



首都銀行 Metrobank

ANNUAL REPORT 2022



ECONOMIC

ENVIRONMENT

SOCIAL

GOCERNANCE

SUSTAINABLE DEVELOPMENT

CONTENTS

- 03 CHAIRMAN'S STATEMENT
- 07 PRESIDENT'S MESSAGE
- 09 ABOUT METROBANK GROUP
- 11 ABOUT METROBANK (CHINA)
- 13 BANK NETWORK
- 15 IMPORTANT HIGHLIGHTS
- 17-20 ECONOMIC SITUATION
- 21-58 CORPORATE GOVERNANCE
- 59-62 ENVIRONMENTAL GOVERNANCE
- 63-74 SOCIAL GOVERNANCE

CHAIRMAN'S STATEMENT



Arthur V. TY
Metrobank (China)
Chairman

Metrobank marked 2022 as a milestone year as we celebrate 60 years of keeping our customers in good hands. Through the years, we have generated stable and diversified revenue streams and developed innovative financial solutions to cater to different customers. We've also established presence in the global arena including establishing footprint here in China since 2010. While we saw the adverse effect of COVID in the world economies we, at Metrobank (China), sustained our growth and profitability across our businesses, as promised to our shareholders and customers. Our strength is anchored on our strong core values of integrity, service, efficiency, professionalism, and innovation in everything we do. It is also founded on the six decades of strong operations of Metrobank in the Philippines.

As we move forward, we will continue to pursue our three-year Strategic Development Plan, which ends in 2023. Guided by our Board of Directors, our focus will still be centered on digitalization, focalization, internationalization, and bringing down costs. Our end-goal is to be a Bank that provides good service to our clients, that is highly efficient, upholds good and credible reputation, and addresses the ever-evolving needs of our customers despite being small in size.

Firm Corporate Governance

We always aim to do our business the right way. Compliance to various laws and policies is one of our priorities that is why we have internal controls in place.

We also have a set of fully capable leaders who have taken an active role in driving our long-term growth and success. Our Board of Directors are leading the charge to ensure that the Bank is at the right direction, while different management committees were set up to closely monitor the implementation of various strategic, risk, and operational policies.

In 2022, in a bid to enhance our green financing and asset investments, we have set up a green finance working group, composed of the Corporate Banking Division, Credit Control Division, and Risk Management Division. This is in support of the Chinese government's promise to peak carbon dioxide emissions by 2030 and goal to achieve carbon neutralization by 2060. It is also in line with the overall requirements for green financing, which aims to promote environmental protection and fuel sustainable economic and social development.

Growing the Business

At Metrobank (China), we aim to cater to the ever-evolving needs of our clients. In 2022, we have undertaken various initiatives to expand our reach, beef up our anti-fraud systems, and enable our clients to grow their operations beyond China.

- We opened our seventh branch, Ningbo Branch, in Ningbo Sanjiangkou Area New World Center.
- We upgraded our anti-money laundering and anti-terrorist financing information system, which integrates big data with our anti-money laundering resources.
- We are working with various Chinese enterprise clients who targets to expand their operations abroad by giving them quality service and insights about operating international operations.

Ensuring our ability to cater to our clients' financial needs is vital to our promise of ensuring they are in good hands.

Pursuing excellence and a sustainable future

In 2022, we continued to contribute to various environmental sustainability efforts and to social sustainability initiatives.

Through a strategic partnership with the Fujian Charity Foundation, we organized the Rural Children's Charity Painting Competition, aiming to improve the art skills of rural children by holding an art competition. Meanwhile, for our employees, we held various training programs that will boost their professional and personal growth.

All our efforts in growing the business and implementing various sustainability initiatives were recognized by various award-giving bodies. We won the Foreign Bank of the Year at the **2022 TOP Finance List by the Paper**, we received the **Y2021 Golden Promise-China Financial Annual Excellent Social Responsibilities Programme** on behalf of China Banking and Insurance, we were named **Gamma Award Best Bank of China in ESG** by the Securities Times, and we were recognized as **the 2021 Digital Transformation in China's Banking Industry - Outstanding Case of Digital Risk Control of the Year** by the China Banking and Insurance.

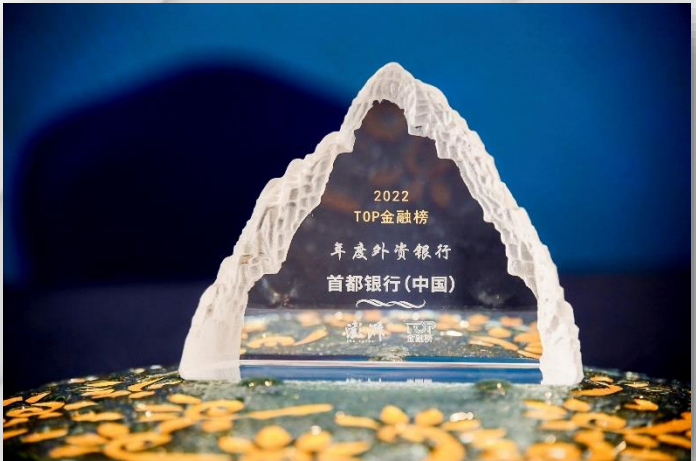
After receiving all these recognitions, we are not resting on our laurels. 2023 is the closing year of our three-year strategic plan. As we pursue our roadmap, we will continuously strive to be a reliable financial partner for our clients. We will ensure that our customers are always at the front and center of everything we do.

More importantly, we aim to be a responsible corporate citizen by being a key development player in the communities we serve. That is why we will continue to anchor our initiatives on various sustainable development goals to create more value for various stakeholders and substantially contribute to nation-building.

Arthur V. TY
April 2023



Award Ceremony of "Rural Children's Charity Painting Competition"



Awarded "Foreign Bank of the Year" in 2022 TOP Finance List



Awarded the "Gamma Award Best Bank of China in ESG" by Securities Times



Awarded the "Y2021 Golden Promise-China Financial Annual Excellent Social Responsibilities Programme" by China Banking and Insurance

PRESIDENT'S MESSAGE

In 2022, the "grey rhinoceros" events superimposed on the "black swan" events, bringing severe shocks to the global economy and financial markets. COVID-19, Russia-Ukraine conflict, energy price, food security, continuous interest raise by US Federal Reserve, Sino-U.S. decoupling, supply chain remodeling, manufacturing transfer, etc. have become the words of the year. This year, thanks to the trust and support of customers, all employees of MBCL worked together to smoothly promote the healthy growth of assets, the steady expansion of liabilities, and maintain a good performance. By the end of 2022, the Bank's total assets expanded to RMB15.154 billion, with a year-on-year growth of 20.18%. Of which, the loan stood at RMB6.858 billion, growing 24.54% in a year. The total liabilities increase 23.24% to RMB13.428 billion. Of which, the balance of deposits was RMB10.86 billion, up 21.66% year on year. Both the balance of non-performing loans and the NPL ratio eased. The annual operating revenue increased by 6.31% year on year to RMB291.04 million. The profit before provision ascended 5.68% year on year to RMB102.04 million. Finally, the Bank reported RMB53.9 million net profit, achieving a growth rate of 7.45%. At the same time, based on our excellent operating performance in recent years, prudent risk control and strong support from Metrobank Group, in 2022, we maintained AA+ domestic long-term subject credit rating and Baa2 (investment grade) international long-term rating of local currency and foreign currency deposits, with a stable outlook.

In 2022 came the 60th anniversary of the founding of Metrobank Group. 60 eventful years see rapid and sustainable development of the group. Since its establishment, the Group has always adhered to the service concept of "Customer-Centric", and launched the corporate brand image of "You're in good hands" in 1992, further deepening its business philosophy of "Customer First". MBCL also adheres to integrating this development concept into ourselves, puts "Customer-Centric" at the top of our business objectives, takes customers' needs as the basis, deeply cultivates the local market, serves the real economy, and is committed to being a foreign bank with "good service, high efficiency, good reputation and small yet exquisite & decent". Our operation follows the policy of "Digitization, Focalization, Internationalization and Low Cost", and takes corporate business, financial market business and international business as three engines. In order to continuously improve the quality and efficiency of comprehensive financial services, in addition to doing a good job in traditional financing businesses, we have been accelerating the establishment of a diversified product system in recent years, making concerted efforts in investment banking, foreign exchange and interbank business, and making full use of the parent bank's resources, network and location advantages to facilitate trade settlement and help customers' cross-border financing with characteristic cross-border financial products. At the same time, we follow the call of financial support for green and low-carbon development, take multiple measures to comprehensively improve green financial management and asset investment. To improve our layout in the Yangtze River Delta region, our seventh branch in China, Ningbo Branch, opened officially in November. It will work effectively with other branches in the region, further deepen integration into the development of the Yangtze River Delta region, and help the high-quality development of local real economy.



David Lin
Metrobank (China)
President

Looking towards 2023, even though the negative effects of short-term shocks still exist, the improvement of the negative effects of long-term endogenous factors will take some time, and the global economy will have a long way to go out of the shadow of recession, we are firmly optimistic about China's economic recovery and long-term prospects. The past practical experience proves that when facing challenges, taking the initiative, seeking change actively, and constantly innovating are the only rules to maintain unremitting momentum in the adverse situation and secure "certainty" in the "uncertainties". We will stick to the bottom line of operation-"the business operation is risk-focused and is based on compliance", in order to ensure the safety of our assets and liabilities, and build a stable foundation for development; We will adhere to fit the market demand, take providing high-quality comprehensive financial services as our responsibility, accelerate the pace of innovation, and stimulate endogenous power; We will continue to optimize corporate governance, to promote quality and efficiency improvement throughout the operation process, and enhance resilience; We will accelerate digital transformation, intensify the driving forces of financial technology, to effectively empower customers and employees.

On the Achievements, Strive for New. In the new year, MBCL will keep in mind the founding principles and move forward hand in hand with you, to create more opportunities together, realize a better future, and step on the road to high-quality development!

David Lin
President
April 2023

ABOUT METROBANK

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 18,022 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 in Good Hands” embodies who we are and what we do. We are Metrobank.

Awarded as the Leading Commercial Banking Group in the Philippines

Awarded as the Strongest Commercial Bank in the Philippines by the Asian Banker for Many Years

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 our nation.

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 March 2, 2010, Metrobank (China) established its head office in Nanjing and 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 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 seven branches in Shanghai, Nanjing, Changzhou, Quanzhou, Xiamen, Suzhou, Ningbo, 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 3 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

Registered Name: Metropolitan Bank (China) Ltd.

Legal Representative: Arthur Ty

Registered Office: Room 2103-2111, 2201-2216, One ifc, Nanjing ifc, No.347 Jiangdong Middle Road, Jianye District Nanjing, Jiangsu Province

Date of Incorporation: 14 January 2010

Paid up Share Capital: RMB1,500,000,000

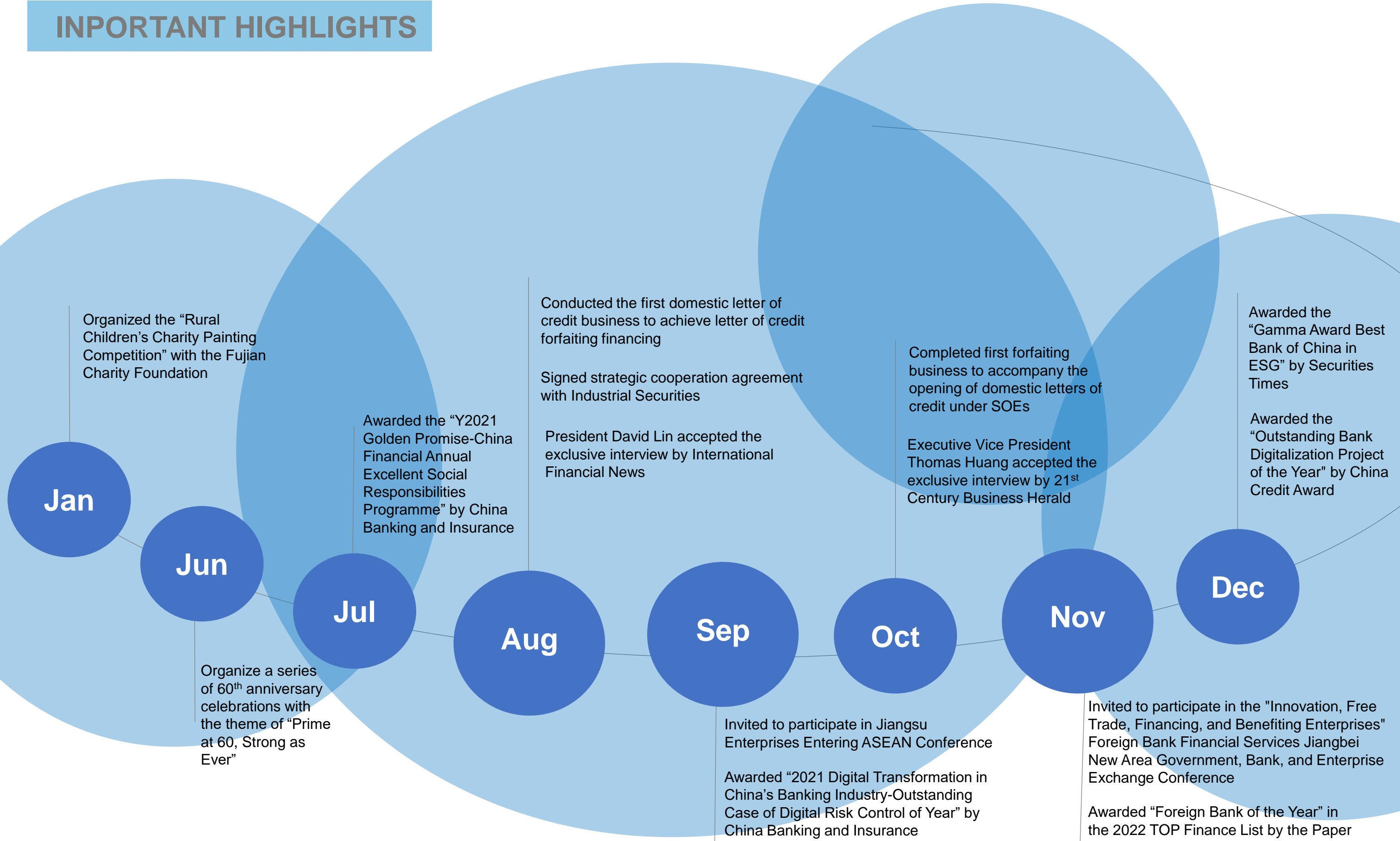
Customer Service Line: 400-864-9000



BANK NETWORK

Unit	Address	Phone No.	Fax No.	Zip Code
Head Office	L21/22, One ifc, Nanjing ifc, No.347 Jiangdong Middle Road, Jianye District, Nanjing, Jiangsu Province	(025) 68584194	(025) 68584141	210019
Head Office (Based in Shanghai)	3F, Metrobank Plaza, 1160 West Yan'an Road, Changning District, Shanghai	(021) 31832500	(021) 31833376	200052
Nanjing Branch	Building 32, Baguio Garden, 189 Leshan Road, Jiangye District, Nanjing, Jiangsu Province	(025) 89667870	(025) 89667862	210019
Shanghai Branch	1F, Metrobank Plaza, 1152 West Yan'an Road, Changning District, Shanghai	(021) 31832500	(021) 31833379	200052
Changzhou Branch	No.88-103, Jiangchenghaoyuan, Beida Street, Zhonglou District, Changzhou, Jiangsu Province	(0519) 88061611	(0519) 88061617 (1F) (0519) 88061616 (2F)	213003
Quanzhou Branch	Unit 1302-1303, South Asia Plaza, 666 Fengze Street, Fengze District, Quanzhou, Fujian Province	(0595) 29889372	(0595) 29889377	362000
Xiamen Branch	Unit 05-07, 11F, Yishan Business Center (Xiamen Fortune Center), 100 Lujiang Road, Siming District, Xiamen, Fujian Province	(0592) 2110265	(0592) 2113275	361001
Suzhou Branch	1805-1808, China Life Finance Center, Building 24A, Harmony Times Square, Suzhou Industrial Park, Suzhou, Jiangsu Province	(0512) 88859159	(0512) 88859159	215000
Ningbo Branch	20F, New World Ningbo Tower, No.51, Sanyanqiao Street, New World Center, Yinzhou District, Ningbo, Zhejiang Province	(0574) 28900173		315000
Shanghai Pudong Sub-Branch	Building D, 12F, New Shanghai International Tower, No.360 South Pudong Road, Pudong New Area, Shanghai	(021) 31833336		200122
Changzhou Wujin Sub-Branch	No.101-102, Building 13, Wanda Plaza, Wujin District, Changzhou, Jiangsu Province	(0519) 89883198	(0519) 89882621 (0519) 89882631	213100
Changzhou Xinbei Sub-Branch	No.8 Fudijulongyuan, Tongjing Middle Road, Xinbei District, Changzhou, Jiangsu Province	(0519) 88061564	(0519) 88061598	213022

IMPORTANT HIGHLIGHTS



Jan

Organized the "Rural Children's Charity Painting Competition" with the Fujian Charity Foundation

Jun

Organize a series of 60th anniversary celebrations with the theme of "Prime at 60, Strong as Ever"

Jul

Awarded the "Y2021 Golden Promise-China Financial Annual Excellent Social Responsibilities Programme" by China Banking and Insurance

Aug

Conducted the first domestic letter of credit business to achieve letter of credit forfaiting financing

Signed strategic cooperation agreement with Industrial Securities

President David Lin accepted the exclusive interview by International Financial News

Sep

Invited to participate in Jiangsu Enterprises Entering ASEAN Conference

Awarded "2021 Digital Transformation in China's Banking Industry-Outstanding Case of Digital Risk Control of Year" by China Banking and Insurance

Organized 60th anniversary celebration ceremony with all MBCL employees' participation to review of the development and milestones of the Group and Metrobank (China)

Oct

Completed first forfaiting business to accompany the opening of domestic letters of credit under SOEs

Executive Vice President Thomas Huang accepted the exclusive interview by 21st Century Business Herald

Nov

Invited to participate in the "Innovation, Free Trade, Financing, and Benefiting Enterprises" Foreign Bank Financial Services Jiangbei New Area Government, Bank, and Enterprise Exchange Conference

Awarded "Foreign Bank of the Year" in the 2022 TOP Finance List by the Paper

The seventh branch - Ningbo Branch officially opened to the public

Dec

Awarded the "Gamma Award Best Bank of China in ESG" by Securities Times

Awarded the "Outstanding Bank Digitalization Project of the Year" by China Credit Award



Sustainable Development Economic Situation

ECONOMIC HIGHLIGHTS

	2022	2021	Increase/ (Decrease)
Operating Result		RMB '000	%
Net interest income	274,458	267,297	2.68
Total operating income	291,040	273,772	6.31
Total operating expense	186,363	174,116	7.03
Impairment losses	29,997	29,407	2.01
Profit before tax	73,077	67,240	8.68
Net Profit	53,902	50,164	7.45
Balance Sheet		RMB '000	%
Total assets	15,153,715	12,609,197	20.18
Financial Indicators	%	%	%
Return on equity	3.14	2.95	0.19
Return on assets	0.39	0.42	-0.03
Cost/income ratio	64.03	63.60	0.43
Loan-to-deposit ratio	63.14	61.69	1.45
Liquidity ratio	113.08	100.88	12.20
Leverage ratio	8.35	10.21	-1.86
Non-performing loan ratio	0.15	0.24	-0.09
Loan provision ratio (Note 1)	1.95	1.96	-0.01
Provision coverage ratio (Note 1)	1310.16	801.57	508.59
Capital adequacy ratio (CAR)			
Core Tier 1 CAR	13.24	15.84	-2.60
Tier 1 CAR	13.24	15.84	-2.60
CAR	14.19	16.72	-2.53

In 2022, regulators requested the Bank's loan provision ratio to be no less than 1.50% and provision coverage ratio to be no less than 120%.



