

# ANNUAL REPORT 2023

# CONTENTS

---

**03**

CHAIRMAN'S STATEMENT

**07**

PRESIDENT'S MESSAGE

**11**

ABOUT METROBANK GROUP

**13**

ABOUT METROBANK (CHINA)

**15**

BANK NETWORK

**17**

IMPORTANT HIGHLIGHTS

**19-22**

ECONOMIC SITUATION

**23-60**

CORPORATE GOVERNANCE

**61-64**

ENVIRONMENTAL GOVERNANCE

**65-80**

SOCIAL GOVERNANCE

**81**

ANNUAL FINANCIAL AUDIT  
REPORT



# CHAIRMAN'S STATEMENT



Metrobank (China)

Arthur V.TY Chairman

Y2023 has successfully merged into the long river of history. In this year, we have shed our tension, anxiety and unease. We fully committed to the beginning of a new life. Also in 2023, the world underwent the baptism of turbulence and change, but also nurtured the driving force of development and progress.

Y2023 is an important year for China's economic development. Against the backdrop of slowing global economic growth and intensifying trade frictions, although the Chinese economy is facing many challenges and opportunities, it has also been further promoted in structural adjustment and transformation.

This year marks the end of Metrobank (China)'s three-year strategic planning. As a strong practitioner in supporting China's economic growth, we have risen to the challenge, taken on responsibilities and set the goal of achieving high-quality development. We have always adhered to the prudent business principle of "keep the risk management and compliance as baseline" and achieved gratifying results by striving to make new high performance for the Bank. These achievements cannot be separated from the joint efforts of all those who care about and support the Bank, as well as all the employees of Metrobank (China). Similarly, such achievements have given us more confidence for the sustainable and high-quality development in the future under the tide of the market which is still full of uncertainty.

We always know that customers are the "golden key" to the high-quality development of the Bank. Without them, everything is in vain. With the successful opening ceremony of Ningbo branch in mid-March 2023, we not only welcomed the youngest branch of Metrobank (China), but also expanded our financial service area in the Yangtze River Delta region. "Customer-centric" is not a slogan, but our sincere service commitment to our customers. At the same time, we have also been on the path of digitization and business innovation. With the deepening development of the digital economy, digitalization has become a strategic standard for every bank. Taking "digitization, refinement and intensification" as one of the core strategies, the Bank continuously promotes information management capabilities, information technology research and development and strengthen innovation and exploration of information technology as well as data governance levels. We hope to accelerate the pace of digital transformation with the help of emerging technologies in order to empower the Bank with sustainable and high-quality development.

# CHAIRMAN'S STATEMENT

In 2024, on the road to achieving high-quality development, we once again put forward the overall goal of diversifying for a sustainable future. In addition to the restructuring of internal personnel and organizational structure within the Bank, team in terms of business, we have set up an automotive finance team to vigorously develop related products and innovative business through the gradual deepening of the domestic well-established automotive supply chain system. In terms of financial markets, we have also successfully landed the first commercial paper discounting business, further enriching the Bank's trade financing products and providing more possibilities for customers to choose financial services. Meanwhile, with the ever-changing financial services, we are also making diversified attempts to issue bonds in the capital market for urban investment enterprises and to attract investment and industrial investment in the process of serving them, so as to help the Bank's business performance to be realized.

The year 2024 is a new beginning, and we have put forward the annual theme of "Diversifying for a Sustainable Future". I believe that with the concerted efforts of all of our colleagues, Metrobank (China), through its diversified structural adjustments, will certainly find a high-quality development "fast-track" to promote the Bank's sustainable development in the long term.

Though the road ahead is difficult, we can only achieve our goals with constant efforts. We must press ahead with a sense of perseverance to expect a better future.

Arthur V. TY  
April 2024



# PRESIDENT'S MESSAGE



Metrobank (China)  
 President, Thomas Huang

## Time Brings Constant Change and New Beginnings

In 2023, the global economy and finance experienced many challenges, with a weak economic recovery, impediments to the process of economic globalization, and the intensification of international geopolitical, energy, food, and debt crises. China's domestic market was also in a situation of low confidence. The "three wagons", i.e. investment, consumption, and export, were facing challenges. The housing market, stock market and exchange rate were under pressure. In the face of risks and challenges, MBCL embarked on the road of high-quality development. We adhered to the principle of seeking progress while maintaining stability, and steadily improved business quality and efficiency under the guidance of our business strategy. Grateful for the trust and support of our customers, in terms of reasonable growth in volume, our total assets expanded to RMB 17.749 billion at the end of 2023, a growth of 17.13% over the same period last year. Among them, the balance of loans amounted to RMB 8.084 billion, growing by 17.88% year on year. Total liabilities balance amounted to RMB 15.876 billion, a year-on-year growth of 18.23%. Among them, the deposit balance was RMB 12.059 million, up 11.03%. The operating income for the year increased by 7.41% to RMB 312.62 million. Profit before provision rose by 12.33% year on year to RMB 114.62 million. Eventually, the Bank achieved net profit of RMB 60.43 million, with a growth rate of 11.93%. In terms of effective qualitative improvement, as at year-end 2023, ROA and ROE were 0.37% and 3.36% respectively. The Bank's provision coverage ratio was 1608.85%. The non-performing loan balance was RMB 9.86 million, and the NPL ratio was suppressed further to 0.12%. Meanwhile, based on the Bank's sound risk management system, good asset quality and liquidity, adequate provisioning and the strong comprehensive strength of the parent bank group, the Bank once again maintained an AA+ domestic long-term main credit rating and Baa2 (investment grade) long-term local and foreign currency deposit rating, both with stable outlooks.

