relatives;
- (iv) the related individual directly or indirectly controls or works as the member of the board or senior management of the legal person which is not listed or subsidized by listed company.

## (2) Parent company

Name	Metrobank
Registered country	The Philippines
Business nature	bank
Percentage of shareholding	100%
Percentage of voting rights	100%
Common stock	Philippine Peso 89.948 billion

## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

## 10. Related party relationship and transactions (continued)

## (3) Other related parties

Name	Relationship
Metropolitan Bank & Trust Company, Tokyo Branch ("Tokyo Branch")	Under the common control of the parent company
Metropolitan Bank & Trust Company, Seoul Branch ("Seoul Branch")	Under the common control of the parent company
Metropolitan Bank & Trust Company, New York Branch ("New York Branch")	Under the common control of the parent company
Metropolitan Bank & Trust Company, Taipei Branch ("Taipei Branch")	Under the common control of the parent company
ASPAC Land Development (Shanghai) Co., Ltd.	The board member of the Bank works as the member of the board of the company
Related individuals	The key management personnel of the Bank or the parent, and close family members of such individuals

## (4) Main transactions between the Bank and related parties

## (4.1) Major balances between the Bank and related parties

	2021	2020
Due from banks		
Metrobank	8,607,530.09	1,885,163.06
New York Branch	14,334,848.96	10,894,920.13
Total	<u>22,942,379.05</u>	<u>12,780,083.19</u>
Due to banks		
Metrobank	<u>59,388,091.33</u>	<u>42,806,674.82</u>
Placements from banks		
Metrobank	<u>1,095,233,866.74</u>	<u>870,782,820.00</u>
Interest payables		
Metrobank	<u>-</u>	<u>1,149,065.65</u>
Customer deposits		
Related individuals	<u>5,409,718.92</u>	<u>6,360,623.80</u>

## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

## 10. Related party transactions (continued)

## (4) Main transactions between the Bank and related parties (continued)

## (4.2) Major transactions between the Bank and related parties

	2021	2020
Interest income		
Metrobank	<u>23.39</u>	<u>9,237.79</u>
Interest expenses		
Metrobank	17,907,790.84	1,827,829.63
Related individuals	31,686.53	73,438.35
Total	<u>17,939,477.37</u>	<u>1,901,267.98</u>
Lease expenses		
ASPAC Land Development (Shanghai) Co., Ltd.	<u>3,557,601.79</u>	<u>4,625,157.24</u>

## (4.3) Key management personnel

Key management personnel include directors, supervisor and senior management. Key management personnel's salaries and benefits are as follows:

	2021	2020
Salaries and benefits	<u>26,580,500.00</u>	<u>25,310,287.15</u>

## 11. Contingency

As at 31 December 2021, there was no contingency to be disclosed.

## 12. Commitments

## (1) Financial commitments

## Capital commitments

The Bank has no material capital commitments as at 31 December 2021.

## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

## 12. Commitments (continued)

## (1) Financial commitments (continued)

Operating lease commitments

The Bank leases certain premises and equipments under non-cancellable operating lease contracts. The total future minimum rental payments as at the balance sheet date are as follows:

	<u>2021</u>	<u>2020</u>
Within 1 year (inclusive)	13,851,769.88	18,038,228.76
After 1 year but less than 2 years (inclusive)	11,553,630.84	14,690,038.64
After 2 year but less than 3 years (inclusive)	8,286,972.25	10,586,935.31
After 3 years	<u>4,938,845.18</u>	<u>11,379,426.76</u>
Total	<u><u>38,631,218.15</u></u>	<u><u>54,694,629.47</u></u>

## (2) Credit commitments

	<u>2021</u>	<u>2020</u>
Financial guarantee contracts		
Letters of credit issued-usance	114,256,414.06	42,486,787.07
Letters of credit issued-at sight	61,516,775.01	138,564,415.02
Bank acceptance draft	<u>2,865,312,763.67</u>	<u>1,371,103,767.54</u>
Total	<u><u>3,041,085,952.74</u></u>	<u><u>1,552,154,969.63</u></u>

Financial guarantee contracts have the nature of guarantee. If customers fail to repay the contracted amount or fail to fulfill their obligations, the Bank needs to fulfill its responsibility as guarantor.

## NOTES TO FINANCIAL STATEMENTS(continued)

For the year ended 31 December 2021

Unit: RMB yuan

## 13. Post-balance-sheet events

2021 Annual profit distribution plan is approved by board of directors of the Bank at 2022 Second Board Meeting on 18 April 2022.

- (1) The Bank will appropriate 10% of its net profits to the statutory surplus reserves, which is amount to RMB5,016,443.59.
- (2) In accordance with Cai Jin [2012] No. 20 "Impairment Loss on Loans for Financial Institutions", the Bank set aside general reserves from net profit as profit appropriation, which is amount to RMB24,694,384.99.

Except for the above, there is no other significant post-balance-sheet events to be disclosed.

## 14. Approval of the financial statements

The financial statements were approved for issue by the Board of Directors on 18 April 2022.

Meaningful Banking



Better Metrobank, Better Me.



首都銀行 Metrobank

You are Always in Good Hands