Sustainable Development Corporate Governance

BOARD OF DIRECTORS

Board of Directors

In 2022, the Board of Directors of 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 2022, the Bank held 4 regular board meetings and 3 interim meetings.

Supervisor

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

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

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



Mr. Arthur V. Ty, MBA, Columbia University, was approved as the Chairman of MBCL by the regulators in December 2009. Mr. Arthur V. Ty has over 30 years of experience in international finance and management. He joined Metropolitan Bank & Trust Company in 1991 and was appointed as director in 2002 and as President in May 2006. Mr. Ty has been the Chairman of Metropolitan Bank & Trust Company since May 2012. He is also the director of multiple subsidiary and associate companies within Metrobank Group, including as the Vice Chairman of Philippine Savings Bank and the Vice Chairman of Philippine AXA Life Insurance Corporation.



Ms. Lin Guixian, MBA, Macau University of Science and Technology, joined MBCL in June 2009 and was appointed executive vice president, executive director and president successively. She was appointed vice chairman of the Board with regulatory approval in May 2017. Prior to joining MBCL, Ms. Lin Guixian served in the Industrial and Commercial Bank of China for a long time, where she was Head of the Planning and Finance Department, Head of the Credit Management Department and Deputy General Manager of Nanjing Branch of Jiangsu Provincial Branch.



Mr. David Lin, Bachelor of business management, Fu Jen Catholic University, joined Metrobank in August 2016 and was appointed as advisor to the Board of Directors of MBCL. He was appointed Deputy Chairman of the Board with regulatory approval in January 2017, and appointed Executive Director, President of MBCL with regulatory approval in April 2017. Prior to joining MBCL, Mr. David Lin served in International Commercial Bank of China (now Mega Bank) and Fubon Bank (China) Ltd., where he served as Branch General Manager, Vice President of the Head Office and Chief Executive Officer of Corporate Banking. As a veteran banker in the Greater China region, Mr. Lin has over 40 years of international banking and management experience and a deep understanding of the Mainland China's market.



Mr. Stanley Lo, graduated from the business administration major of Beijing Institute of International Business Administration and received diploma in Management Studies from Hong Kong Polytechnic University. Mr. Lo was appointed independent director of MBCL in January 2019 with regulatory approval. Mr. Stanley Lo has more than 35 years of experience in corporate management and operation, bank management and risk management. Prior to joining MBCL, he served in many banks and financial institutions in Greater China, Hong Kong and Australia, and was the President and General Manager of the Shanghai Branch of the Commonwealth Bank of Australia. He is currently the independent director of Fuxin Bank.

BOARD OF DIRECTORS



Mr. Robin A. King, MBA of the University of the Philippines, joined MBCL in July 2019 and was appointed independent director with regulatory approval. Mr. Robin A. King has been working in the financial industry for nearly 50 years with extensive experiences in banking and finance sectors. Prior to joining MBCL, he served in multiple financial enterprises and commercial banks, including Ayala Investment & Development Corp., Filinvest Credit Corporation, Associated Bank, Bank of America, Asianbank Corporation, International Bank of CA, Globalbank, Penta Capital Corporation, Toyota Financial Services, First Metro Investment Corp. and Metropolitan Bank & Trust Company, and took positions of senior management and directors.



Dr. Peter Pang, Doctor of Business Management, Shanghai University of Finance and Economics, was appointed independent director of MBCL from September 2017 to July 2018 and August 2020 till now with regulatory approval. Prior to joining MBCL, Dr. Peter Pang served in financial institutions such as China CITIC Bank (International), Standard Chartered Bank Group, Dah Sing Financial Group, and consulting companies such as BearingPoint, Deloitte Consulting and Roland Berger. Dr. Pang has rich experience in corporate management and operation, bank management and risk management. Dr. Pang is the founder and director of Liquid Gold Development Strategy Co., Ltd, and is currently the independent director of New Higher Education Group Co., Ltd.



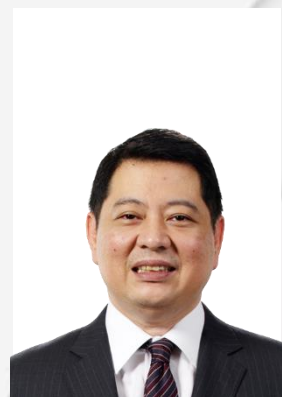
Mr. Michael Ong, Bachelor of Science in Commerce, De La Salle University, joined MBCL in January 2010 and was appointed advisor to the Board of Directors. In July 2014, he was appointed non-executive director with regulatory approval. Mr. Ong has rich work experiences in both China and the Philippines. He is currently the director of Aspac Land Development (Shanghai) Co. Ltd, director of Shanghai Yongde Real Estate Development Co. and the Vice President of Shanghai Jinjiang Chamber of Commerce.



Dr. Charles W.B. Cheung, Justice of Peace, DBA (Hon), Dewey University, MBA degree and Bachelor of Science degree, New York University, has been a non-executive director of MBCL since January 2010.

Dr. Cheung has over 50 years of experience in finance, real estate, hotel investment, manufacturing and sports industries, including over 30 years of experience in the banking industry, holding senior management positions. He is currently the independent director of Universal Technologies Holdings Limited, Jiayuan International Group Limited, Pioneer Global Group Limited and Modern Dental Group Limited, and non-executive director of Galaxy Entertainment Group Limited, which are listed on the Main Board of Hong Kong Stock Exchange. He is also a council member of the Hong Kong Institute of Directors and an advisor of Institute of ESG & Benchmark.

Dr. Cheung was awarded the Director of the Year Awards 2002 - Listed Company Non-executive Director. In December 2010, he received 3 awards of Outstanding Management Award of the Chartered Management Association, Outstanding Director Award of the Chartered Association of Directors and Outstanding CEO Award of the Asia Pacific CEO Association.



Mr. Richard Benedict S. So, Bachelor of Arts, De La Salle University, was appointed corporate secretary of MBCL with regulatory approval in February 2014. He was then appointed non-executive director with regulatory approval in July 2020.

Mr. So has over 30 years of experience in the banking industry, with extensive practices in financial product development and institution management. He is currently the Executive Vice President and Head of Products, Channels and Overseas Banking Group of Metropolitan Bank & Trust Company.



Ms. Marilou C. Bartolome-Cirilo, Bachelor of Science in Accountancy, cum laude at Saint Louis University, joined MBCL in April 2017 as supervisor. Ms. Marilou C. Bartolome-Cirilo has nearly 30 years of experience in the financial industry. She served as the Audit Partner at EY Philippines and later as Controller of Metropolitan Bank & Trust Company, with rich experiences in the financial audit and management and transaction advisory of banks and other financial institutions. Ms. Marilou C. Bartolome-Cirilo is currently the consultant for Manila Medical Services Inc., Manila Tytana Colleges, Metrobank Foundation Inc., GT Foundation Inc. and Norberto Ty Tytana Foundation Inc.

BOARD OF DIRECTORS



Advisor
Femand A. Tansingco



Advisor
Larry Chan



Advisor
George Tsai



Advisor
Thomas Huang



Advisor
Solomon Cua

BOARD OF DIRECTORS

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 2022, the Executive Committee held 12 regular meetings and 1 interim meeting; The Risk Management Committee held 4 regular meetings and 6 interim meetings; The Audit Committee held 4 regular meetings and 1 interim meeting; The Related Party Transactions Control Committee held 4 regular meetings and 2 interim meetings, and the Nomination and Remuneration Committee held 5 regular meetings.

Committees under 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 2022, all the committees actively fulfilled their responsibilities.

Remuneration Policy and Management

The remuneration policy of Metrobank (China) aims to provide competitive remuneration package to appropriately attract, motivate and retain high quality talents who not only fit the Bank's culture and share the same values but also meet the long-term development of the Bank. Meanwhile, the remuneration entitlement links to the Bank's performance, long-term benefits and risk management. The remuneration policy applies to all of the full-time employees in the Bank.

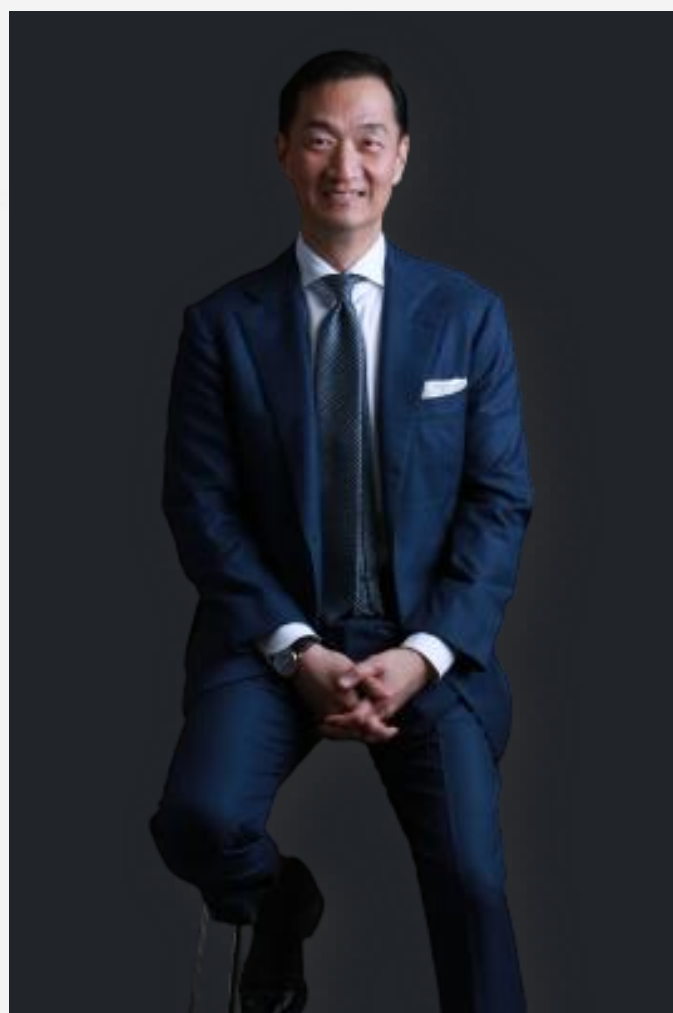
According to the Bank's remuneration policy, in line with the principles of rewards for productivity and pay for performance, the employee's salary is mainly linked to the individual performance, the Division's or Business Unit's performance. The performance objectives setting clearly shows the requirements and expectations of the Bank for risk management and performance of the division or business unit and the individual. In addition, the compensation of the employees who are taking risk management, compliance and internal audit's roles is independent with the performance of the business lines they supervise.

In line with the Supervisory Guidelines on Sound Compensation in Commercial Banks, the senior executives and the employees whose roles have material impacts on the Bank's risk exposure would have a portion of their variable pay deferred. The deferral payment method links the employees' variable pay to the Bank's performance and current and future risks.

Compensation for Board Directors, Supervisor and Senior Management

In 2022, Metrobank (China) paid a total of RMB2,388,000 compensation to the directors and supervisor, and paid a total of RMB28,756,9000 compensation to the senior executives.