In 2024, the global supply chain and industrial chain are still in the stage of repair and reconstruction. The global debt level is still high. Inflation is oscillating repeatedly at a high level. The cross-border investment market is full of uncertainties due to industrial competition and containment policies. High interest rates and exchange rate fluctuations have raised the risk of uncertainty in the financial market. On the other hand, China's continued promotion of industrial transformation and upgrading, improvement of economic quality and efficiency, as well as the Chinese government's continued release of clear signals of expanding high-level opening-up, such as actively strengthening high-quality opening-up to the outside world, and promoting free trade, will create a more favorable external environment for economic growth, as well as inject stability and new impetus into economic development.

# PRESIDENT'S MESSAGE

It is the long-term vision mission of MBCL, to become a distinctive foreign bank with **"Good Service, High Efficiency, Good Reputation, Small yet Exquisite & Decent"**. In the face of challenges, we firmly believe in grasping the certainty against the backdrop of "uncertainty", and our foothold is always to adhere to the original intention of financial services, comply with the guidance of macroeconomic policies, utilize the advantages of policies in accordance with local conditions, and give full play to the comparative advantages, so as to continuously improve the quality and efficiency of financial services to the real economy.

In the new year, MBCL will lead a diversified way to a sustainable future. We will deeply implement the business philosophy of **'keeping risk management and compliance as baseline'**, continue to strengthen comprehensive risk management, enhance credit management, and strictly guard asset quality; deepen the ESG concept in our management strategy, and continue to improve the quality of our corporate governance, business management, talent management, and internal control and compliance management through multiple measures; implement digital transformation in depth, by taking the integrated development of digitalization, networking and intelligent as an opportunity, and make full use of digital technology to empower our business. Based on the "customer-centric" concept, we will continue to activate new online business scenarios and optimize customer experience; we will continue to increase financial support for the real economy, especially in key areas such as the transformation and upgrading of traditional industries, advanced manufacturing, and strategic emerging industries; and we will grasp the broader market and opportunities brought about by China's opening-up for cross-border financial services, and give full play to the comparative advantages as a foreign financial institution in group network, risk control and management, cross-border business and product innovation, to increase our efforts to support China's foreign trade, cross-border investment and the construction of the open economy. In response to the financial needs of Chinese and foreign enterprises, their customers, and partners, we will strengthen cross-border linkages with the parent bank and provide diversified cross-border financial products and services; we will also strengthen strategic co-operation with financial peers and continue to broaden peer-to-peer channels and business co-operation models, to magnify synergies.

Working together, we can make steady progress. We will stand by customers every step of the way as we journey towards a new chapter. In the new year, MBCL will continue to bear in mind the original intention and keep our promise to share the opportunities with you and win the future together!

Thomas Huang

April,2024



Image from: 2023 MBCL Photography Competition Contest Author: Lin Weiping (Changzhou Branch)

# 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.

## 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.

### **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**

# ABOUT METROBANK (CHINA)

Metropolitan Bank (China) Ltd. (hereinafter referred to as “Metrobank (China)” ) is a wholly foreign-owned bank approved by CBIRC and established in Nanjing by Metrobank Group. On April 22, 2010, Metrobank (China) 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 2023, MBCL has seven branches in Shanghai, Nanjing, Changzhou, Quanzhou, Xiamen, Suzhou, Ningbo, as well as two sub-branches of Shanghai Pudong Sub-branch and Changzhou Wujin Sub-branch. The total amount of employees in the Bank reached to 301.

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 2023, 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:** RMB 1,500,000,000

**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
Shanghai Office	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) 89883299	(0519) 89882621 (0519) 89882631	213100

(By the End of 2023)

# IMPORTANT HIGHLIGHTS

## JAN

- Previous President David Lin participated in the event “New Year’s Blessings” & “Advice for the Two Sessions” of NBD

## FEB

- The Second Metrobank (China) Rural Children’s Public Welfare Painting Competition was successfully held
- Previous President David Lin participated in 2023 Shanghai Economic and Trade Exchanges and Innovation Cooperation “Meet with Changzhou for Common Development” and accepted an interview by Changzhou TV Station

## MAR

- The “Forging a Sustainable Future, Together with Ningbo” Metrobank (China) Ningbo Branch Opening Ceremony was successfully held
- The first phase of “Technology Empowerment Lighting Up the Classroom-Country Teacher Empowerment Training Programme” was successfully held

## MAY

- Awarded the “Y2023 Golden Promise-China Financial Annual Excellent Social Responsibilities Programme” by CBIMC

## JUN

- The touring forum of “Together with Metrobank - Intelligent View into the Future” was successfully held in Fujian
- President Thomas Huang participated in the Government, Bank and Enterprise exchange conference of “Consolidate Innovation and Gather Energy Benefiting Enterprises” – the foreign banks to serve the construction of New Energy City, held by Jiangsu Banking and Insurance Regulatory Commission and Changzhou Municipal People’s Government, and accepted an interview by Changzhou TV Station
- The touring forum of “Together with Metrobank - Intelligent View into the Future” was successfully held in Suzhou
- President Thomas Huang accepted an exclusive interview by Sohu