MANAGEMENT TEAM



Chairman
Arthur V.Ty



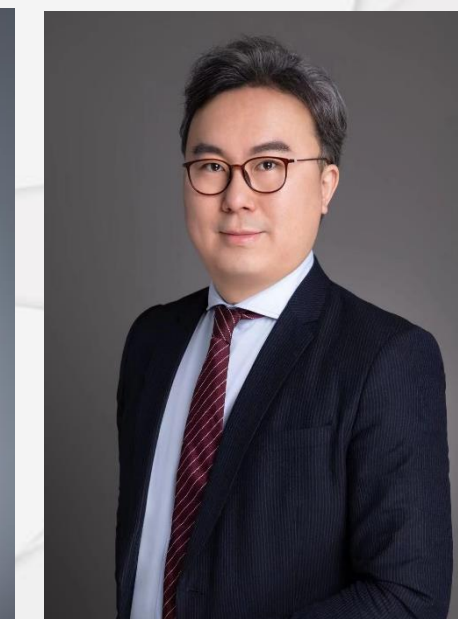
President
David Lin



Executive Vice President
Thomas Huang



MANAGEMENT TEAM



Chief Finance Officer
Billy Lau

Head of Credit Control
Wesley Chen

Head of Human Resources
Alice Shi

Head of Financial Markets
Lin Quan

Double Hatting Head of Corporate
Banking & Business
Raymond Yang

Head of Compliance
Phoenix Zhao

Head of Operations
Katherine Gao

Head of Information Technology
Willson Chen

Double Hatting Head of Administration
Management & Security
Thomas Wei

Head of Internal Audit
Crystal Yang

Head of Risk Management
Bin Li

MANAGEMENT TEAM



GM of Shanghai Branch
Alex Hong

GM of Nanjing Branch
Jasmine Liu

GM of Changzhou Branch
Feng Xuefen

GM of Quanzhou Branch
Stephen Yu

GM of Xiamen Branch
Honda Huang

GM of Suzhou Branch
Gray Lu

GM of Ningbo Branch
Terry Zhao

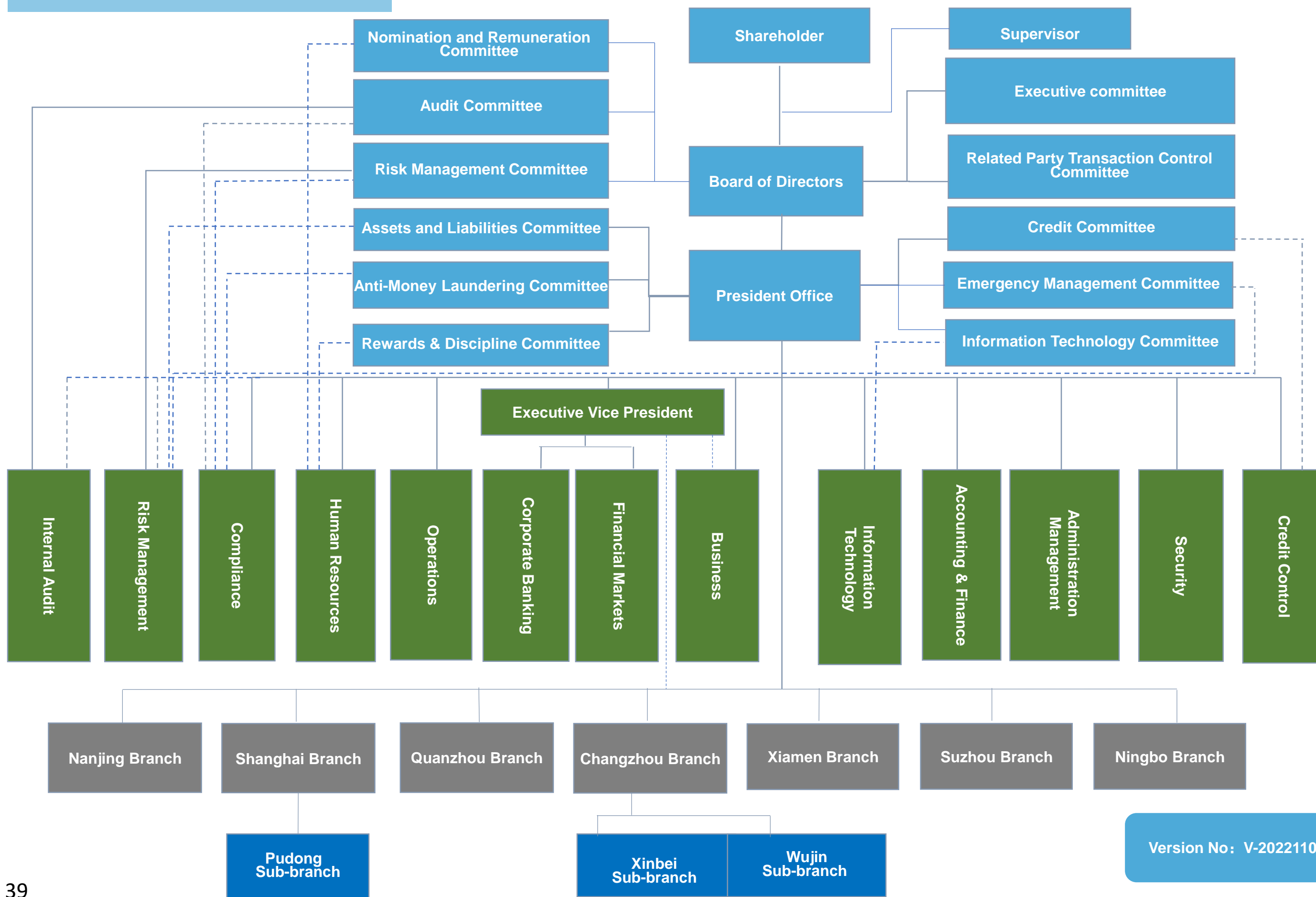
MANAGEMENT TEAM

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	44
Thomas Huang	Executive Vice President	M	1967	2015.05.11	Tamkang University Master of International Business Management	29
Billy Lau	Chief Finance Officer	M	1973	2012.07.19	City University of Hong Kong Bachelor of Art (Honors)	26
Wesley Chen	Head of Credit Control	M	1961	2018.06.01	National Taiwan University Bachelor of Economics	34
Alice Shi	Head of Human Resources	F	1983	2018.08.06	Shanghai University of Finance and Economics Master of International Economics	17
Quan Lin	Head of Financial Markets	M	1979	2016.01.13	University of Durham Master of Science Finance and Investment	17
Katherine Gao	Head of Operations	F	1971	2010.11.01	Nantong Industry College Bachelor Degree of Foreign Industrial Trade	29
Phoenix Zhao	Head of Compliance	M	1982	2012.08.28	Nanjing University MBA	19
Tomas Wei	Head of Administration Management & Security	M	1972	2011.06.20	Beijing Institute of Machinery Industry Bachelor of Mechanical and Electrical Engineering	22
Willson Chen	Head of Information Technology	M	1975	2020.03.01	Shanghai Jiaotong University Bachelor of Engineering in Computer Science and Technology	27
Crystal Yang	Head of Internal Audit	F	1982	2019.11.14	Shanghai University of Finance and Economics Bachelor of Financial Management & Business English	18
Raymond Yang	Head of Corporate Banking & Business	M	1980	2018.10.08	Shandong University Bachelor of Business Administration	21
Li Bin	Head of Risk Management	M	1984	2020.07.01	East China Normal University Bachelor of Science in Information and Computer Sciences	17
Alex Hong	GM of Shanghai Branch	M	1974	2016.05.18	National Central University Master of Management	25
Jasmine Liu	GM of Nanjing Branch	F	1974	2022.10.21	Nanjing University MBA	28
Feng Xuefen	GM of Changzhou Branch	F	1971	2022.09.13	Party School of the Central Committee of the Communist Party of China Bachelor of Economics and Management,	29
Stephen Yu	GM of Quanzhou Branch	M	1976	2021.12.21	Xiamen University Master of International Trade	22
Honda Huang	GM of Xiamen Branch	M	1964	2021.11.08	National Chung-Cheng University Master of Finance	32
Gray Lu	GM of Suzhou Branch	M	1982	2022.04.02	Hohai University Bachelor of Accounting	16
Terry Zhao	GM of Ningbo Branch	M	1982	2022.11.09	Shanghai Lixin University of Accounting and Finance Bachelor of Accounting	21



ORGANIZATION CHART



Version No: V-20221109

CORPORATE BANKING BUSINESS

In order to achieve the development vision of "Good Service, High Efficiency, Good Reputation, Small Yet Exquisite & Decent", the Bank always adheres to the management strategy of "Risk Prevention, Change Promotion, Structure Adjustment and Stable Growth". We also insist on the goal of "Customer-centered, Employee-oriented and Profit-oriented", and the policy of "Digitalization", "Focusing", "Internationalization" and "Low Cost".

In 2022, facing a complex and volatile market environment and exceptionally fierce competition, our corporate business continued to strengthen risk prevention and continued to develop our business around the strategy of focusing in certain regions, industries, customers and products.

In terms of region, our bank focuses in the Yangtze River Delta Economic Zone and the West Coast Economic Zone, with our branches as the core, and expand the "three-hour high-speed railway" customer circle. In 2022, with the opening of Ningbo Branch, the Bank's business development also has a new stronghold in Zhejiang Province. Ningbo Branch will further complement the business of Shanghai, Suzhou, Nanjing and Changzhou to enhance the Bank's financial service capability in the Yangtze River Delta region. Meanwhile, the Bank develops cross-border financial services in Quanzhou and Xiamen to serve overseas Filipinos by relying on our parent bank's financial presence in the Philippines and Southeast Asia and responded to the "One Belt, One Road" regional development plan.

In terms of industries, the Bank focusing on high-quality state-owned enterprises and leading private enterprises, focusing on leasing business services, new and old infrastructure, healthcare, high-end manufacturing, intelligent communication and green finance, and deep cooperation with leading companies in these industries. We follow the government's pace of optimizing and adjusting the industrial structure and energy structure, focus on precise investment in key areas, and respond to the regional development plan of "One Belt, One Road", devote ourselves to serving industrial optimization and upgrading, technological innovation, product development, and speed up the progress of national and regional major strategic projects, and promote the direct delivery of funds to enterprises. At the same time, the Bank will continue to provide credit support to green projects encouraged by the national industrial policy in accordance with the green industrial policy issued by the government.

In terms of customer development, our bank focuses on government credit, industrial credit, and trade credit, with local government platforms, central enterprises, and state-owned enterprises as the core, supports the private economy related to the industrial chain, expands high-quality upstream and downstream customers of core enterprises, and carries out trade financing, accounts receivable financing, and supply chain financing. Using the information resources of our parent bank, we provide competitive financing prices and financing varieties for cross-border international business between China and the Philippines as well as Southeast Asia, including import LC and export forfeiting, and the customer base of cross-border transactions is increasing as well as diversifying.

In terms of product development, our bank focuses on foreign banks' special financial instrument portfolio solutions, providing not only traditional credit products and deposit products, but also diversified financial product services such as corporate bond investment, trust investment, investment banking products, syndicated fund raising, etc., to deepen dealings with our customers with a richer product line.

In 2022, the Bank achieved double growth in the scale of deposits and loans, with an annual operating income of RMB291 million, up 6.31% YOY from the previous year; profit before provisions of RMB102,039 thousand and net profit of RMB53,902 thousand, up 5.68% and 7.45% respectively. Meanwhile, the Bank's asset quality has been steadily improving, with the non-performing loan ratio dropping from 0.24% in 2021 to 0.15% in 2022. The scale of deposits and loans of our bank climbed, with a deposit balance of 10.86 billion as the end of December 2022, an increase of 21.66% over the previous year; the scale of loans steadily improved while strictly controlling risks, with a loan balance of RMB6.86 billion as the end of December, an increase of 24.54% over 2021, and total assets exceeding RMB15 billion in 2022.



FINANCIAL MARKETS BUSINESS

In 2022, the Bank's financial market business achieved diversified development. In addition to the main business of asset and liability management, FX & derivatives, interbank, trade finance business also achieved rapid growth and a number of new businesses were implemented. In view of the Bank's strong capital strength and ample liquidity, Moody's maintained the Bank's Baa2 long-term and prime-2 short-term local currency and foreign currency deposit ratings, with a stable outlook ; United Credit maintained the Bank's long-term main credit rating of AA +, with a stable outlook.

Asset and Liability Management

While managing the liquidity of the Bank as a whole, the Asset and Liability Management Department adjusted the business structure and asset allocation in a timely manner adapting to changes in market condition, to improve the level of efficiency and capital return. The business of asset and liability management are mainly domestic and foreign currency money market business and various fixed income investment business. Treasury business income is one of the main sources of profit of Metropolitan bank (China).

Our bank's interbank assets are mainly interbank loans to non-bank financial institutions, which mainly cooperate with financial leasing companies, consumer finance companies and auto financing companies with strong shareholder backgrounds; Interbank cooperation targets are mainly joint-stock banks, urban commercial banks and foreign banks. In terms of inter-bank liabilities, Metropolitan bank (China) obtains overseas low-cost funding through the parent bank on offshore market, 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.

FX & Derivatives Business

In 2022, FX & derivatives business flourished. We actively provided customers with various FX & derivatives solutions. 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 solutions according to customers' conditions. Because of our excellent services, the number of customers continued to grow and the transaction volume continued to grow increase by about 6% this year against the substantial growth last year.

Financial Institution Business

In 2022, through comprehensive products and business cooperation of FMS relationship with financial institution further improved, interbank asset placements stabilized and interbank liability channels diversified.

Trade Finance Business

In 2022, we paid close attention to the trend of macroeconomic situation and changes in regulatory policies, continued to optimize product strategies and improve the trade financial service system; implemented process operation of bill business, and the number of relevant customers increased significantly ; continued to strengthen cross-border financing services for SMEs and optimized trade credit product process; Actively responded to the "the Belt and Road Initiative", cooperated with the parent bank to issue letters of guarantee for Chinese enterprises to support local infrastructure projects in Southeast Asia; followed the regulatory guidance, timely carried out domestic letters of credit and forfaiting business, providing full-process products for the enterprise trade chain.

New Businesses

In June 2022, Metropolitan bank (China) launched the first bill repurchase business to improve the liquidity of our bill assets.

In July 2022, Metropolitan bank (China) launched the first bond lending business, further improving the liquidity management capability.

In July 2022, Metropolitan bank (China) launched the first domestic L/C and Forfaiting business, further enriching our trade financing products.

MOODY'S
穆迪

Baa2

Stable
稳定

INFORMATION TECHNOLOGY

In 2022, Information Technology Division continued to promote its core strategy of "digitalization, refinement, and intensification". Through the transformation of digital technology, the Bank endeavored to empower customers and provide the best experience. Through managing and controlling risks, the Bank aimed to achieve service-oriented benefits and fully serve the real economy. At the same time, by empowering employees with digital technologies, the Bank provided the staff with more convenient, independent and more efficient work forms, so as to optimize costs, continuously improve financial services, and enhance financial innovation.

At the same time, the Bank had been actively improving its information technology management ability. To make IT management more standardized and refined, the Bank had been:

1. Strengthening IT research and development capabilities and deepening IT applications;
2. Adhering to the principle of intensive construction and promoting the integration of business and IT;
3. Strengthening risk control and more effectively enhancing IT support to business.

In 2022, the Bank continued to explore and research in information technology innovation. To support the digital transformation, we firmly believe that good data governance is the foundation of solid digitalization. Hence, the Bank continued to work on improving data governance by tracing the root causes of data quality issues. A series of problems were solved, effectively improving the quality of data. The score of report to CBIRC EAST system continued improving as well.



In 2022, the Bank also received many honors in the field of digital innovation. After winning the "2021 Excellent Case of Digital Transformation in China's Banking Industry" in China Banking & Securities Journal, our "Big Data + AML Risk Monitoring Project" won the "Annual Outstanding Digital Project Award" in the Third Bank Digital Innovation (China) Summit in December 2022.

Major Information Technology Events and Projects

In terms of system construction, continuously improving the self-construction technology of our core system is the direction which the Bank always insists on. In 2022, the enterprise service bus (ESB) system, parent bank's remittance system and the second-generation credit reporting system were put into operation, providing guarantee and support for the digital transformation and setting the interface service standards, meaning another big step towards establishing our planned system architecture.

In terms of data governance, the data governance system, which consisted of management layer and implementation layer, played a key role in the whole year. Our data quality continued to improve. The unified management of regulatory and management reports strengthened the standardization of data and solidified the foundation of the digitalization strategy.

IT Risk Management

In 2022, the Bank continued to improve policies related to IT risks and strengthen realistic cutover drills for critical businesses. System security assessments, vulnerability scans, baseline configuration checks, penetration tests, business continuity tests and system security level protection assessments were continuously conducted to effectively improve the Bank's IT risk management and IT security capabilities. At the same time, the deployment of automated monitoring system was continuously improved to effectively minimize risks.



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 operations and best practices.

Internal audit activity is conducted 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 the highest level of independence. All auditors 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 2022, pursuant to the higher regulatory standards and governance mandates, risk-based approach and globally accepted standards were always adopted by IAD to conduct comprehensive audits of head office units, branches and sub-branches, business products and processes, information technology areas and application systems, to help MBCL accomplish its objectives and improve the effectiveness of its risk management, control and governance processes. By covering higher-risks and major areas, IAD achieved to be highly aligned with the Bank's business strategic plans and external effects. IAD has always kept the pace with the short-term planning and long-term development of the Bank, the impact caused by the fluctuation from the macroeconomy, financial markets and the pandemics were also taken into the consideration during the audit process. IAD provided recommendations where control weaknesses exist and where the achievement of objectives is by contributing enhanced accountability, performance and operation.

Following the change of epidemic prevention measures and infected situation, IAD had increased working efficiency, appropriately reallocated the resources and schedule, as well as utilized digital audit methods to ensure the proper completion of whole-year's plan. The overall completion was 118% compared with the initial schedule, realizing the continuous assurance and consulting service provided to the Bank. With an on-going 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.



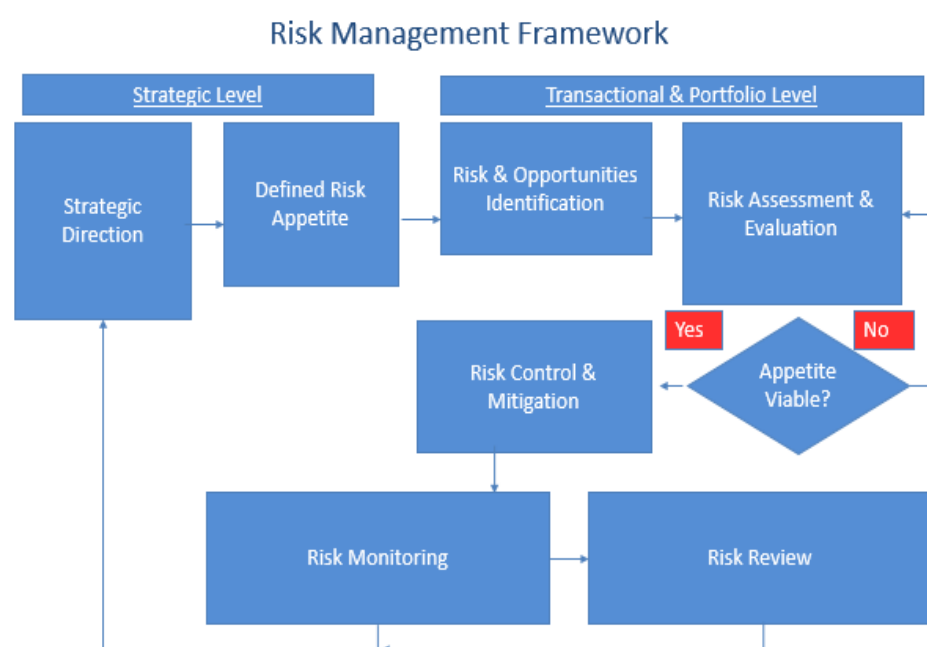
RISK MANAGEMENT

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) is set up under the Board of Directors. The committee members are appointed by the Board of Directors annually. The chairman of the committee is Robin King, Independent Director. The other 4 members are Guixian Lin, the vice chairman, Doctor Huibin Zhang, the non-executive director, Stanley Lo, an independent director and Dr. Pang Tsz Kit, an independent director.

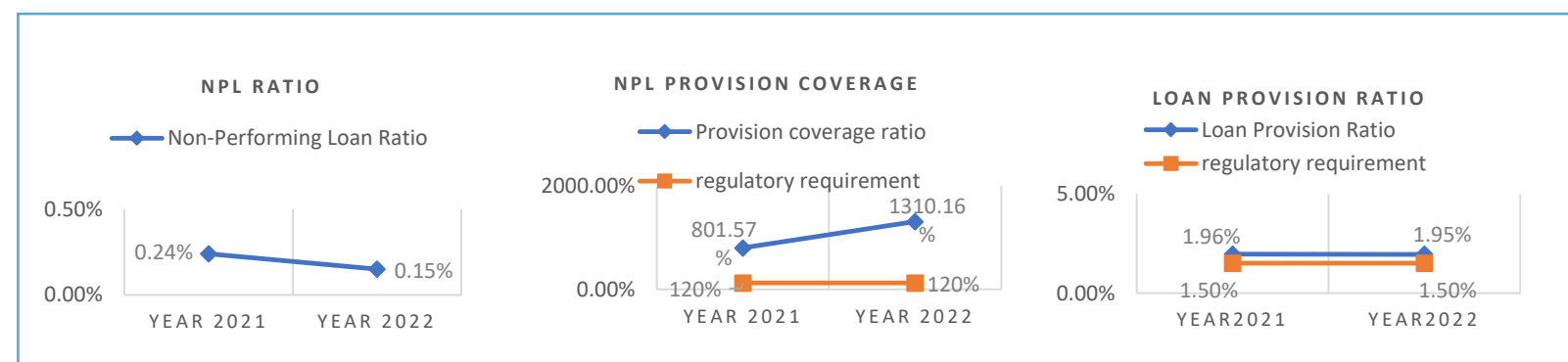
The RMC held 4 regular meetings and 6 Emails meetings in year 2022. These meetings conducted a review of the Bank's risk control and risk management strategy. The RMC reviewed and approved relative regulations and limits for credit, market, liquidity and operational risk, and conducted a regular and comprehensive review of the Bank's risk profile.