## JUL

- Metrobank (China) signed the Strategic Cooperation Agreement with VanHo Securities

## AUG

- Awarded the Banking ESG Practice-Technology Empowerment Model by CBIMC

## SEP

- President Thomas Huang accepted an exclusive interview by CLS
- Metrobank (China) participated in CIFTIS for the 1st time
- Won “2023 Forward-Looking Employer Award” by HRise
- The touring forum of “Together with Metrobank- Intelligent View into the Future” was successfully held in Shanghai

## OCT

- Nanjing branch successfully landed the first commercial paper discounting business in MBCL
- The touring forum of “Together with Metrobank - Intelligent View into the Future” was successfully held in Nanjing
- The second phase of “Technology Empowerment Lighting Up the Classroom-Country Teacher Empowerment Training Programme” was successfully held

## NOV

- The “Green Finance Exchange Salon for Domestic and Foreign Banks in Jiangsu Banking Industry” was successfully held in Nanjing

## DEC

- President Thomas Huang was invited to participate in 2023 Sohu Finance Annual Forum and made a keynote speech

Image from: 2023 MBCL Photography Competition Contest Author: Yan Kang (Suzhou Branch)



# Economic Situation Sustainable Development



# FINANCIAL HIGHLIGHTS

	2023	2022	Increase/ (Decrease)
<b>Operating Result</b>	<b>RMB '000</b>	<b>RMB '000</b>	<b>%</b>
Net interest income	273,758	274,458	-0.26
Total operating income	312,617	291,040	7.41
Total operating expense	194,059	186,363	4.13
Impairment losses	34,393	29,997	14.65
Profit before tax	82,051	73,077	12.28
Net Profit	60,433	53,993	11.93
<b>Balance Sheet</b>	<b>RMB '000</b>	<b>RMB '000</b>	<b>%</b>
Total assets	17,749,098	15,153,942	17.13
<b>Financial Indicators</b>	<b>%</b>	<b>%</b>	<b>%</b>
Return on equity	3.36	3.14	0.22
Return on assets	0.37	0.39	-0.02
Cost/income ratio	62.08	64.03	-1.95
Loan-to-deposit ratio	67.04	63.14	3.90
Liquidity ratio	91.79	113.08	-21.29
Leverage ratio	8.91	8.35	0.56
Non-performing loan ratio	0.12	0.15	-0.03
Loan provision ratio (Note 1)	1.96	1.95	0.01
Provision coverage ratio (Note 1)	1608.85	1310.16	298.69
Capital adequacy ratio (CAR)			
Core Tier 1 CAR	14.68	13.24	1.44
Tier 1 CAR	14.68	13.24	1.44
CAR	15.85	14.19	1.66

In 2023, 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%.

Image from: 2023 MBCL Photography Competition Contest Author: Sherly Zhang (Internal Audit)



Corporate Governance

Sustainable Development

# BOARD OF DIRECTORS

## Board of Directors

In 2023, the Board of Directors of the Bank is composed of 8 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 2023, the Bank held 4 regular board meetings and 4 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 3 regular 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	Thomas Huang	Male
Independent Director	Stanley Lo	Male
Independent Director	Robin A. King	Male
Independent Director	Peter Pang	Male
Non-executive Director	David Lin	Male
Non-executive Director	Charles W.B.Cheung	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. Thomas Huang**, Master of International Business, Tamkang University, joined MBCL in February 2015 and was appointed managing director, executive director and Board advisor successively. He was appointed executive director and president with regulatory approval in June 2023. Prior to joining MBCL, Mr. Thomas Huang served in financial institutions including EnTie Commercial Bank, Ta Chong Bank and Fubon Bank (China) Ltd., where he served as sub-branch general manager, branch general manager, vice president of the Financial Product Division etc.



**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. David Lin**, Bachelor of business management, Fu Jen Catholic University, joined Metrobank in August 2016. He was appointed Board advisor, vice chairman of the Board, executive director and president successively, and became a non-executive director since June 2023. 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.



**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 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.



**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 former 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 the consultant for Manila Medical Services Inc., Manila Tytana Colleges, Metrobank Foundation Inc., GT Foundation Inc., Metrobankers' Foundation, Inc. and Norberto & Tytana Ty Foundation, Inc.

## *BOARD OF DIRECTORS*



Advisor  
Femand A. Tansingco



Advisor  
Larry Chan



Advisor  
George Tsai



Advisor  
Michael Ong



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 2023, the Executive Committee held 12 regular meetings; The Risk Management Committee held 4 regular meetings and 6 interim meetings; The Audit Committee held 4 regular meetings and 2 interim meetings; The Related Party Transactions Control Committee held 4 regular meetings, and the Nomination and Remuneration Committee held 4 regular meetings.

## 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 2023, 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 2023, Metrobank (China) paid a total of RMB 2,423,000 compensation to the directors and supervisor, and paid a total of RMB 26,001,200 compensation to the senior executives.