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 facility authorization and credit risk management of the Bank, risks primarily exist in on-balance-sheet businesses and off-balance-sheet businesses such as loans, trade financing, acceptance bills, interbank transactions, fixed-income securities 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 Metropolitan Bank and Trust Company's risk management system and risk management experience, Metrobank (China) has established credit risk management mechanism including risk exposure limit, facility 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 Year 2022, the Bank continued to strictly follow the regulatory authorities' guidance and 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 to 0.15% (end of 2021: 0.24%); the provision coverage ratio increased to 1310.16% (end of 2021: 801.57%) and the loan provisioning ratio decreased to 1.95 % (end of 2021: 1.96%).



the Bank has made the procedure of pre-loan investigation and post-loan management, forming a series of complete system mechanism and operation procedures. The due diligence of Metrobank (China) shall conform with principles of authenticity, completeness, and effectiveness. RMs shall perform duties of due diligence, conduct credit analysis according to the survey result and form written facility application. According to different business types, facility lines and risk mitigation measures, Metrobank (China) implements approval systems of different levels including President, Credit Committee and Executive Committee. Metrobank (China) 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 borrower, 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 BD and senior management manage risk at strategic level by resolutions and each Division take 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, including:

- Identify, analyze and measure risks from every transaction of the Bank;
- Assist Risk-Taking Personnel (i.e., Treasury) 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 Delta Economic Value of Equity (Δ EVE) and The Earning at Risk (EaR) limit are the primary control tool for the market risk of bank account activities. Delta Economic Value of Equity (Δ EVE) measures changes in the net present value of the Banking Book given different interest rate shocks and stress scenarios. It reflects changes in the economic value of equity over the remaining life of the assets and liabilities, i.e. runoff assumption. The delta EVE limit is set at 15% of the Common Equity Tier 1 (CET1) Capital based on Basel definition of outlier bank. 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 capita and income of the Bank. Limits are 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 Liquidity Risk Management Measures for Commercial Banks and relevant regulations, the Bank should continuously meet the minimum regulatory standards for the adequacy ratio, liquidity ratio and liquidity matching ratio of high-quality liquidity assets. At the same time, the Bank control the liquidity risk according to the different maturity of assets and liabilities

I. Governance Structure of Liquidity Risk Management

1. 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.
2. 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.
3. 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 transfer pricing (FTP);
4. Financial Market 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;
5. Accounting and Finance Division prepares daily liquidity ratio report including daily reserve funds and loan to deposit ratio, which is sent to Financial Market Division and Risk Management Division, to check if the Bank complies with the CBIRC's minimum liquidity compliance ratios.
6. Risk Management Division prepares the Maximum Cumulative Outflow (MCO) report. There is a MCO limit in terms of both 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;
7. Financial Market Division ensures the internal and regulatory limits are complied with at any time.

II. Liquidity Risk Management Strategy and Policies

In the year of 2022, 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 BD and reviewed at least annually.

III. Major Liquidity Risk Identification, Measurement, Monitoring and Control Methods

1. MCO limit
The MCO limit varies depending on the remaining portion of the Bank's funding capacity. The funding capacity is the amount that Financial Market 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.

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 Market Division adheres to regulatory and accounting standards and are in accordance to all internally set policies and guidelines.

RISK MANAGEMENT

IV. Major liquidity risk and liability quality management indicators with summary analysis

the Bank's monitoring of Internal Risk Management Indicators and Limits in 2022 is summarized below:

1. In the year of 2022, the Bank's actual levels of liquidity related ratios are all within the regulatory requirement.

Key Indicators	12/2022	9/2022	6/2022	3/2022	Regulatory Requirement
Liquidity Ratio	113.08%	161.15%	140.24%	131.75%	$\geq 25\%$
Liquidity Matching Ratio	172.04%	172.96%	191.84%	168.98%	$\geq 100\%$
High-Quality Liquid Assets Adequacy Ratio	158.44%	143.68%	133.49%	160.72%	$\geq 100\%$

2. In the year of 2022, 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 2022.

V. Major Factors impact Liquidity Risk

1. 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, ie government bonds and policy bank bonds with comparatively lower risk and high liquidity. However, it may affect bank's overall return from assets.
2. The proportion of assets extending one year in total risk assets is increasing. However, the Bank funding resources from deposit and interbank will be in shorter term.

VI. Stress Test

In the year of 2022, 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 efficiency of compliance management, prevent compliance risks and ensure sustainable development.

In 2022, according to our own development needs and internal and external regulatory requirements, the Bank continued to strengthen the compliance management work including internal control, case prevention and control, anti money laundering, corporate governance, legal affairs, etc., strengthen the compliance awareness of units and employees at all levels and ensure the compliance of banking activities through compliance training, compliance inspection, internal control assessment and evaluation. In 2022, the Bank strengthened the construction and management of internal control and cooperated with regulatory authorities to implement a series of special risk inspection. No violation was found by the regulatory authorities in the inspections to the Bank and its branches. As for some findings that need to be strengthened and improved raised by regulators, the Bank attaches great importance to them and actively takes rectification measures to continuously improve and enhance our internal refined management level.

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, excluding strategic risks and reputational risks. There are seven main categories of operational risk losses that the Bank may face: internal Fraud; External fraud; Employment practices 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 and 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 provide detailed definitions of significant, important and general operational risk events, and specify the process of recording, reporting and collecting operational risk events according to the event level, and establish 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.



IT Risk Management

IT risk is business risk – specifically, the business risk associated with the use, ownership, operation, involvement, influence and adoption of IT within the Bank; e.g., 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.

MBCL 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. Meanwhile, MBCL has established relatively comprehensive information technology management guidelines and policies, and reviews them as needed, including: 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 etc.

Country Risk Management

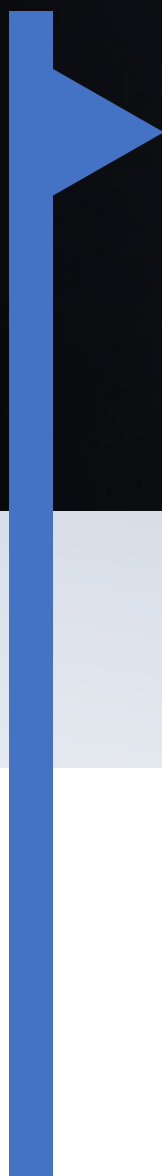
Country-specific risk covers all risks arising from the inability or unwillingness of a sovereign borrower or a specific country borrower to meet its foreign currency or local currency foreign debt repayment obligations as a result of regulation imposed by a country or a region due to possible or actual 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.



Sustainable Development

Environmental Governance





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 investments, 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 2022, aligning with the regulatory requirements and national standards, the Bank made green finance as one of the key business development directions and actively promoted 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 2022 were as follows:

Strategy Guidance and Organization Upgrading. the Bank has formulated the Bank’s Green Finance Guideline, reviewed and approved by the Board of Directors. In addition, 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 passive management to the proactive 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 segments including energy saving & environmental protection and agriculture governance. the Bank has formulated policies 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. To support green loans, it is specified in the Bank’s approval process to prioritize approval of green loans.

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 creditsystem, following domestic and overseas standards of the qualified customers or projects. At the mean-time, it was refined in the internal FTP, staffing, credit review and evaluation process to actively promote the customers’ green business transition. Relevant undertaking statements and assurance clauses were added to facility agreements to strengthen environmental risk management and stipulate transformation of customers’ corporate social responsibilities, so as to contribute to the green ecological transformation in various industries.



Sustainable Development

Social Governance



BRANDING BUILDING

Passive to Active

Since the "Meaningful Banking" branding concept was officially launched in 2019, we just have started the vision 1.0 of brand building. Over the past three years, our brand building has been iterated to version 2.0. Y2022 was the 60th anniversary of the Metrobank Group and the 12th year of solid operations of Metrobank (China), we turned "passive to active" in the field of brand building this year. We innovatively proposed a new branding campaign with the theme of "passive to active" and use various communication channels to brand building vision 3.0. This year, we proposed a series of activities to raise awareness and exposure of the brand with "Prime at 60, Strong as Ever" as the main propaganda theme.

Series Activities of 60th Anniversary Celebration to Strengthen the Linkage with Parent Bank

In 2022, the Bank has planned a series of activities under the branding direction of "Celebrating the 60th Anniversary of the Parent Bank" under the branding initiative "Proactive" version 3.0, as follows.

All Staff Participated in the 60th Anniversary Celebration for Parent Bank

The event was an innovative way to celebrate the Anniversary of Parent Bank by inviting all staff to participate, using their individual or team imagination and creativity to pose "60" in gestures or other creative ways. The event received nearly 100 works from the staff, which were created by the staff themselves, creating a linkage with the Parent Bank and increasing the sense of participation and cohesiveness among the staff.

60th Anniversary HighTea

On September 5, 2022, all employees of the Metrobank China participated in the 60th Anniversary Celebration High Tea, leading all executives and staff to review the Group's 60-year glorious development history and milestones and the development history and milestones of Metrobank China. The event enabled all staff to have a more in-depth and intuitive understanding of the Group and Metrobank China, and enhanced their sense of sense of honor and belonging.

Expand the "Circle of Friends" by Senior Management

In 2022, we take the initiative to strengthen the cooperation with the famous media in financial industry. In August and September, two of the Bank's senior management leaders, President David Lin and Executive Vice President Thomas Huang, accepted the exclusive interviews by International Finance News and 21st Century Business Herald respectively. Each of them expressed their unique views and insights on the development of foreign banks in China, as well as the development and operational strategies of Metrobank (China). At the same time, President David Lin was also invited to participate in the "Sharing Opportunities, Integrating Development" dialogue session for Jiangsu enterprises to enter ASEAN, which further enhanced the image of the industry.



President David accepted the Exclusive Interview by International Financial News

Executive Vice President Thomas Huang accepted the Exclusive Interview by 21st Century Business Herald

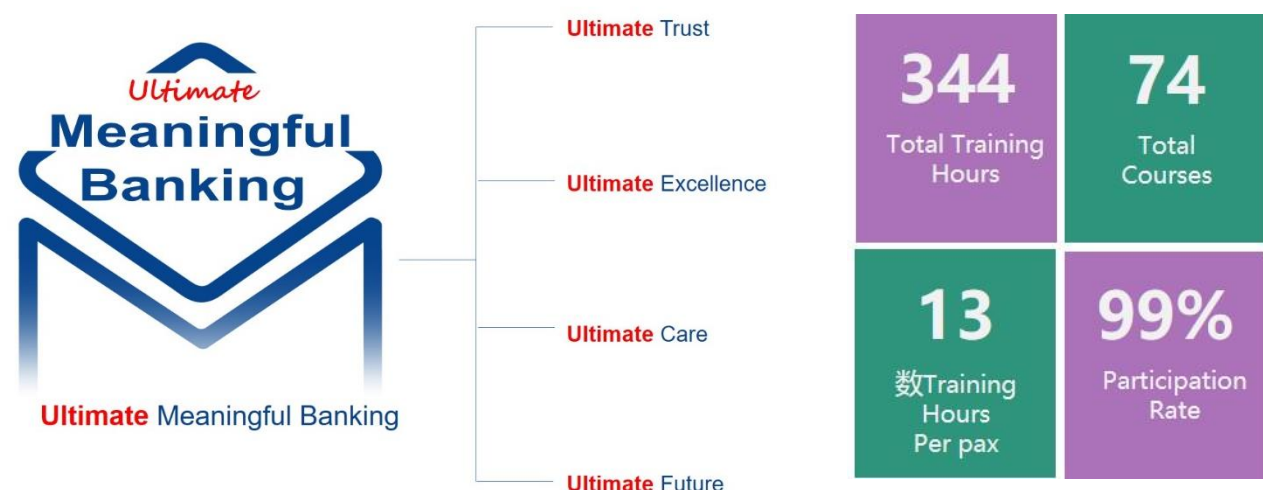
Proactive Participation in External Awards to Build the Bank's Professional Image

In recent years, as the development of Metrobank (China) continues to gain momentum, it is imperative to enhance and strengthen the professional image and expand the brand influence. In 2022, we proactive participated in and applied for some professional heavyweight award. And we got good result. We were awarded "Y2021 Golden Promise - China Financial Annual Excellent Social Responsibilities Programme" and "2021 Digital Transformation in China's Banking Industry - Outstanding Case of Digital Risk Control of the Year" by China Banking and Insurance, "Foreign Bank of the Year in 2022 TOP Finance List" by the Paper; "Gamma Award Best Bank of China in ESG" by Securities Times, "Outstanding Bank Digitalization Project of the Year" by China Credit Award. These awards not only represent a significant breakthrough in the number of awards compared to the previous year, but also have greatly enhanced our brand reputation and exposure.

STAFF DEVELOPMENT

In 2022, Metrobank (China) launched Meaningful Banking 3.0 — " Ultimate Meaningful Banking". As one of the core pillars, "Ultimate Future" focus on the long-term sustainable development of the Bank and all our staff.

Focusing on the changing market trends and our own characteristics, this year we carried out various development programs and courses based on the development needs of the Bank and all our staff. In total, 74 courses were offered with 344 learning hours. The completed learning hours per capita were 13 hours. The training coverage rate reached 99%.



The new launched "Digital Learning Programme" is a mark of 2022 Learning Programmes. Choosing the world's most impactful business school online, we offered a quarter-based online learning series which are with deep insights, useful and full of interactivity. By focusing on the necessary skills in the current and future competitive environment, we help staff use their fragmented time to develop digital awareness as well as developing habits of self-oriented learning and improvement. And effectively enhance competencies, generic skills and more comprehensive abilities while expanding their horizons. While the online courses help expanding our staffs' horizons, it is also effective on helping improve the required competencies, soft skills and more comprehensive abilities.



"WING Programme", which is a specific programme for our frontline colleagues' development, was completely upgraded. On the one hand, the programme provides a customized learning and growth map for frontline colleagues at different career stages. This helps to clarify the required capabilities and learning goals, plans a clear career path, and provides feasible development tools for each career stage. On the other hand, new sections such as Foreign Institution sharing sessions, Specific Sharing Sessions on Risk Control Topics, various Practice Campaigns and cross-division and cross-branch business sharing have been added to help. With experience sharing and on-the-job training, we help frontline colleagues gain better insights to understand our customers' needs and enhance their professional capabilities so as to provide better service.

Business Topics are newly added to the Wechat Micro-class Column. By using 1 minute, a business knowledge point can be clearly clarified. This definitely helps all our staff learn to develop as well as build the business mindset with fragmented time.



In terms of Talent Development, we regularly review the Talent Inventory for the Bank's healthy growth and provide development opportunities to all the selected talents. In 2022, we opened the cross-division rotation chance to some of our talents. This helps broaden the depth & width of their careers while effectively enhancing collaboration between the divisions. On the other hand, through data modeling, we successfully developed automated talent reports with existing data pool. We upgraded data management to help better plan our talents' development.



CORPORATE CULTURE

Metrobank Honor – Promote The High-Quality Development of Metrobank (China)

2022 Metrobank Honor integrated the 3 core values of "Efficiency, Innovation and Service" into the competitions for the first time, which awarded the "Efficiency Award", the "Innovation Award" and the "Ultimate Service Star". Appreciating the active participation of all divisions and branches, we received a total of 80 submissions, reaching the highest ever. 6 Innovation Awards, 6 Efficiency Awards and 23 Ultimate Service Stars of the Year were finally selected. We also presented the Long Service Awards to 10 dedicated colleagues who had been with Metrobank (China) for 10 years. We also presented the Productivity Award to the excellent business teams for their great achievements. All of us will continue to pursue excellence and work together to promote the high-quality development of Metrobank (China).



We Care You and You Cared

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 2022, "Staff Club" continued to grow and more and more staff were actively involved in, the health concept of life through exercise were deeply rooted in our employees' minds. Branches were also required to actively explore various "staff privilege" merchants. In 2022, despite the recurring pandemic all over the country, the number of new cooperated merchants exceeded 24 through the efforts of branches and HRD, reaching a high level of growth and bringing real benefits to our employees.



Care for Female Colleagues

Female colleagues are our important drivers of promoting high-quality development for the Bank. Women accounted 58% of our employees as the end of 2022. To support female colleagues in balancing their life and professional responsibilities, we are constantly improving our care and benefits for them.

"Women's Day Flowers Offering", sending sincere thanks and best wishes to female staff.



CORPORATE SOCIAL RESPONSIBILITY

We never forget the original intention of our founder Mr. George Ty, who made our tenet that give back to the society, benefiting society, and giving back to the community as our consistent purpose since the establishment of the Bank. We are committed to making meaningful contributions to the economic and social development of our country, and jointly creating a sustainable and meaningful future with the power of finance.

Painting Dreams into Reality and Raising the Standard of Aesthetic Education

In recent years, the Ministry of Education has increasingly attached importance to aesthetic education courses. In the "Compulsory Education Curriculum Plan and Curriculum Standards" issued this year, it is emphasized that the curriculum requirements should focus on music and art, and incorporate dance, drama, film, and other content. It is not difficult to find that schools have significantly increased their emphasis on children's aesthetic education courses. In 2022 on the occasion of the 60th anniversary of Metrobank Group, in addition to regular public service activities such as the construction of "Growth Classrooms, the establishment of "Metrobank Happy Scholarships" for students in need, and the provision of financial support for students in need and empowering teachers in the county to provide training for rural teachers, Metrobank (China) has also joined hands with the Fujian Charity Foundation to launch an aesthetic education programme named "Rural Children's Charity Painting Competition". By providing professional art tools and professional teachers' guidance, each child is able to use their brushes to depict their imaginary future life of perpetual co-existence and their ideals for the future, allowing their dreams to be painted into reality and the children to realize their knowledge of aesthetic education and gradually improve the level of aesthetic education in rural areas.