# MANAGEMENT TEAM



Chairman  
Arthur V.Ty



President & Executive Director  
Thomas Huang



Vice President & Head of Credit Control  
Wesley Chen

MANAGEMENT TEAM



Corporate Secretary & Head of Accounting and Finance Division  
 Billy Lau

Head of Human Resources  
 Alice Shi

Head of Financial Markets  
 Lin Quan

Double Hatting Head of Corporate Banking & Business  
 Raymond Yang

Head of Compliance  
 Amanda Chen

Head of Operations  
 Jie Zhu

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  
Gary Lu

GM of Ningbo Branch  
Terry Zhao

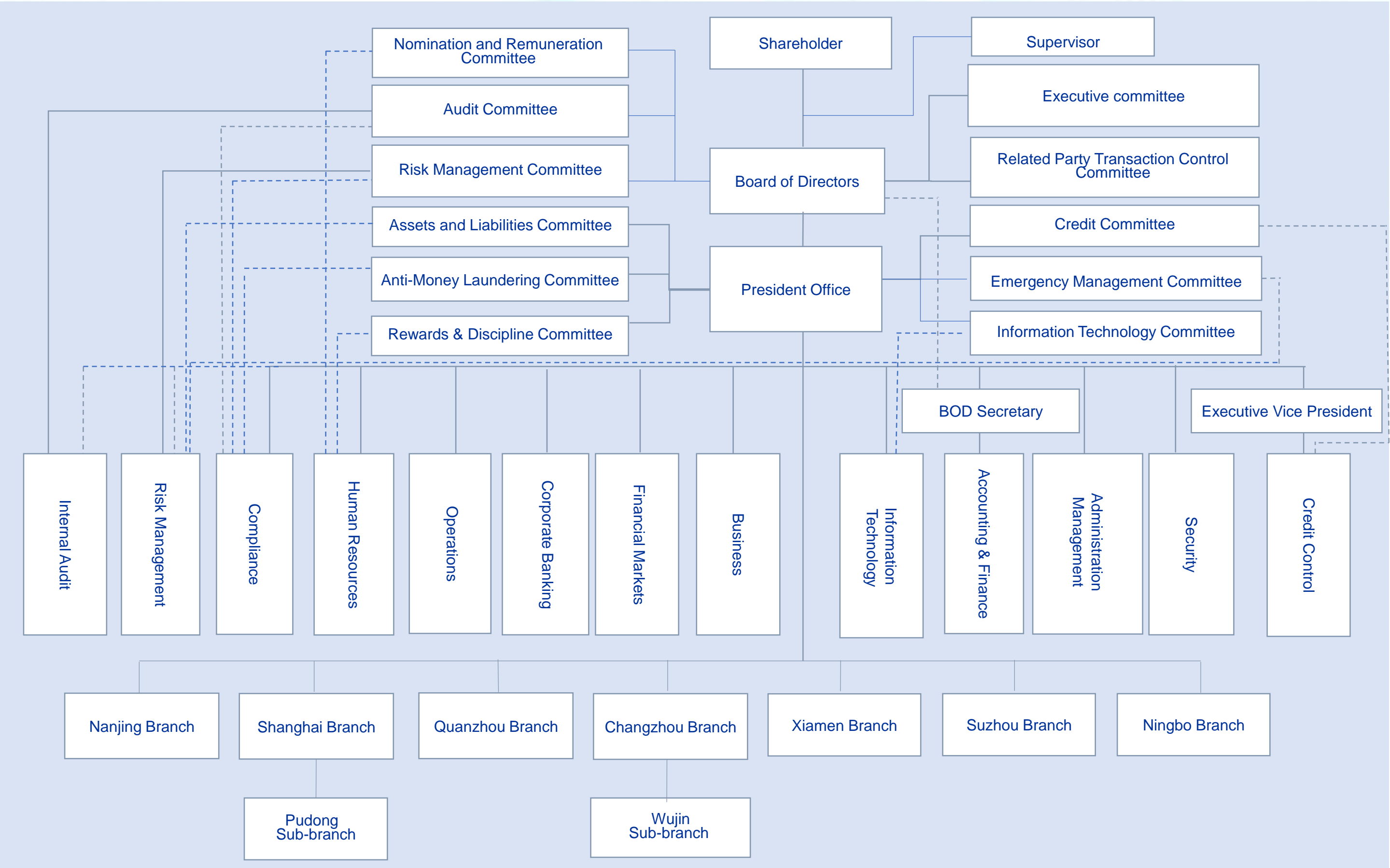


# MANAGEMENT TEAM

## Senior Management

Name	Position	Gender	Year of Birth	Assignment Commencement	Highest Academic Degree	Years of Experience
Thomas Huang	President & Executive Director	M	1967	2023.06.13	Tamkang University Master of International Business Management	30
Billy Lau	Corporate Secretary & Head of Accounting and Finance Division	M	1973	2023.08.23	City University of Hong Kong Bachelor of Art (Honors)	27
Wesley Chen	Executive Vice President Double hatting the Head of Credit Control	M	1961	2023.08.29	National Taiwan University Bachelor of Economics	35
Alice Shi	Head of Human Resources	F	1983	2018.08.06	Shanghai University of Finance and Economics Master of International Economics	18
Quan Lin	Head of Financial Markets	M	1979	2016.01.13	University of Durham Master of Science Finance and Investment	18
Tomas Wei	Head of Administration Management & Security	M	1972	2011.06.20	Beijing Institute of Machinery Industry Bachelor of Mechanical and Electrical Engineering	23
Willson Chen	Head of Information Technology	M	1975	2020.03.01	Shanghai Jiaotong University Bachelor of Engineering in Computer Science and Technology	28
Crystal Yang	Head of Internal Audit	F	1982	2019.11.14	Shanghai University of Finance and Economics Bachelor of Financial Management & Business English	19
Raymond Yang	Head of Corporate Banking & Business	M	1980	2018.10.08	Shandong University Bachelor of Business Administration	22
Li Bin	Head of Risk Management	M	1984	2020.07.01	East China Normal University Bachelor of Science in Information and Computer Sciences	18
Amanda Chen	Head of Compliance	F	1976	2023.05.01	Nanjing Normal University Bachelor of Art	27
Zhu Jie	Head of Operations	F	1978	2023.04.01	Nanjing Audit University Bachelor of Economics	24
Alex Hong	GM of Shanghai Branch	M	1974	2016.05.18	National Central University Master of Management	26
Jasmine Liu	GM of Nanjing Branch	F	1974	2022.10.21	Nanjing University MBA	29
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,	30
Stephen Yu	GM of Quanzhou Branch	M	1976	2021.12.21	Xiamen University Master of International Trade	23
Honda Huang	GM of Xiamen Branch	M	1964	2021.11.08	National Chung-Cheng University Master of Finance	33
Gary Lu	GM of Suzhou Branch	M	1982	2022.04.02	Hohai University Bachelor of Accounting	17
Terry Zhao	GM of Ningbo Branch	M	1982	2022.11.09	Shanghai Lixin University of Accounting and Finance Bachelor of Accounting	22

ORGANIZATION CHART



# CORPORATE BANKING BUSINESS

In 2023, we have established a development theme as "Carrying on the past and Initiating the new, Continuing the future together and Opening the road to high-quality evolution"; Realized the development vision of "Good Service, High Efficiency, Good Reputation, Delicate and Sophisticated"; Adhered to the management strategy of "Risk Prevention, Change Promotion, Structure Adjustment and Stable Growth"; Earnestly implemented the management goal of "Customer-centered, Employee-oriented and Profit-oriented"; and strictly followed the management policy of "Digitalization", "Focusing", "Internationalization" and "Low Cost"; We adhere to the core values of "Integrity, Service, Efficiency, Professionalism and Innovation".

In the face of a complex and severe external economic environment and fierce competition, we believes that "adherence to the original intent of financial services" is the basis for grasping certainty in the face of uncertainty, and that it is important to actively consolidate its fundamentals and boldly lay out new tracks. Continuously strengthen the risk prevention, around the regional focus, industry focus, customer focus, product focus strategy for business development at the same time; to achieve the financial tools and services "Shift Gears and Upgrade", to create differentiated characteristics of financial services, and seek high-quality development.

In terms of customer service, we have strengthened cross-border linkages with our parent bank to provide diversified cross-border financial services in response to the commercial financial needs of our Chinese and foreign corporate clients and their partners. In particular, we will enhance our services in key areas such as the transformation and upgrading of traditional industries, advanced manufacturing, and strategic emerging industries. In-depth promotion of the "One Belt, One Road", make full use of the resources, network and location advantages of the parent bank in the Philippines, synergize the effectiveness of financial services, escort Chinese enterprises "going out", and help to enhance the level of two-way trade and investment liberalization and facilitation.

In terms of product innovation, we will fully utilize the Group's resource advantages and further deepen its cooperation with its Chinese counterparts, in line with the background that China's strengthening of the construction of a new pattern of opening up to the outside world at a high level will place greater demands on the cross-border service capacity of the financial industry. We helps enterprises to continuously shape new momentum and new advantages for development, realizes effective qualitative and quantitative growth in the development of enterprises under the new situation, and outputs high-quality and characteristic integrated financial solutions for the upgrading and development of enterprises under the new situation.

Assets and liabilities continued to be optimized. In the face of the external situation, such as the gradual recovery of the economy, the sharp narrowing of RMB spreads and interest rate differentials while the US dollar sharply raised interest rates, and the overall abundance of liquidity in the market, the Bank has actively promoted the reconstruction of its balance sheet. Focusing on diversified channels and multi-industry diversified investment, in addition to traditional loan placement and bill financing business, it also supports transportation infrastructure and Yangtze River Delta integration development in Jiangsu and Zhejiang provinces through RMB and US dollar bond investment. While financial assistance drives effective investment, it also strives to promote the optimization of the structure of the liabilities business and transformation of the model, to build on its strengths and compensate for its shortcomings, and to make steady progress.

On the asset side, we explored state-owned enterprise clients in depth and focused on laying out new tracks. As of the end of December, the Bank's total assets expanded to 17.749 billion yuan, up 17.13% YOY from the previous year. The balance of credit assets amounted to RMB 10.746 billion, a YOY increase of 11.92%. Among them, the balance of loans amounted to RMB 8.084 billion, a YOY increase of 17.88% , and the balance of corporate bonds amounted to RMB 2.662 billion . Meanwhile, the quality of the bank's assets steadily improved, with the non-performing loan ratio falling from 0.15% in 2022 to 0.12% in 2023.

On the liability side, we focused on controlling the cost of liabilities and fully optimizing the liability structure. Oriented on cost reduction, we focused on suppressing high-cost deposits. As at the end of December, the balance of the Bank's deposits increased by 11.03% from the end of the previous year to RMB 12.059 billion.