Painting Competition Award Ceremony

Meaningful Banking for Meaningful Future

We also have launched a series of initiatives under the concept of "Ultimate Meaningful Banking", which consists of four core pillars: Ultimate Trust, Ultimate Excellence, Ultimate Future and Ultimate Care. Ultimate Trust, through further optimization of processes, digitalization, empowerment of staff and building a culture of trustworthiness, while actively fulfilling our corporate social responsibility and giving back to the community; Ultimate Excellence, through the "Metrobank Honor" and the core values of "Innovation, Service and Efficiency". We launched the "Innovation Award, Efficiency Award and Ultimate Service Award" to further enhance staff's sense of honor; Ultimate Future, we launched the "Meaningful Career" to help staff at different stages of their careers and customize their development plans. Ultimate Care, we have always been "people-oriented", constantly optimizing and enhancing the welfare system, and organizing a variety of staff activities to enhance team cohesion and a sense of belonging.



Establishing Internal Systems to Facilitate the Development of Green Finance

We actively align with regulatory requirements and national standards and make green finance as one of the key business development directions for the Bank as a whole and vigorously promoting green finance from top to bottom. In 2022, we entered a new phase of green finance development by setting up a green finance working group with Corporate Banking Division, Credit Control Division and Risk Management Division as the main members, to enhance the green finance management and asset placement efforts in all aspects. Moreover, the Green Finance Group held regular working meetings to promote the construction of green finance in three aspects, including system construction, process management, assessment and training and information disclosure.

In 2022, we won the "Gamma Award Best Bank of China in ESG" by Securities Times.

CONSUMER RIGHTS PROTECTION

The board of directors and senior management of Metrobank (China) have always placed the “Financial Consumer Right Protection” in a great important position. As the requirement of strategic development and continuous operation, we actively carry out the regular training and activities to enhance our staff’s awareness of Consumer Right Protection while providing the customer-centered and excellent service. We actively fulfill our responsibility to protect and continue to push on the legitimate rights and interests of financial consumers in order to safeguard the lawful rights and interests of the financial consumers.

In 2022, we continued to improve the mechanism for protecting the rights and interests of financial consumers and optimize the working system and clarify the workflow. Meanwhile we tried to enhance the service quality and complaint handling capability of staff. In addition, we standardized information disclosure and financial marketing and promotion practices and further enhance the effectiveness of our financial consumer protection work.

At the same time, we actively followed the requirements of the regulatory authorities to organize a number of consumer protection and financial literacy campaigns, such as the "3-15 Consumer Rights Protection Publicity", "Popularizing Financial Knowledge, Guarding Your Wallet" and the "Financial Literacy Month". Organizing staff and relying on the strength of the branches, we reached out to the surrounding communities and corporate customers to conduct explanations and answer questions with public customers and provide financial services with warm temperature. In addition, combined with the normalized requirements of pandemic prevention and control, we fully completed the propaganda work online and offline. We also called on all the staff to enthusiastically take the online integrity “Cloud Pledge”. And we used our online channels such as WeChat and website to promote financial literacy, especially for the special groups to satisfy their needs of financial literacy.



宣传 | 金融知识普及·识别非法金融广告

首都银行中国 2022-09-30 12:00

宣传 | 金融知识普及——防范非法集资

首都银行中国 2022-09-23 12:00

This year, we also conducted two specific training sessions on consumer protection throughout the Bank and included this in the compulsory course for new employees of the Bank to maximize consumer protection in the minds of every employee. With a total of 493 attendances participated in the training in 2022.

In 2022, we were able to carry out the financial consumer protection work in accordance with the requirements of various regulatory bodies and departments. And we promoted financial knowledge to the public externally and strengthened the training and assessment of financial consumer protection internally, so as to promote the protection of financial consumer rights and interests in an orderly manner.



Annual Financial Audit Report 2022

Metropolitan Bank (China) Ltd.**Audited Financial Statements****31 December 2022**

<u>Index</u>	<u>Pages</u>
I. Auditors' Report	1-3
II. Audited Financial Statements	
1. Balance Sheet	4-5
2. Income Statement	6
3. Statement of Changes in Equity	7-8
4. Statement of Cash Flows	9-10
5. Notes to Financial Statements	11-80

Auditor Report

Ernst & Young Hua Ming (2023) 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 2022, 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 2022, and the financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises (“ASBEs”).

(I) 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.

(I) 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 (2023) Shen Zi No 60928836_B01
Metropolitan Bank (China) Ltd.

(I) 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 (2023) Shen Zi No 60928836_B01
Metropolitan Bank (China) Ltd.

BALANCE SHEET
31 December 2022

Unit: RMB yuan

	Note 5	31 December 2022	31 December 2021
ASSETS			
Cash and balances with the central bank	1	1,137,743,925.14	820,907,638.20
Due from banks	2	347,706,096.17	306,621,090.94
Placements with banks	3	2,081,649,089.14	2,340,287,886.47
Derivative financial assets	4	1,152,001.73	7,992,883.42
Loans and advances to customers	5	6,735,340,318.76	5,407,712,533.55
Financial investment			
-financial assets held-for-trading	6	10,182,691.78	6,195,572.09
-debt investments	7	21,342,739.31	371,502,302.64
-other debt investments	8	4,715,219,634.18	3,242,682,514.79
Fixed assets	9	7,155,045.21	8,913,136.71
Right-of-use assets	10	28,346,185.15	36,080,567.69
Deferred tax assets	11	44,192,019.80	25,541,420.61
Other assets	12	23,685,394.27	34,759,642.29
TOTAL ASSETS		15,153,715,140.64	12,609,197,189.40

安永华明会计师事务所(特殊普通合伙)上海分所



王丽珺

中国注册会计师：王丽珺



宁可

中国注册会计师：宁可

中国 上海

2023年4月19日

BANLANCE SHEET (CONTINUED)
31 December 2022

Unit: RMB yuan

	Note 5	31 December 2022	31 December 2021
LIABILITIES			
Due to banks and other financial institutions	13	62,007,196.05	92,259,311.04
Placements from banks	14	2,169,695,242.99	1,620,296,621.83
Customer deposits	15	10,935,069,722.14	8,963,658,253.67
Derivative financial liabilities	4	1,300,240.39	7,610,324.78
Payroll payables	16	43,362,968.47	39,801,425.84
Tax payables	17	17,232,743.80	12,725,264.37
Provisions	18	11,530,620.49	9,916,522.98
Bonds payables	19	147,513,761.86	99,932,703.23
Lease liabilities	20	29,253,076.26	36,620,663.19
Other liabilities	21	11,412,947.65	13,339,916.06
TOTAL LIABILITIES		13,428,378,520.10	10,896,161,006.99
EQUITY			
Paid-up capital	22	1,500,000,000.00	1,500,000,000.00
Capital reserves	23	453,890.00	453,890.00
Other comprehensive income	24	(72,109,648.71)	(30,508,325.53)
Surplus reserves	25	28,141,709.16	22,751,533.03
General reserves	26	208,758,182.73	175,451,611.62
Retained earnings	27	60,092,487.36	44,887,473.29
TOTAL EQUITY		1,725,336,620.54	1,713,036,182.41
TOTAL LIABILITIES AND EQUITY		15,153,715,140.64	12,609,197,189.40

BANLANCE SHEET (CONTINUED)
31 December 2022

Unit: RMB yuan

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

本财务报表由以下人士签署：



银行负责人：



主管会计工作及会计机构负责人：

INCOME STATEMENT
For the year ended 31 December 2022

Unit: RMB yuan

	Note 5	2022	2021
1. OPERATING INCOME			
Net interest income	28	274,458,098.95	267,296,947.82
Interest income	28	500,680,704.39	434,139,075.40
Interest expenses	28	(226,222,605.44)	(166,842,127.58)
Net fee and commission income	29	7,173,546.63	7,108,883.96
Fee and commission income	29	8,324,206.41	8,509,221.95
Fee and commission expenses	29	(1,150,659.78)	(1,400,337.99)
Investment income	30	4,658,869.90	1,910,799.58
Net (loss)/gain from changes in fair value		(252,221.92)	167,662.98
Foreign exchange gain/(loss)	31	<u>5,001,336.84</u>	<u>(2,712,247.10)</u>
TOTAL OPERATING INCOME		<u>291,039,630.40</u>	<u>273,772,047.24</u>
2. OPERATING EXPENSES			
Tax and surcharges		(2,637,545.74)	(3,099,119.22)
General and administrative expenses	32	(186,362,082.62)	(174,112,815.00)
Credit impairment losses	33	(29,997,399.93)	(29,213,969.89)
Assets impairment losses	34	-	(193,135.94)
Other operating expenses		<u>(876.24)</u>	<u>(3,300.34)</u>
TOTAL OPERATING EXPENSES		<u>(218,997,904.53)</u>	<u>(206,622,340.39)</u>
3. OPERATING PROFIT		72,041,725.87	67,149,706.85
Add: Non-operating income		1,283,577.75	1,146,678.60
Less: Non-operating expenses		<u>248,099.39</u>	<u>1,056,172.66</u>
4. PROFIT BEFORE TAX		73,077,204.23	67,240,212.79
Less: Income tax expense	35	<u>19,175,442.92</u>	<u>17,075,776.85</u>
5. NET PROFIT		<u>53,901,761.31</u>	<u>50,164,435.94</u>
6. OTHER COMPREHENSIVE INCOME			
Item to be reclassified to profit or loss:	24		
Fair value changes of other debt investments		(48,761,980.74)	(28,831,002.48)
Fair value changes of loans and advances to customers at fair value through other comprehensive income		2,778,401.56	70,538.41
Impairment of other debt investments		4,598,330.67	1,726,917.59
Impairment of loans and advances to customers at fair value through other comprehensive income		<u>(216,074.67)</u>	<u>(454,772.48)</u>
7. TOTAL COMPREHENSIVE INCOME		<u>12,300,438.13</u>	<u>22,676,116.98</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 2022

Unit: RMB yuan

For the year ended 31 December 2022

	Paid-up capital	Capital reserves	Other comprehensive income	Surplus reserves	General Reserves	Retained Earnings	Total
Balance as at 1 January 2022	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
Movements during the year	-	-	(41,601,323.18)	5,390,176.13	33,306,571.11	15,205,014.07	12,300,438.13
(i) Total comprehensive income	-	-	(41,601,323.18)	-	-	53,901,761.31	12,300,438.13
(ii) Profit appropriation	-	-	-	-	-	-	-
1. Appropriation to surplus reserves	-	-	-	5,390,176.13	-	(5,390,176.13)	-
2. Appropriation to general reserves	-	-	-	-	33,306,571.11	(33,306,571.11)	-
Balance as at 31 December 2022	1,500,000,000.00	453,890.00	(72,109,648.71)	28,141,709.16	208,758,182.73	60,092,487.36	1,725,336,620.54

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

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022

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	-	-	-	-	-	-	-
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 CASH FLOWS
 For the year ended 31 December 2022

Unit: RMB yuan

	Note 5	2022	2021
1. Cash Flows From Operating Activities:			
Net decrease in placements to banks		125,187,000.00	-
Net increase in placements from banks		551,555,900.00	-
Net increase in customer deposits and due to banks		1,903,606,953.58	1,690,709,324.02
Cash received from interest, service fee and commission income		360,368,552.01	328,414,362.94
Cash received from other operating activities		<u>9,285,416.15</u>	<u>16,624,615.17</u>
Subtotal of cash inflows from operating activities		<u>2,950,003,821.74</u>	<u>2,035,748,302.13</u>
Net increase in due from central bank and due from banks		(97,751,819.54)	(26,531,725.32)
Net increase in loans and advances to customers		(1,350,095,449.40)	(930,477,311.55)
Net increase in placements with banks		-	(231,271,000.00)
Net decrease in placements from banks		-	(78,095,820.00)
Net increase in financial assets at fair value through profit or loss		(4,000,000.00)	(3,000,000.00)
Cash paid for interest, service fee and commission expense		(189,391,467.54)	(149,691,667.43)
Cash paid to and on behalf of employees		(130,520,009.64)	(118,244,139.75)
Cash paid for taxes and surcharges		(43,380,531.11)	(46,058,719.70)
Cash paid for other operating activities		<u>(109,188,289.41)</u>	<u>(31,740,505.83)</u>
Subtotal of cash outflows from operating activities		<u>(1,924,327,566.64)</u>	<u>(1,615,110,889.58)</u>
Net cash flows generated from operating activities	36	<u>1,025,676,255.10</u>	<u>420,637,412.55</u>

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

STATEMENT OF CASH FLOWS (CONTINUED)
 For the year ended 31 December 2022

Unit: RMB yuan

	Note 5	2022	2021
2. Cash Flows From Investing Activities:			
Proceeds from disposal/maturity of investment securities		3,814,070,662.20	3,952,833,795.84
Cash received from investment income		150,157,595.71	118,715,295.48
Net cash received from disposal of fixed assets and intangible assets		<u>36,295.49</u>	<u>649,196.16</u>
Subtotal of cash inflows from investing activities		<u>3,964,264,553.40</u>	<u>4,072,198,287.48</u>
Cash paid for investments		(4,926,703,972.58)	(4,881,343,281.83)
Cash paid to acquire fixed assets, intangible assets and other long-term assets		<u>(5,007,401.50)</u>	<u>(4,644,595.47)</u>
Subtotal of cash outflows from investing activities		<u>(4,931,711,374.08)</u>	<u>(4,885,987,877.30)</u>
Net cash flows used in investing activities		<u>(967,446,820.68)</u>	<u>(813,789,589.82)</u>
3. Cash Flows From Financing Activities:			
Cash received from bond issuance		<u>295,868,350.00</u>	<u>213,363,320.19</u>
Subtotal of cash inflows from financing activities		<u>295,868,350.00</u>	<u>213,363,320.19</u>
Cash paid from bond repayment		(250,000,000.00)	(363,716,244.88)
Cash paid to other financing activities		<u>(14,174,783.38)</u>	<u>(12,314,134.86)</u>
Subtotal of cash outflows from financing activities		<u>(264,174,783.38)</u>	<u>(376,030,379.74)</u>
Net cash flows generated from/(used in) financing activities		<u>31,693,566.62</u>	<u>(162,667,059.55)</u>
4. Effect of Exchange Rate Changes on Cash and Cash Equivalents			
		<u>32,237,359.63</u>	<u>(5,680,431.63)</u>
5. Net Decrease in Cash and Cash Equivalents		<u>122,160,360.67</u>	<u>(561,499,668.45)</u>
Add: Opening Balances of Cash and Cash Equivalents		<u>1,810,937,417.75</u>	<u>2,372,437,086.20</u>
6. Closing Balances of Cash and Cash Equivalents	37	<u>1,933,097,778.42</u>	<u>1,810,937,417.75</u>

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

NOTES OF FINANCIAL STATEMENTS

For the year ended 31 December 2022

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.

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 2022, besides Head Office incorporated in Nanjing, the Bank has set up 7 branches respectively in Shanghai, Nanjing, Changzhou, Quanzhou, Xiamen, Suzhou and Ningbo.

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 OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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 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 2022 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 accordance 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.

(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 OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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 .

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 amortised cost, financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss based on the Bank's business model for managing the financial assets and their contractual cash flow characteristics.

NOTES OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

Unit: RMB yuan

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

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, financial liabilities measured at amortised cost. 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 financial liabilities measured at amortised cost are included in the initial recognition amounts.

NOTES OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

Unit: RMB yuan

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

Financial liabilities measured at amortised cost

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 Bank's measurement of ECL of financial instruments reflects factors including unbiased probability weighted average amount recognised by assessing a series of possible results, time value of money, reasonable and supportable information related to historical events, current condition and forecast of future economic position that is available without undue cost or effort at the balance date.

NOTES OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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.

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 OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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 OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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

(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.

NOTES OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

Unit: RMB yuan

3. Significant accounting policies and estimates (continued)**(11) Settled assets**

Settled 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 settled assets, the assets are written down to the recoverable amount.

(12) Impairment of asset

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

The Bank assesses at the balance sheet date whether there is any indication that an asset may be impaired. If any indication exists that an asset may be impaired, the Bank estimates the recoverable amount of the asset and performs impairment testing; goodwill arising from a business combination, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least at each year end, irrespective of whether there is any indication that the asset may be impaired.

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 the above impairment loss is recognised, it cannot be reversed in subsequent accounting periods.

(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 OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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; and
- (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.

Financial guarantee contracts subsequently measured at an amount equal to expected credit losses are presented in provisions.

(15) Revenue and expense recognitionInterest 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.

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 OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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 OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

Unit: RMB yuan

3. Significant accounting policies and estimates (continued)**(17) Deferred tax**

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.

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 OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

Unit: RMB yuan

3. Significant accounting policies and estimates (continued)**(18) Leases**

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

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.

The Bank remeasures the lease liability for the revision to the lease payments and adjusts the carrying amount of the right-of-use assets accordingly. The 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.

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. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for termination of a lease, if the lease term reflects the Bank exercising the option to terminate the lease.

In calculating the present value of the lease payments, the Bank uses the interest rate implicit in the lease as the discount rate. If that rate cannot be readily determined, the Bank uses the lessee's incremental borrowing rate. The Bank calculates the interest expenses of the lease liability in each period during the lease term using the constant periodic rate of interest, and recognises such interest expenses in profit or loss, except those in the costs of the related asset as required. Variable lease payments that are not included in the measurement of the lease liabilities are recognised in profit or loss as incurred, except those in the costs of the related asset as required.

NOTES OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

Unit: RMB yuan

3. Significant accounting policies and estimates (continued)**(18) Leases (continued)**As lessee (continued)*Lease liabilities (continued)*

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the Bank remeasures the lease liability at the present value of revised lease payments upon a change in any of the following: in-substance fixed payments, the amounts expected to be payable under residual value guarantees, the index or rate used to determine lease payments, or the assessment or exercise of the purchase option, the renewal option or the option to terminate the lease.

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 contain 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.

(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.

NOTES OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

Unit: RMB yuan

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

(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.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole: Level 1 based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly; Level 3 based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are measured at fair value in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation at each balance sheet date.