In 2023, our overall business was stable and progressive, and the scale of deposits and loans achieved double growth. we realized operating income of RMB 313 million for the year, a YOY increase of 7.41% compared with the previous year; the profit before provision was RMB 115 million, and the net profit was RMB 60.43 million, a YOY increase of 12.33% and 11.93%, respectively. Ring analysis, non-interest income growth is obvious, and the proportion of the gradual increase, as of the end of December for 38.86 million.



# FINANCIAL MARKETS BUSINESS

In 2023, 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 Treasury 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 2023, 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 20% this year against the substantial growth last year.

## Trade Finance Business

In 2023, through comprehensive products and business cooperation of FMS relationship with financial institution further improved, interbank asset placements stabilized and interbank liability channels diversified.

## Financial Institution Business

In 2023, 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 September 2023, Metropolitan Bank (China) landed its first commercial paper discounting business, enriching our trade finance products.

# INFORMATION TECHNOLOGY

In 2023, our Bank continued to implement IT strategy centered on "digitalization, refinement and intensification". Through digital transformation, we will empower our customers, provide the best financial service experience, and fully serve the real economy by diversifying and controlling risks. At the same time, digital transformation empowers employees with more convenient and efficient forms of work, continuously optimizes costs, improves service capabilities and enhances financial innovation. We continuously promotes the construction of IT management capacity, strengthens the standardization and refinement of management, and adheres to the principle of intensive construction, continuously invests in IT research and development construction, deepens the application of IT, promotes the integration of business and technology, and effectively improves the level of risk control and the strength of business support.

Data governance is the foundation and prerequisite for solid digitization. We has continued to implement the construction of data governance and traced the root causes of data quality issues from a practical perspective, which has effectively improved the quality of data, and the scores of regulatory rating has continued to improve.

We continued to explore and research in IT innovation. The continuous improvement of IT digital Intelligent Operations and Maintenance, independent research and development capabilities has enhanced the security and sustainability of information systems.

## Major Activities and Projects in Information Technology

In terms of system construction, we continued to improve the core competitiveness of our information systems, several information systems have come online in 2023, such as the new generation of paper business system, bank and enterprise reconciliation system and other systems provided protection and support for the digital transformation, strengthened the business diversification system also enriched the path of data interactions between our bank and customers, and took another big step towards the targets of establishing system architecture planning.

In terms of data governance, the data governance management system, structured with management and implementation layers, has played an obvious role in the special governance of data quality throughout the year, with continuous improvement in data quality, unified management of regulatory and management reports, strengthened promotion of data standardization, and sustained improvement in the automation rate of the reports, which has provided construction guarantees for the information and technology.

In terms of IT risk management, in 2023, we continued to improve the IT risk-related systems and strengthened the BCP drills with the real business transactions. System security assessment, vulnerability scanning, baseline configuration checking, penetration testing, business continuity testing, and system security level protection evaluation were continuously carried out to effectively improve our IT risk management and security capabilities. At the same time, it has continuously improved and deployed the risk automation monitoring system, which has effectively and efficiently reduced IT risks.



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 the Bank's 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 activities are 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 always keeps the highest level of independence. All auditors report to the IAD Head who reports functionally to the Board of Directors through the Audit Committee, and administratively to the President.

In 2023, IAD still adhered to the risk-based approach and globally accepted standards to conduct comprehensive audits on Head Office Units, Branches and Sub-branches, business products and processes, and Information Technology areas, so as to help the Bank 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 impacts. Meanwhile, IAD has always committed to integrate the audit work with short-term planning and long-term development of the Bank, and pay close attention to the collaboration between the Bank and the parent bank group in an appropriate way. IAD provided recommendations where control weaknesses exist and where the achievement of objectives is at risk, contributing enhanced accountability, performance and operations.

Compared with last year, domestic travels and onsite inspections have returned to normal with the release of COVID prevention and control measures. The working efficiency and effectiveness of IAD has greatly improved compared with previous years by exceeding 120% on the overall completion with additional unexpected engagements, and realizing the continuous assurance and consulting service provided to the Bank. In Year 2023, IAD has made great achievements on the audit function performance, audit quality and audit methodology, which was recognized and praised by local regulator, BSP and parent bank. With an on-going emphasis on the highest level of integrity and unwavering diligence across the organization, IAD will continuously affirm the commitment to the Bank by providing solid and high-quality service, and also help the Bank for preventive measures on the potential risks.



# RISK MANAGEMENT

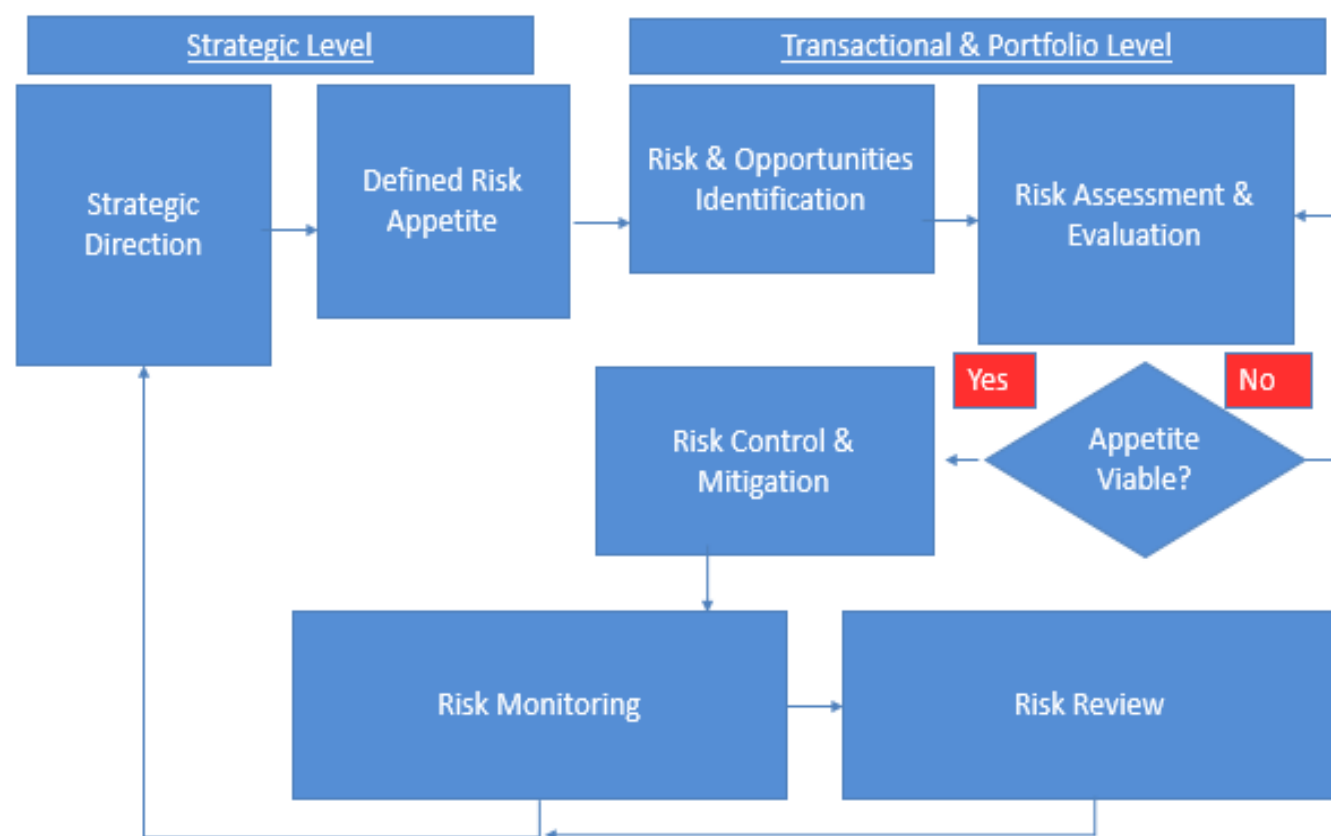
## Risk Governance

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 5 Emails meetings in year 2023. 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.

## Risk Management Framework

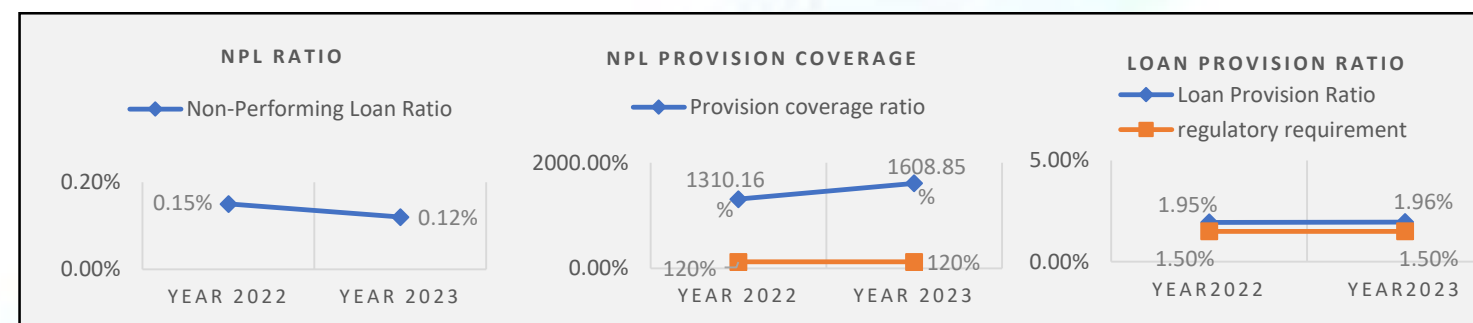


## Credit Risk Management

Credit risk is the risk that the borrower or counterparty will not be able to meet its contractual obligations as they fall due or assume.

In accordance with the policies of facility authorization and credit risk management of the Bank, faces primarily exist in on-balance-sheet businesses and off-balance-sheet businesses such as loans, trade financing, acceptance bills, interbank transactions, fixed-income securities derivative financial instruments etc. In recent years, guided by New Basel Capital Accord and China Banking 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 2023, the Bank continued to strictly follow the regulatory authorities' regulatory guidance requirements on provision coverage ratio, loan provisioning ratio and non-performing loans, strengthen loan classification management and actively dispose of non-performing loans, so as to lay a solid foundation for the Bank's sound operation. As of the end of December, the non-performing ratio decreased to 0.12 % (end of 2022: 0.15%); the provision coverage ratio increased to 1608.85% (end of 2022: 1310.16%) and the loan provisioning ratio decreased to 1.96 % (end of 2022: 1.95%).