(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 OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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 losses 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 OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

Unit: RMB yuan

3. Significant accounting policies and estimates (continued)**(23) Significant accounting judgements and estimates (continued)**Estimation uncertainty (continued)*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 OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

Unit: RMB yuan

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 OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

Unit: RMB yuan

5. Notes to financial statements

(1) Cash and balances with the central bank

	2022	2021
Cash on hand	416,605.08	638,409.47
Balances with the central bank		
Statutory reserve fund		
- RMB	721,589,772.88	609,450,263.00
- foreign currency	61,967,692.86	76,355,383.20
Excess reserves	353,368,551.61	134,125,712.62
Subtotal	1,136,926,017.35	819,931,358.82
Interest receivables	401,302.71	337,869.91
Total	<u>1,137,743,925.14</u>	<u>820,907,638.20</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 6% (31 December 2021: 9%) of the balance of foreign customer deposits at the end of the last month. For customer deposits denominated in RMB, the statutory reserve fund is calculated at 7.5% (31 December 2021: 8%) of the average balance of RMB customer deposits at the last ten-day period.

(2) Due from banks

	2022	2021
Domestic banks	290,844,657.92	169,676,209.22
Overseas banks	57,184,963.81	137,740,086.44
Subtotal	348,029,621.73	307,416,295.66
Interest receivables	125,273.56	126,388.89
Less: provisions	448,799.12	921,593.61
Total	<u>347,706,096.17</u>	<u>306,621,090.94</u>

NOTES OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

Unit: RMB yuan

5. Notes to financial statements (continued)

(3) Placements with banks

	2022	2021
Domestic banks	424,115,000.00	450,000,000.00
Other domestic financial institutions	1,593,252,000.00	1,425,028,000.00
Overseas banks	50,000,000.00	455,000,000.00
Subtotal	2,067,367,000.00	2,330,028,000.00
Interest receivables	14,813,261.07	13,116,973.78
Less: provisions	531,171.93	2,857,087.31
Total	<u>2,081,649,089.14</u>	<u>2,340,287,886.47</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 OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

Unit: RMB yuan

5. Notes to financial statements (continued)

(4) Derivative financial instruments (continued)

The derivative financial instruments held on for the year ended 31 December 2022 and 2021 are as follows:

	2022		
	Nominal amount	Fair value	
		Assets	Liabilities
Foreign exchange derivatives			
Forward contract	67,698,650.48	878,588.08	705,515.58
Subtotal	67,698,650.48	878,588.08	705,515.58
Interest rate derivatives			
Option contract	290,000,000.00	273,413.65	140,569.00
Interest rate swap	1,164,630,000.00	-	454,155.81
Subtotal	1,454,630,000.00	273,413.65	594,724.81
Total	1,522,328,650.48	1,152,001.73	1,300,240.39
	2021		
	Nominal amount	Fair value	
		Assets	Liabilities
Foreign exchange derivatives			
Forward contract	704,648,444.40	5,753,439.45	5,509,034.02
Swap contract	258,333,000.00	294,874.08	276,377.85
Option contract	681,936,400.00	773,027.28	642,227.30
Currency swap	256,974,000.00	1,065,468.30	994,645.80
Subtotal	1,901,891,844.40	7,886,809.11	7,422,284.97
Interest rate derivatives			
Option contract	519,000,000.00	106,074.31	145,180.38
Interest rate swap	269,330,000.00	-	42,859.43
Subtotal	788,330,000.00	106,074.31	188,039.81
Total	2,690,221,844.40	7,992,883.42	7,610,324.78

NOTES OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

Unit: RMB yuan

5. Notes to financial statements (continued)

(5) Loans and advances to customers

(5.1) By types of loans

	2022	2021
Measured at amortised cost		
Loans	6,664,505,682.35	4,918,554,523.01
Trade finance	-	5,729,206.00
Measured at fair value through other comprehensive income		
Discounted bills	-	166,440,089.20
Trade finance	193,155,843.79	415,771,923.95
Subtotal	6,857,661,526.14	5,506,495,742.16
Interest receivables	11,634,132.29	8,733,234.45
Total	6,869,295,658.43	5,515,228,976.61
Less: provisions of loans (Notes5. (5.4))	133,955,339.67	107,516,443.06
Net value	6,735,340,318.76	5,407,712,533.55

NOTES OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

Unit: RMB yuan

5. Notes to financial statements (continued)

(5) Loans and advances to customers (continued)

(5.2) By types of collateral or guarantee

	2022	2021
Unsecured loans	169,476,819.71	146,929,206.00
Guaranteed loans	5,024,086,000.00	3,748,529,871.53
Secured by mortgages	200,156,650.38	144,494,602.31
Secured by pledges	1,463,942,056.05	1,466,542,062.32
Subtotal	6,857,661,526.14	5,506,495,742.16
Interest receivables	11,634,132.29	8,733,234.45
Total	6,869,295,658.43	5,515,228,976.61

(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 for the year ended 31 December 2022, there is no overdue loans of the Bank.

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	-	-	2,958,442.92

NOTES OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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 2022 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 2022	95,194,895.39	-	12,321,547.67	107,516,443.06
During 2022				
Accrual/(reversal)	29,577,199.46	-	(543,083.38)	29,034,116.08
Write-off	-	-	(2,634,200.84)	(2,634,200.84)
Exchange difference	38,981.37	-	-	38,981.37
Closing balance	124,811,076.22	-	9,144,263.45	133,955,339.67

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	95,194,895.39	-	12,321,547.67	107,516,443.06

(6) Financial assets held for trading

	2022	2021
Financial assets at fair value through profit or loss		
Pension management products	10,182,691.78	6,195,572.09

NOTES OF FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

Unit: RMB yuan

5. Notes to financial statements (continued)

(7) Debt investments

	2022	2021
Bonds investments issued by		
Policy banks	20,745,067.96	20,868,853.13
Entrusted investments	-	353,000,000.00
Subtotal	20,745,067.96	373,868,853.13
Interest receivables	598,767.12	1,275,611.63
Less: provision	1,095.77	3,642,162.12
Net Value	<u>21,342,739.31</u>	<u>371,502,302.64</u>

As at 31 December 2022 and 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

	2022	2021
Bonds investments issued by		
Government	9,982,070.00	59,826,930.00
Policy banks	1,475,130,930.00	870,828,460.00
Business enterprises	2,744,089,970.02	2,143,863,858.94
Interbank negotiable certificates of deposit issued by		
Commercial banks	398,898,250.00	99,908,300.00
Subtotal	4,628,101,220.02	3,174,427,548.94
Interest receivables	87,118,414.16	68,254,965.85
Net Value	<u>4,715,219,634.18</u>	<u>3,242,682,514.79</u>

As at 31 December 2022, the Bank recorded the debt investments with the nominal value of RMB100 million issued by business enterprises in stage 2 and measured the provision based on the lifetime expected credit losses. Meanwhile, the Bank recorded the rest of the other debt investments in Stage 1, and measured the provision based on expected credit losses for the next 12 months. 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 OF FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

Unit: RMB yuan

5. Notes to financial statements (continued)

(9) Fixed assets

2022	Motor vehicles	Computers	Office	Total
			equipments	
Cost				
Opening balance	1,704,384.23	33,223,175.76	4,555,259.67	39,482,819.66
Additions	-	156,168.97	37,984.95	194,153.92
Transfer from				
Construction progress	-	194,810.00	210,619.53	405,429.53
Disposals	-	(127,387.86)	(9,582.47)	(136,970.33)
Closing balance	<u>1,704,384.23</u>	<u>33,446,766.87</u>	<u>4,794,281.68</u>	<u>39,945,432.78</u>
Accumulated depreciation				
Opening balance	1,533,946.03	25,972,811.78	3,062,925.14	30,569,682.95
Additions	-	1,938,777.82	404,535.71	2,343,313.53
Disposals	-	(114,543.46)	(8,065.45)	(122,608.91)
Closing balance	<u>1,533,946.03</u>	<u>27,797,046.14</u>	<u>3,459,395.40</u>	<u>32,790,387.57</u>
Net book value				
Opening balance	<u>170,438.20</u>	<u>7,250,363.98</u>	<u>1,492,334.53</u>	<u>8,913,136.71</u>
Closing balance	<u>170,438.20</u>	<u>5,649,720.73</u>	<u>1,334,886.28</u>	<u>7,155,045.21</u>
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	-	120,504.31	329,849.35	450,353.66
Disposals	-	(3,971,855.98)	(495,962.94)	(4,467,818.92)
Closing balance	<u>1,704,384.23</u>	<u>33,223,175.76</u>	<u>4,555,259.67</u>	<u>39,482,819.66</u>
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	<u>1,533,946.03</u>	<u>25,972,811.78</u>	<u>3,062,925.14</u>	<u>30,569,682.95</u>
Net book value				
Opening balance	<u>170,438.20</u>	<u>9,362,800.12</u>	<u>1,622,255.09</u>	<u>11,155,493.41</u>
Closing balance	<u>170,438.20</u>	<u>7,250,363.98</u>	<u>1,492,334.53</u>	<u>8,913,136.71</u>

NOTES OF FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

Unit: RMB yuan

5. Notes to financial statements (continued)

(10) Right-of-use assets

2022	Buildings	Motor vehicles	Total
Cost			
Opening balance	47,405,184.40	415,938.18	47,821,122.58
Additions	5,793,907.67	-	5,793,907.67
Closing balance	53,199,092.07	415,938.18	53,615,030.25
Accumulated depreciation			
Opening balance	11,605,656.05	134,898.84	11,740,554.89
Additions	13,393,391.37	134,898.84	13,528,290.21
Closing balance	24,999,047.42	269,797.68	25,268,845.10
Net book value			
Opening balance	35,799,528.35	281,039.34	36,080,567.69
Closing balance	28,200,044.65	146,140.50	28,346,185.15
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

NOTES OF FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

Unit: RMB yuan

5. Notes to financial statements (continued)

(11) Deferred tax assets/(liabilities)

2022	As at 31 December 2021	Charged to profit and loss	Charged to equity	As at 31 December 2022		
Impairment losses	10,180,428.77	1,562,219.97	-	11,742,648.74		
Changes in fair value of other debt investments	10,945,343.41	-	16,253,993.59	27,199,337.00		
Changes in fair value of held-for-trading financial assets	(48,893.02)	(3,220.08)	-	(52,113.10)		
Changes in fair value of derivative financial instruments	(95,639.65)	132,699.33	-	37,059.68		
Changes in fair value of forfeiting and discounted bills	(23,512.80)	-	(926,133.86)	(949,646.66)		
Payroll payables	3,575,356.46	640,385.66	-	4,215,742.12		
Accounting-tax difference of fixed assets	(1,470,793.31)	587,130.20	-	(883,663.11)		
Provisions	2,479,130.75	403,524.38	-	2,882,655.13		
Total	25,541,420.61	3,322,739.46	15,327,859.73	44,192,019.80		
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 OF FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

Unit: RMB yuan

5. Notes to financial statements (continued)

(12) Other assets

	Notes	2022	2021
Settled assets	12.1	-	12,281,922.37
Other receivables	12.2	5,488,622.84	5,171,266.94
Long-term deferred expenses	12.3	7,665,233.71	9,358,975.51
Intangible assets	12.4	10,691,917.35	10,159,552.43
Construction in progress	12.5	708,632.45	1,461,790.43
Subtotal		24,554,406.35	38,433,507.68
Less: Provision		869,012.08	3,673,865.39
Net Value		23,685,394.27	34,759,642.29

(12.1) Settled assets

	2022	2021
Buildings	-	12,281,922.37

As at 31 December 2022, the Bank has completed the disposal of the settled assets and has no provision for settled assets (31 December 2021: RMB2,804,853.31).

NOTES OF FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

Unit: RMB yuan

5. Notes to financial statements (continued)

(12) Other assets (continued)

(12.2) Other receivables

(i) By Aging

	2022			
	Book value	%	Provision	Net value
Within 1 year	1,712,321.44	31%	-	1,712,321.44
1-2 years	414,440.03	8%	-	414,440.03
2-3 years	31,700.00	1%	-	31,700.00
Over 3 years	3,330,161.37	60%	(869,012.08)	2,461,149.29
Total	5,488,622.84	100%	(869,012.08)	4,619,610.76

	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
Total	5,171,266.94	100%	(869,012.08)	4,302,254.86

(ii) By nature

	2022	2021
Rental deposits	3,331,489.97	3,155,809.19
Prepayments	1,281,218.74	1,142,419.77
Others	875,914.13	873,037.98
Total	5,488,622.84	5,171,266.94

NOTES OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

Unit: RMB yuan

5. Notes to financial statements (continued)

(12) Other assets (continued)

(12.3) Long-term deferred expenses

2022	Opening balance	Additions	Amortizations	Closing balance
Leasehold improvements	9,358,975.51	2,147,887.94	(3,841,629.74)	7,665,233.71

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

(12.4) Intangible assets

	2022	2021
Cost		
Opening balance	21,154,876.31	20,417,239.94
Additions	1,194,224.49	542,314.87
Transfer from construction in progress	1,649,447.81	865,801.85
Disposal	(22,990.65)	(670,480.35)
Closing balance	23,975,557.96	21,154,876.31
Amortizing		
Opening balance	10,995,323.88	9,439,454.58
Additions	2,289,373.31	2,084,840.48
Disposal	(1,056.58)	(528,971.18)
Closing balance	13,283,640.61	10,995,323.88
Net carrying amount		
Opening balance	10,159,552.43	10,977,785.36
Closing balance	10,691,917.35	10,159,552.43

(12.5) Construction in progress

	2022	2021
Opening balance	1,461,790.43	2,407,013.93
Additions	3,019,247.21	1,770,050.03
Transfers	(3,772,405.19)	(2,715,273.53)
Closing balance	708,632.45	1,461,790.43

NOTES OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

Unit: RMB yuan

5. Notes to financial statements (continued)

(13) Due to banks and other financial institutions

	2022	2021
Overseas banks	61,862,366.34	59,388,091.33
Domestic financial institutions	144,829.71	32,784,803.04
Interest payables	-	86,416.67
Total	62,007,196.05	92,259,311.04

(14) Placements from banks

	2022	2021
Domestic banks	360,000,000.00	518,295,500.00
Overseas banks	1,797,365,400.00	1,087,514,000.00
Interest payables	12,329,842.99	14,487,121.83
Total	2,169,695,242.99	1,620,296,621.83

(15) Customer deposits

	2022	2021
Demand deposits		
Corporate customers	2,683,821,419.20	3,360,927,441.43
Personal customers	13,276,301.93	21,169,063.12
Time deposits		
Corporate customers	7,670,787,343.50	5,021,392,618.71
Personal customers	492,356,622.97	522,959,912.44
Others	180,000.00	200,000.00
Interest payables	74,648,034.54	37,009,217.97
Total	10,935,069,722.14	8,963,658,253.67

NOTES OF FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

Unit: RMB yuan

5. Notes to financial statements (continued)

(16) Payroll payables

	2022	2021
Amount unpaid		
Salary, bonus, subsidy and allowance	43,362,968.47	39,801,425.84
Amount payable		
Salary, bonus, subsidy and allowance	106,961,578.50	99,006,798.83
Employee benefits	955,523.12	1,051,070.80
Social insurance	5,751,277.83	4,904,233.84
Including: Medical insurance	5,293,264.83	4,506,856.67
Injury insurance	163,455.98	154,548.89
Maternity insurance	294,557.02	242,828.28
Housing fund	7,992,953.28	6,668,178.24
Defined contribution plan	12,501,324.23	10,376,231.32
Including: Retirement insurance	9,918,151.44	7,968,500.76
Enterprise annuity	2,264,257.00	2,150,618.00
Unemployment insurance	318,915.79	257,112.56
Total	134,162,656.96	122,006,513.03

(17) Tax payables

	2022	2021
Value-added Tax	5,643,567.88	4,727,364.66
Corporate Income Tax	10,706,555.49	5,906,218.94
Others	882,620.43	2,091,680.77
Total	17,232,743.80	12,725,264.37

NOTES OF FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

Unit: RMB yuan

5. Notes to financial statements (continued)

(18) Provisions

	Opening balance	Increase	Decrease	Closing balance
2022				
Provision for credit commitment and financial guarantee	9,916,522.98	1,614,097.51	-	11,530,620.49
2021				
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 losses. The movement of credit impairment provisions is as follows:

	2022			Total
	Stage 1	Stage 2	Stage 3 Credit-impaired financial assets (Lifetime expected credit losses)	
Opening balance	9,916,522.98	-	-	9,916,522.98
Additions	1,561,744.77	-	-	1,561,744.77
Exchange differences	52,352.74	-	-	52,352.74
Closing balance	11,530,620.49	-	-	11,530,620.49
	2021			Total
	Stage 1	Stage 2	Stage 3 Credit-impaired financial assets (Lifetime expected credit losses)	
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 OF FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

Unit: RMB yuan

5. Notes to financial statements (continued)

(19) Bonds payables

	2022	2021
Interbank negotiable certificates of deposit	147,513,761.86	99,932,703.23
Total	<u>147,513,761.86</u>	<u>99,932,703.23</u>

On 31 December 2022 and 31 December 2021, the balances of bonds payables are as follows:

Date of issuance	Duration	Amount	Currency	2021				2022				
				Opening balance	Issuance	Amortization of discount/premium	Reimbursement	Closing balance	Issuance	Amortization of discount/premium	Reimbursement	Closing balance
2022/12/19	1 month	50,000,000.00	RMB	-	-	-	-	-	49,894,900.00	44,074.19	-	49,938,974.19
2022/11/30	1 year	50,000,000.00	RMB	-	-	-	-	-	48,638,150.00	119,395.07	-	48,757,545.07
2022/11/14	1 year	50,000,000.00	RMB	-	-	-	-	-	48,638,150.00	179,092.60	-	48,817,242.60
2021/12/20	1 month	100,000,000.00	RMB	-	99,768,200.00	164,503.23	-	99,932,703.23	-	67,296.77	100,000,000.00	-

In 2022 and 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 OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

Unit: RMB yuan

5. Notes to financial statements (continued)

(20) Lease liabilities

	2022	2021
Within 1 year	13,038,695.77	13,851,769.88
1-5 years	17,528,466.93	24,779,448.27
Total undiscounted lease liabilities	<u>30,567,162.70</u>	<u>38,631,218.15</u>
Total	<u>29,253,076.26</u>	<u>36,620,663.19</u>

(21) Other liabilities

	2022	2021
Accounts payable	3,060,590.98	5,131,076.11
Payables from unsettled	960,702.10	2,278,686.45
Accrued expenses	4,854,738.54	4,465,842.84
Deferred income	2,515,222.01	1,372,335.44
Others	21,694.02	91,975.22
Total	<u>11,412,947.65</u>	<u>13,339,916.06</u>

(22) Paid-up capital

	2022		2021	
	RMB equivalent	%	RMB equivalent	%
Metrobank	<u>1,500,000,000.00</u>	<u>100%</u>	<u>1,500,000,000.00</u>	<u>100%</u>

The paid-up 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.

(23) Capital reserves

2022	Opening balance	Additions	Closing balance
Excess of contributed capital	<u>453,890.00</u>	-	<u>453,890.00</u>
2021	Opening balance	Additions	Closing balance
Excess of contributed capital	<u>453,890.00</u>	-	<u>453,890.00</u>

NOTES OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

Unit: RMB yuan

5. Notes to financial statements (continued)

(24) Other comprehensive income

Accumulated balance of other comprehensive income in the balance sheet:

2022	Opening balance	Changes during the year	Closing balance
Fair value changes of other debt investments	(32,835,898.63)	(48,761,980.74)	(81,597,879.37)
Fair value changes of loans and advances to customers at fair value through other comprehensive income	70,538.41	2,778,401.56	2,848,939.97
Provisions for other debt investments	2,017,871.84	4,598,330.67	6,616,202.51
Provisions for loans and advances to customers at fair value through other comprehensive income	<u>239,162.85</u>	<u>(216,074.67)</u>	<u>23,088.18</u>
Total	<u>(30,508,325.53)</u>	<u>(41,601,323.18)</u>	<u>(72,109,648.71)</u>
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	<u>693,935.33</u>	<u>(454,772.48)</u>	<u>239,162.85</u>
Total	<u>(3,020,006.57)</u>	<u>(27,488,318.96)</u>	<u>(30,508,325.53)</u>

NOTES OF FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

Unit: RMB yuan

5. Notes to financial statements (continued)

(24) Other comprehensive income (continued)

Other comprehensive income in the income statement:

2022	Before tax	Less: Previously accrued OCI transfer to the income statement	Less: tax	After tax
Items that will be reclassified to the income statement:				
Fair value changes of other debt investments	(63,144,231.04)	1,871,743.29	(16,253,993.59)	(48,761,980.74)
Fair value changes of loans and advances to customers at fair value through other comprehensive income	(994,612.18)	(4,699,147.60)	926,133.86	2,778,401.56
Impairment provision for other debt investments	6,131,107.53	-	1,532,776.86	4,598,330.67
Impairment provision for loans and advances to customers at fair value through other comprehensive income	(288,099.56)	-	(72,024.89)	(216,074.67)
Total	<u>(58,295,835.25)</u>	<u>(2,827,404.31)</u>	<u>(13,867,107.76)</u>	<u>(41,601,323.18)</u>

NOTES OF FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

Unit: RMB yuan

5. Notes to financial statements (continued)

(24) Other comprehensive income (continued)

Other comprehensive income in the income statement (continued):

2021	Before tax	Less: Previously accrued OCI transfer to the income statement	Less: tax	After tax
Items that will 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>

NOTES OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

Unit: RMB yuan

5. Notes to financial statements (continued)

(25) Surplus reserves

2022	Opening balance	Additions	Closing balance
Statutory surplus reserves	<u>22,751,533.03</u>	<u>5,390,176.13</u>	<u>28,141,709.16</u>
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>

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.

(26) General reserves

2022	Opening balance	Additions	Closing balance
General reserves	<u>175,451,611.62</u>	<u>33,306,571.11</u>	<u>208,758,182.73</u>
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>

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 OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

Unit: RMB yuan

5. Notes to financial statements (continued)

(27) Retained earnings

	2022	2021
Opening balance before adjustment	44,887,473.29	41,199,823.99
Impact of adopting New Financial Instrument Standards	-	(1,902,557.26)
Opening balance after adjustment	44,887,473.29	39,297,266.73
Net profit	53,901,761.31	50,164,435.94
Less: Appropriations to		
- statutory surplus reserves	5,390,176.13	5,016,443.59
- general reserves	33,306,571.11	39,557,785.79
Closing balance	<u>60,092,487.36</u>	<u>44,887,473.29</u>

(28) Net interest income

	2022	2021
Interest income		
Balances with		
the central bank	12,185,347.44	12,043,598.97
Due from banks and placements with banks	59,271,948.46	50,842,801.23
Debt investments	11,848,540.40	25,540,486.76
Other debt investments	149,558,343.41	102,151,956.52
Loans and advances	267,816,524.68	243,560,231.92
Including:		
Corporate loans	259,621,685.63	236,704,935.62
Discounted bills	3,672,097.35	3,400,070.13
Trade finance	4,522,741.70	3,455,226.17
Subtotal	<u>500,680,704.39</u>	<u>434,139,075.40</u>
Interest expenses		
Due to banks and placements from banks	(32,837,137.85)	(32,205,999.24)
Customer deposits	(189,604,280.13)	(132,253,698.44)
Repurchase agreements	(1,055,190.05)	(325,043.57)
Interbank certificates of Deposit	(1,712,708.63)	(943,710.86)
Lease liabilities	(1,013,288.78)	(1,113,675.47)
Subtotal	<u>(226,222,605.44)</u>	<u>(166,842,127.58)</u>
Net interest income	<u>274,458,098.95</u>	<u>267,296,947.82</u>

NOTES OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

Unit: RMB yuan

5. Notes to financial statements (continued)

(29) Net fee and commission income

	2022	2021
Fee and commission income		
Settlement and clearing fees	3,705,941.40	3,677,101.83
Commitment and agency fees	3,860,517.26	3,801,267.73
Others	757,747.75	1,030,852.39
Subtotal	<u>8,324,206.41</u>	<u>8,509,221.95</u>
Fee and commission expenses		
Service charge expenses	(1,150,659.78)	(1,400,337.99)
Net fee and commission income	<u>7,173,546.63</u>	<u>7,108,883.96</u>

(30) Investment income

	2022	2021
Net gain on disposal of other debt investments	2,366,160.02	1,500,275.67
Net loss on disposal of financial assets held-for-trading	-	(76,037.73)
Others	2,292,709.88	486,561.64
Total	<u>4,658,869.90</u>	<u>1,910,799.58</u>

(31) Foreign exchange (loss)/gain

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

(32) General and administrative expenses

	2022	2021
Staff costs	134,162,656.96	122,006,513.03
Depreciation	14,965,070.42	14,448,916.24
Amortization	6,131,003.05	6,046,267.23
Other operating expenses	31,103,352.19	31,611,118.50
Total	<u>186,362,082.62</u>	<u>174,112,815.00</u>

NOTES OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

Unit: RMB yuan

5. Notes to financial statements (continued)

(33) Credit Impairment losses

	2022	2021
Credit impairment (reverses) /losses for due from banks	(472,759.56)	815,629.83
Credit impairment (reverses) /losses for placements with banks	(2,327,642.98)	2,762,057.48
Credit impairment losses for loans and advances	28,746,016.52	22,990,693.17
Credit impairment losses for other debt investments	6,131,107.53	2,298,309.07
Credit impairment reverses for debt investments	(3,641,066.35)	(3,362,014.30)
Credit impairment losses for loan commitments and financial guarantee contracts	1,561,744.77	3,709,294.64
Total	<u>29,997,399.93</u>	<u>29,213,969.89</u>

(34) Impairment losses

	2022	2021
Impairment losses for other assets	-	193,135.94

NOTES OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

Unit: RMB yuan

5. Notes to financial statements (continued)

(35) Income tax expense

	2022	2021
Current income tax expenses	23,958,934.35	20,290,742.21
Deferred income tax expenses	(4,783,491.43)	(3,214,965.36)
Total	<u>19,175,442.92</u>	<u>17,075,776.85</u>

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

	2022	2021
Profit before tax	<u>73,077,204.23</u>	<u>67,240,212.79</u>
Tax charge at the statutory tax rate of 25%	18,269,301.06	16,810,053.20
Adjustments in respect of income tax of previous year	23,234.23	-
Tax exempted income	(182,379.42)	(421,078.68)
Non-deductible items	1,210,822.87	824,568.15
Additional deduction of wages payment for placements of disabled person	(7,770.00)	-
Research and development expenditures additional deduction	<u>(137,765.82)</u>	<u>(137,765.82)</u>
Income tax expense	<u>19,175,442.92</u>	<u>17,075,776.85</u>

NOTES OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

Unit: RMB yuan

5. Notes to financial statements (continued)

(36) Cash flows from operating activities

Reconciliation of net profit to cash flows from operating activities:

	2022	2021
Net profit	53,901,761.31	50,164,435.94
Add: Impairment losses	28,536,647.96	28,983,057.46
Depreciation for fixed assets	2,343,313.53	2,708,361.35
Depreciation for right-of-use assets	13,528,290.21	11,740,554.89
Amortization for intangible assets	2,289,373.31	2,084,840.48
Amortization for long-term deferred expenses	3,841,629.74	3,961,426.75
Exchange (gain) /loss	(78,954,301.02)	4,154,564.62
Loss/(gain) from changes in fair value	252,221.92	(167,662.98)
Interest on NCD	1,712,708.63	943,710.86
Interest on lease liabilities	1,013,288.78	1,113,675.47
Investment income and interest income	(166,065,753.71)	(129,603,242.86)
Increase in deferred tax assets	(3,322,739.46)	(2,790,916.99)
Increase in operating receivables	(1,324,354,869.13)	(1,182,010,324.25)
Increase in operating payables	<u>2,490,954,683.03</u>	<u>1,629,354,931.81</u>
Net cash flows generated from operating activities	<u>1,025,676,255.10</u>	<u>420,637,412.55</u>

(37) Cash and Cash Equivalents

	2022	2021
Cash	416,605.08	638,409.47
Cash equivalents		
Non-restricted deposits with the central bank	353,368,551.61	134,125,712.62
With original maturity less than three months		
- Due from banks	348,029,621.73	307,416,295.66
- Placements with banks	<u>1,231,283,000.00</u>	<u>1,368,757,000.00</u>
Subtotal	<u>1,932,681,173.34</u>	<u>1,810,299,008.28</u>
Total	<u>1,933,097,778.42</u>	<u>1,810,937,417.75</u>

NOTES OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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.

2022	Credit and deposit	Financial Markets	Total
Net interest income	78,212,244.55	196,245,854.40	274,458,098.95
Net fee and commission income	7,173,546.63	-	7,173,546.63
Other income, net (i)	(35,223,717.91)	45,914,404.24	10,690,686.33
General and administrative expenses and non-operating expenses	(99,818,686.80)	(86,791,495.21)	(186,610,182.01)
Including: Depreciation and amortization	(11,284,391.49)	(9,811,681.98)	(21,096,073.47)
Tax and surcharges	(1,818,110.64)	(819,435.10)	(2,637,545.74)
Credit impairment losses	(30,307,761.29)	310,361.36	(29,997,399.93)
Profit before tax of segment	(81,782,485.46)	154,859,689.69	73,077,204.23
Less: Income tax expense			19,175,442.92
Net profit			53,901,761.31

2022	Credit and deposit	Financial Markets	Total
Segment assets	6,781,379,558.29	8,372,335,582.35	15,153,715,140.64
Segment liabilities	11,001,637,181.33	2,426,741,338.77	13,428,378,520.10
Credit commitments	4,554,932,818.72	-	4,554,932,818.72

NOTES OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

Unit: RMB yuan

6. Segment report (continued)

2021	Credit and deposit	Financial Markets	Total
Net interest income	111,306,533.48	155,990,414.34	267,296,947.82
Net fee and commission income	7,108,883.96	-	7,108,883.96
Other income, net (i)	17,331,298.44	(16,821,704.72)	509,593.72
General and administrative expenses and non-operating expenses	(98,273,114.95)	(76,895,872.71)	(175,168,987.66)
Including: Depreciation and amortization	(11,498,185.54)	(8,996,997.93)	(20,495,183.47)
Tax and surcharges	(2,540,678.42)	(558,440.80)	(3,099,119.22)
Credit impairment losses	(26,699,987.81)	(2,513,982.08)	(29,213,969.89)
Impairment losses	(193,135.94)	-	(193,135.94)
Profit before tax of segment	8,039,798.76	59,200,414.03	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	5,467,420,272.19	7,141,776,917.21	12,609,197,189.40
Segment liabilities	9,032,295,456.91	1,863,865,550.08	10,896,161,006.99
Credit commitments	3,041,085,952.74	-	3,041,085,952.74

(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 2022 and year 2021. Non-current assets are all located in China.

NOTES OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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 OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

Unit: RMB yuan

7. Financial Risk Management (continued)**(2) Credit Risk (continued)****(2.1) Credit Risk Management (continued)**

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 OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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:

	2022	2021
Balances with the central bank	1,137,327,320.06	820,269,228.73
Due from banks	347,706,096.17	306,621,090.94
Placements with banks	2,081,649,089.14	2,340,287,886.47
Derivative financial assets	1,152,001.73	7,992,883.42
Loans and advances to customers	6,735,340,318.76	5,407,712,533.55
Financial investments		
-financial assets held-for-trading	10,182,691.78	6,195,572.09
-debt investments	21,342,739.31	371,502,302.64
-other debt investments	4,715,219,634.18	3,242,682,514.79
Other financial assets	3,331,489.97	3,157,109.19
Total	<u>15,053,251,381.10</u>	<u>12,506,421,121.82</u>
Credit commitments	<u>4,554,932,818.72</u>	<u>3,041,085,952.74</u>
Maximum credit risk exposure	<u>19,608,184,199.82</u>	<u>15,547,507,074.56</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 OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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	2022 %	Book Value	2021 %
Manufacturing	312,343,500.00	4%	315,022,188.39	6%
Wholesale and retail	1,287,697,979.38	19%	469,595,236.92	9%
Construction	1,278,900,000.00	19%	858,794,944.49	15%
Agriculture, forestry, farming and fishing	60,000,000.00	1%	99,000,000.00	2%
Transportation	100,000,000.00	1%	80,000,000.00	1%
Leasing and business services	2,509,334,020.85	37%	2,587,696,884.85	47%
Culture, sports and entertainment	38,000,000.00	1%	90,000,000.00	2%
Water conservancy, environment and public facilities management	1,253,800,000.00	18%	588,000,000.00	11%
Finance	<u>17,586,025.91</u>	0%	<u>418,386,487.51</u>	7%
Subtotal	6,857,661,526.14	100%	5,506,495,742.16	100%
Interest receivables	<u>11,634,132.29</u>		<u>8,733,234.45</u>	
Total	6,869,295,658.43		5,515,228,976.61	
Less: provision	<u>133,955,339.67</u>		<u>107,516,443.06</u>	
Net value	<u>6,735,340,318.76</u>		<u>5,407,712,533.55</u>	

Loans and advances distributed by regions are shown below:

	2022	2021
Shanghai	2,103,749,031.97	1,563,685,002.11
Jiangsu	4,185,912,494.17	3,586,860,909.12
Fujian	<u>568,000,000.00</u>	<u>355,949,830.93</u>
Subtotal	6,857,661,526.14	5,506,495,742.16
Interest receivables	<u>11,634,132.29</u>	<u>8,733,234.45</u>
Total	6,869,295,658.43	5,515,228,976.61
Less: provision	<u>133,955,339.67</u>	<u>107,516,443.06</u>
Net amount	<u>6,735,340,318.76</u>	<u>5,407,712,533.55</u>

NOTES OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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:

	Neither overdue nor impaired	Overdue but not impaired	Impaired	Total
2022				
Balances with the central bank	1,137,327,320.06	-	-	1,137,327,320.06
Due from banks	348,154,895.29	-	-	348,154,895.29
Placements with banks	2,082,180,261.07	-	-	2,082,180,261.07
Financial assets				
held-for-trading	10,182,691.78	-	-	10,182,691.78
Derivative financial assets	1,152,001.73	-	-	1,152,001.73
Loans and advances				
to customers	6,859,085,733.69	-	10,209,924.74	6,869,295,658.43
Debt investments	21,343,835.08	-	-	21,343,835.08
Other debt investments	4,715,219,634.18	-	-	4,715,219,634.18
Other financial assets	3,331,489.97	-	869,012.08	4,200,502.05
Total	15,177,977,862.85	-	11,078,936.82	15,189,056,799.67
	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

As at 31 December 2022, the Bank has no overdue but not impaired financial assets (31 December 2021: nil).

NOTES OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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:

2022	Pass	Special Mention	Total
Unsecured loans	170,129,910.32	-	170,129,910.32
Guaranteed loans	5,032,007,526.41	-	5,032,007,526.41
Loans secured by mortgages	190,183,171.32	-	190,183,171.32
Loans secured by pledges	1,466,765,125.64	-	1,466,765,125.64
Total	6,859,085,733.69	-	6,859,085,733.69
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
Total	5,501,775,931.38	-	5,501,775,931.38

Loans and advances that are overdue but not impaired

As at for the year ended 31 December 2022, 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 RMB10,209,924.74 (2021: the balance of impaired loans and advances is RMB13,453,045.23), and no guaranteed loans (2021: the balance of guaranteed loans is RMB2,958,442.92).

NOTES OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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 OF FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

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 2022 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	353,785,690.96	-	400,768.44	-	-	-	783,557,465.74	1,137,743,925.14
Due from banks	347,706,096.17	-	-	-	-	-	-	347,706,096.17
Placements with banks	-	832,461,519.84	701,136,938.72	549,565,555.63	-	-	-	2,083,164,014.19
Derivative financial assets	-	44,472.39	34,451.85	1,073,077.49	-	-	-	1,152,001.73
Loans and advances to customers	-	354,398,936.43	1,228,059,465.94	4,623,604,481.70	751,750,370.88	3,894,235.87	-	6,961,707,490.82
Financial assets held-for-trading	-	-	-	10,182,691.78	-	-	-	10,182,691.78
Debt investments	-	-	-	930,000.00	-	26,330,163.85	-	27,260,163.85
Other debt investments	-	533,597,461.21	493,553,930.24	1,715,581,570.47	2,249,540,434.35	-	-	4,992,273,396.27
Other financial assets	-	-	-	2,000.00	3,329,489.97	-	-	3,331,489.97
Total financial assets	701,491,787.13	1,720,502,389.87	2,423,185,555.19	6,900,939,377.07	3,004,620,295.20	30,224,399.72	783,557,465.74	15,564,521,269.92
Due to banks and other financial institutions	62,007,196.05	-	-	-	-	-	-	62,007,196.05
Placements from banks	-	736,478,045.82	789,114,229.99	648,450,372.50	-	-	-	2,174,042,648.31
Customer deposits	2,717,780,144.47	2,107,231,764.24	1,548,557,968.85	4,236,608,615.68	412,080,885.80	-	-	11,022,259,379.04
Bonds payables	-	50,000,000.00	-	100,000,000.00	-	-	-	150,000,000.00
Derivative financial liabilities	-	29,145.24	100,777.03	1,170,318.12	-	-	-	1,300,240.39
Lease liabilities	-	1,431,194.92	1,996,060.83	9,611,440.02	17,528,466.93	-	-	30,567,162.70
Other financial liabilities	535,808.87	-	-	8,326,559.25	27,000.00	-	-	8,889,368.12
Total financial liabilities	2,780,323,149.39	2,895,170,150.22	2,339,769,036.70	5,004,167,305.57	429,636,352.73	-	-	13,449,065,994.61
Credit commitments	174,053,037.90	402,809,727.56	887,280,263.26	3,090,789,790.00	-	-	-	4,554,932,818.72

NOTES OF FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

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
Total financial assets	291,260,068.87	2,427,332,309.06	2,122,979,657.98	5,430,207,393.92	1,893,238,077.65	31,033,078.75	685,805,646.20	12,881,856,232.43
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	3,383,717,337.36	1,130,218,911.23	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
Total financial liabilities	3,457,496,930.25	2,052,203,704.00	1,439,541,121.33	3,604,898,211.63	342,625,002.25	-	-	10,896,764,969.46
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 OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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 2022, 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	1,075,601,657.61	62,142,267.53	-	-	1,137,743,925.14
Due from banks	287,537,885.88	42,222,521.58	11,294,954.69	6,650,734.02	347,706,096.17
Placements with banks	1,066,600,543.95	1,015,048,545.19	-	-	2,081,649,089.14
Derivative financial assets	1,152,001.73	-	-	-	1,152,001.73
Loans and advances to customers	6,607,329,341.17	17,586,025.91	110,424,951.68	-	6,735,340,318.76
Financial assets held-for-trading	10,182,691.78	-	-	-	10,182,691.78
Debt investments	21,342,739.31	-	-	-	21,342,739.31
Other debt investments	3,814,260,016.71	900,959,617.47	-	-	4,715,219,634.18
Other financial assets	3,331,489.97	-	-	-	3,331,489.97
Total financial assets	12,887,338,368.11	2,037,958,977.68	121,719,906.37	6,650,734.02	15,053,667,986.18
	RMB	USD (RMB equivalent)	EUR (RMB equivalent)	Other (RMB equivalent)	Total
Due from banks and other financial institutions	6,404,529.83	55,602,666.22	-	-	62,007,196.05
Placements from banks	1,172,626,614.71	885,618,294.19	111,450,334.09	-	2,169,695,242.99
Customer deposits	9,836,743,273.16	1,097,165,689.81	71,824.95	1,088,934.22	10,935,069,722.14
Bonds payables	147,513,761.86	-	-	-	147,513,761.86
Derivative financial liabilities	1,300,240.39	-	-	-	1,300,240.39
Lease liabilities	29,253,076.26	-	-	-	29,253,076.26
Other financial liabilities	8,712,210.94	177,157.18	-	-	8,889,368.12
Total financial liabilities	11,202,553,707.15	2,038,563,807.40	111,522,159.04	1,088,934.22	13,353,728,607.81
Net position	1,684,784,660.96	(604,829.72)	10,197,747.33	5,561,799.80	1,699,939,378.37
Credit commitments	4,384,638,635.64	103,294,783.98	51,993,727.19	15,005,671.91	4,554,932,818.72

NOTES OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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
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
Total financial assets	11,355,586,689.22	1,027,053,030.95	118,173,500.54	6,246,310.58	12,507,059,531.29
	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
Total financial liabilities	9,706,953,406.97	1,016,440,867.29	108,362,731.29	496,477.59	10,832,253,483.14
Net position	1,648,633,282.25	10,612,163.66	9,810,769.25	5,749,832.99	1,674,806,048.15
Credit commitments	2,865,312,763.67	157,242,397.06	18,530,792.01	-	3,041,085,952.74

NOTES OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

Unit: RMB yuan

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

As at 31 December 2022, 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 RMB1,787,105.15 (2021: RMB4,773,499.38); the Bank's other comprehensive income after tax will decrease/increase by RMB1,983,400.89 (2021: RMB4,969,795.13).

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 OF FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

Unit: RMB yuan

7. Financial Risk Management (continued)

(4) Market risk (continued)

(4.2) Interest rate risk

As at 31 December 2022, 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	1,074,958,324.49	-	-	-	-	62,785,600.65	1,137,743,925.14
Due from banks	347,580,833.51	-	-	-	-	125,262.66	347,706,096.17
Placements with banks	823,727,970.18	698,773,631.77	544,336,226.46	-	-	14,811,260.73	2,081,649,089.14
Derivative financial assets	-	-	-	-	-	1,152,001.73	1,152,001.73
Loans and advances to customers	328,092,667.82	1,180,181,849.68	4,509,108,626.83	705,477,061.60	1,065,661.30	11,414,451.53	6,735,340,318.76
Financial assets held-for-trading	-	-	10,182,691.78	-	-	-	10,182,691.78
Debt investments	-	-	598,767.12	-	20,146,300.84	597,671.35	21,342,739.31
Other debt investments	513,850,297.63	447,881,475.96	1,553,245,017.50	2,113,124,428.93	-	87,118,414.16	4,715,219,634.18
Other financial assets	-	-	-	-	-	3,331,489.97	3,331,489.97
Total financial assets	3,088,210,093.63	2,326,836,957.41	6,617,471,329.69	2,818,601,490.53	21,211,962.14	181,336,152.78	15,053,667,986.18
Due to banks and other financial institutions	6,404,529.83	-	-	-	-	55,602,666.22	62,007,196.05
Placements from banks	733,230,000.00	785,197,400.00	638,938,000.00	-	-	12,329,842.99	2,169,695,242.99
Customer deposits	4,805,473,927.58	1,517,740,317.90	4,157,143,649.54	377,068,240.56	-	77,643,586.56	10,935,069,722.14
Bonds payables	49,938,974.19	-	97,574,787.67	-	-	-	147,513,761.86
Derivative financial liabilities	-	-	-	-	-	1,300,240.39	1,300,240.39
Lease liabilities	1,347,145.77	1,882,921.54	8,952,929.40	17,070,079.55	-	-	29,253,076.26
Other financial liabilities	-	-	-	-	-	8,889,368.12	8,889,368.12
Total financial liabilities	5,596,394,577.37	2,304,820,639.44	4,902,609,366.61	394,138,320.11	-	155,765,704.28	13,353,728,607.81
Net position	(2,508,184,483.74)	22,016,317.97	1,714,861,963.08	2,424,463,170.42	21,211,962.14	25,570,448.50	1,699,939,378.37

NOTES OF FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

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	306,494,718.81	-	-	-	-	126,372.13	306,621,090.94
Placements with banks	1,372,522,700.33	483,382,540.95	471,268,929.95	-	-	13,113,715.24	2,340,287,886.47
Derivative financial assets	-	-	-	-	-	7,992,883.42	7,992,883.42
Loans and advances to customers	405,503,188.03	1,343,959,664.52	3,241,675,182.66	406,910,063.94	1,099,823.46	8,564,610.94	5,407,712,533.55
Financial assets held-for-trading	-	-	-	6,195,572.09	-	-	6,195,572.09
Debt investments	98,708,158.47	-	251,249,060.85	-	20,270,024.61	1,275,058.71	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
Total financial assets	3,285,672,072.76	2,065,607,586.57	5,236,700,746.76	1,717,892,899.07	21,369,848.07	179,816,378.06	12,507,059,531.29
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
Total financial liabilities	5,431,760,104.97	1,424,186,513.51	3,532,887,061.78	315,945,054.97	-	127,474,747.91	10,832,253,483.14
Net position	(2,146,088,032.21)	641,421,073.06	1,703,813,684.98	1,401,947,844.10	21,369,848.07	52,341,630.15	1,674,806,048.15

NOTES OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

Unit: RMB yuan

7. Financial Risk Management (continued)**(4) Market risk (continued)****(4.2) Interest rate risk (continued)**

As at 31 December 2022, 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 RMB13,066,924.72 (2021: RMB6,624,150.04); the Bank's other comprehensive income after tax will decrease/increase by RMB34,289,079.70 (2021: RMB19,551,399.67).

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 the Other debt investments caused by a parallel shift of yield curve arising from the interest rate change.

NOTES OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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.

	2022	2021
Core tier-one capital	1,725,336,620.54	1,713,036,182.41
Paid-up capital	1,500,000,000.00	1,500,000,000.00
Capital reserves	453,890.00	453,890.00
Other comprehensive income	(72,109,648.71)	(30,508,325.53)
Surplus reserves	28,141,709.16	22,751,533.03
General reserves	208,758,182.73	175,451,611.62
Retained earnings	60,092,487.36	44,887,473.29
Core tier-one capital deductions	10,691,917.35	10,159,552.43
Other intangible assets	10,691,917.35	10,159,552.43
Provision for loan impairment	-	-
Net core tier-one capital	1,714,644,703.19	1,702,876,629.98
Net tier-one capital	1,714,644,703.19	1,702,876,629.98
Tier-two capital	123,556,475.26	94,382,300.00
Surplus provision for loan impairment	123,556,475.26	94,382,300.00
Net capital base	1,838,201,178.45	1,797,258,929.98
Weighted risk assets	12,953,907,960.43	10,749,494,425.13
Core tier-one capital adequacy ratio	13.24%	15.84%
Tier-one capital adequacy ratio	13.24%	15.84%
Capital adequacy ratio	14.19%	16.72%

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 OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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 is 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:

Assets	Liabilities
Cash and balances with the central bank	Due to banks and other financial institutions
Due from banks	Placements from banks
Placements with banks	Customer deposits
Loans and advances to customers	Bonds payables
Debt investments	Lease liabilities
Other assets	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 OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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:

	Quoted active market price Level 1	Inputs in fair value measurement Significant observable inputs Level 2	Significant non-observable inputs Level 3	Total
2022				
Derivative financial assets	-	1,152,001.73	-	1,152,001.73
Financial assets held-for-trading	-	10,182,691.78	-	10,182,691.78
Other debt investments	-	4,715,219,634.18	-	4,715,219,634.18
Total financial assets	-	4,726,554,327.69	-	4,726,554,327.69
Derivative financial Liabilities	-	1,300,240.39	-	1,300,240.39
Total financial liabilities	-	1,300,240.39	-	1,300,240.39
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
Total financial assets	-	3,256,870,970.30	-	3,256,870,970.30
Derivative financial Liabilities	-	7,610,324.78	-	7,610,324.78
Total financial liabilities	-	7,610,324.78	-	7,610,324.78

NOTES OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

Unit: RMB yuan

9. Fair Value (continued)

In 2022 and 2021, 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 divisions 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) Parent of the Company;
- (ii) Subsidiaries of the Company;
- (iii) Other entities controlled by the parent of the Company;
- (iv) Investors that have joint control over the Company;
- (v) Investors that have significant influence over the Company;
- (vi) Associates of the Group;
- (vii) Joint ventures of the Group;
- (viii) Principal individual investors of the Company and close family members of such individuals;
- (ix) Key management personnel of the Company or of the parent and close family members of such individuals;
- (x) Other entities controlled or jointly controlled by the Company's principal individual investors, key management personnel or close family members of such individuals;
- (xi) Joint ventures or associates of other members (including a parent and subsidiary) of a group of which the Company is a member;
- (xii) Joint ventures or associates of an entity that has joint control over the Company;
- (xiii) Joint ventures of an entity that has significant influence over the 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 OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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 Real Estate Development (Shanghai) Co., Ltd.	The board member of the Bank works as the member of the board of the company
Shanghai Yongde Real Estate Development Co., Ltd.	The board member of the Bank works as the member of the board of the company
South Pacific Land (Nanjing) Co., Ltd	The board member of the company Parent works as the member of the board and legal representative of the company works for the company
Shanghai Yee Hong Investment Co., Ltd.	The subsidiary of the company whose board member 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**

Due from banks	2022	2021
Metrobank	3,502,229.29	8,607,530.09
New York Branch	4,633,058.42	14,334,848.96
Total	<u>8,135,287.71</u>	<u>22,942,379.05</u>
Due to banks	2022	2021
Metrobank	61,862,366.34	59,388,091.33
Placements from banks	2022	2021
Metrobank	<u>1,393,557,523.14</u>	<u>1,095,233,866.74</u>

NOTES OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

Unit: RMB yuan

10. Related party transactions (continued)**(4) Main transactions between the Bank and related parties (continued)****(4.1) Major balances between the Bank and related parties (continued)**

	2022	2021
Customer deposits		
Related individuals	2,301,472.08	5,409,718.92
ASPAC Real Estate Development (Shanghai) Co., Ltd.	28,525,445.15	27,723,438.60
Shanghai Yongde Real Estate Development Co., Ltd.	406,864,520.98	399,154,023.41
South Pacific Land (Nanjing) Co., Ltd	894,227,019.33	634,073,244.06
Shanghai Yee Hong Investment Co., Ltd.	32,962,170.86	33,080,486.03
	<u>1,364,880,628.40</u>	<u>1,099,440,911.02</u>

(4.2) Major transactions between the Bank and related parties

	2022	2021
Interest income		
Metrobank	<u>1,259.83</u>	<u>23.39</u>
Interest expenses		
Metrobank	15,350,024.35	17,907,790.84
Related individuals	21,116.11	31,686.53
ASPAC Real Estate Development (Shanghai) Co., Ltd.	488,882.65	281,981.47
Shanghai Yongde Real Estate Development Co., Ltd.	7,825,209.16	5,846,407.78
South Pacific Land (Nanjing) Co., Ltd	16,425,896.11	6,315,609.54
Shanghai Yee Hong Investment Co., Ltd.	<u>437,567.71</u>	<u>475,749.50</u>
Total	<u>40,548,696.09</u>	<u>30,859,225.66</u>
Lease expenses		
ASPAC Real Estate Development (Shanghai) Co., Ltd.	<u>3,240,610.00</u>	<u>3,557,601.79</u>

(4.3) Key management personnel

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

	2022	2021
Salaries and benefits	<u>31,144,944.07</u>	<u>26,580,500.00</u>

NOTES OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

Unit: RMB yuan

11. Contingency

As at 31 December 2022, there was no contingency to be disclosed.

12. Leases**(1) As lessee**

	2022	2021
Interest expense on lease liabilities	1,013,288.78	1,113,675.47
Expenses relating to short-term leases accounted for applying practical expedients	3,135,809.75	4,712,945.86
Total cash outflow for leases	<u>17,310,593.13</u>	<u>17,027,080.72</u>

The Bank has lease contracts for various items of houses and buildings and vehicles used in its operations. Leases of houses and buildings generally have lease terms of 3 to 10 years, while those of vehicles generally have lease terms of 3 years. Generally, the Bank is restricted from assigning and subleasing the underlying assets. There are several lease contracts that include extension and termination options.

13. Commitments**(1) Financial commitments**Capital commitments

The Bank has no material capital commitments as at 31 December 2022.

(2) Credit commitments

	2022	2021
Financial guarantee contracts		
Letters of credit issued-usance	428,047,359.39	114,256,414.06
Letters of credit issued-at sight	102,319,700.72	61,516,775.01
Bank acceptance draft	3,929,071,138.32	2,865,312,763.67
Loan Commitment:		
Original maturity within:		
One year (Inclusive one year)	<u>95,494,620.29</u>	<u>-</u>
Total	<u>4,554,932,818.72</u>	<u>3,041,085,952.74</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 OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

Unit: RMB yuan

13. Commitments (continued)**(3) Fiduciary activities**

The Bank acts as an agent to disburse entrusted loans to borrowers in accordance with the instructions of the principals who provide the funds. The Bank enters into contracts with these third-party lenders to manage and collect the loans on their behalf. The credit risk associated with the loans is borne by the funding principals and therefore is not recognized in the balance sheet. As at December 31, 2022 and 2021, the sizes of entrusted loans and deposits were as follows:

	<u>2022</u>	<u>2021</u>
Entrusted loans	120,000,000.00	120,000,000.00
Entrusted deposits	<u>120,000,000.00</u>	<u>120,000,000.00</u>

14. Post-balance-sheet events

2022 Annual profit distribution plan is approved by board of directors of the Bank at 2023 Second Interim Board Meeting on 19 April 2023.

- (1) The Bank will appropriate 10% of its net profits to the statutory surplus reserves, which is amount to RMB5,390,176.13.
- (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 RMB33,306,571.11.

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

15. Approval of the financial statements

The financial statements were approved for issue by the Board of Directors on 19 April 2023.



首都銀行 Metrobank