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

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

- Identify, analyze and measure risks from every transactions 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 ( $\Delta$ 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 ( $\Delta$ 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 capital 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

### 1.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 comply 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.

## 2.Liquidity Risk Management Strategy and Policies

In the year of 2023, 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.

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

### (1) MCO limit

The MCO limit will vary depending on the remaining portion of the Bank's funding capacity. The funding capacity is the amount that Financial 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

## 4. Major liquidity Risk and Liability Quality Management Indicators with Summary Analysis

The bank’s monitoring of Internal Risk Management Indicators and Limits in 2023 is summarized below:

(1) In the year of 2023, the bank’s actual levels of liquidity related ratios are all within the regulatory requirement.

Key Indicators	12/2023	9/2023	6/2023	3/2023	Regulatory Requirement
Liquidity Ratio	91.79%	122.94%	92.54%	144.82%	$\geq 25\%$
Liquidity Matching Ratio	173.56%	172.08%	169.68%	176.69%	$\geq 100\%$
High-Quality Liquid Assets Adequacy Ratio	125.42%	124.47%	123.18%	136.54%	$\geq 100\%$

(2) In the year of 2023, 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 2023

## 5. 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 level of assets extending one year is increasing as a proportion of total risk assets. However, the bank funding resources from deposit and interbank will be in shorter term.

## 6. Stress Test

In the year of 2023, 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 to guide and supervise the Bank's daily compliance risk management. The management paid high attention to compliance management, integrated the concept of compliance culture into the core value of the Bank, strengthened the compliance awareness of units and employees at all levels, established a whole process management mechanism for the identification, evaluation, monitoring, response and assessment of compliance risks, continued to strengthen the compliance management including internal control, case prevention and control, legal affairs, etc., and ensured the compliance of banking activities through compliance training, compliance inspection, internal control assessment and evaluation, tried to improve the efficiency of compliance management, prevented compliance risks and ensured sustainable development.

The Board of Directors of the Bank approved and issued the Money Laundering and Terrorist Financing Prevention Manual, which made it clear that money laundering and terrorist financing prevention, is important obligations of the Bank and all employees, and authorized the Audit Committee to guide and supervise the Bank's daily money laundering risk management. The management paid high attention to compliance management, established AML Committee to convene quarterly meetings, discussed anti money laundering work, improved anti money laundering internal control systems and operating procedures, established anti money laundering internal control systems and management processes such as customer due diligence, reporting of large-amount and suspicious transaction, training and publicity, evaluation and inspection, and combined customer and business characteristics to strengthen the refined management of money laundering risks through digital means. The MBCL project "Full Cycle Management for Enterprise’s Money Laundering Risk Using Big Data" won awards such as "Excellent Case of Digital Transformation in China's Banking Industry" and "Excellent Project Award for Digital Risk Control" from 2021 to 2023, and was awarded by PBOC as "Good Practice Case of Money Laundering Risk Management of Financial Institutions".

# 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 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 2023, 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.

MBCL has established relatively comprehensive information technology management guidelines and policies, and review them as needed, which included: Information Security Management Framework; Information Security Risk Management Framework; Information Technology Process Risk Control Self-assessment Guideline; Guidelines on System and Risk Control Self-assessment; System Security Risk Assessment Framework 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.



Image from: 2023 MBCL Photography Competition Contest Author: Sunny Jin (Changzhou Branch)



# Environmental Governance Sustainable Development



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 2023, 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.

The main tasks of green finance finished by the Bank in 2023 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 Publication.** The Bank embedded environmental and social risk assessments into the whole process of credit business, and gradually identified and marked the green finance credit customers and projects in the credit system, 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.

Image from: 2023 MBCL Photography Competition Contest Author: Li Xiaohong (Credit Control)



# Sustainable Development

## Social Governance



# BRANDING BUILDING

## Building Metrobank (China) Exquisite Brand

2023 is the concluding year of Metrobank (China)'s three-year strategic plan and also an important year of beginning the high-quality development of our Bank. In this year, our Bank have taken a series of measures to carry out brand building work and guided by maximizing efficiency with limited resources focusing on helping business units improve competitiveness and driving continuous exposure of our Bank's brand.

## Restart Offline Specialty Brand Activities

The opening of Ningbo branch. In March 2023, the seventh branch of Metrobank (China), Ningbo branch, officially held its opening ceremony. Major leaders from the local financial regulatory bureau in Ningbo, the government of Yinzhou District and nearly 200 enterprises and financial industry clients attended the ceremony on site. At the same time, the opening ceremony also received reports and on-site interviews from ZJSTV which made a solid foundation for our Bank's local business expansion in Ningbo.

Touring Forums. As the most unique and industry-recognized customer event, our Bank held the "Together with Metrobank (China)-Intelligent View to the Future" touring forum s in Fujian, Suzhou, Shanghai and Nanjing in 2023. We have had in-depth discussions and exchanges with the clients on topics such as global financial market dynamics, investment prospects and foreign exchange that customers are concerned about. And at the forum in Nanjing, for the vast majority of urban investment clients, our Bank has set up a dedicated urban investment session and invited customer representatives to share practical cases and establish a close relationship with clients. The Bank has achieved significant improvements in customer expansion, bank deposits, loans, revenue and others, successfully contributing the Bank's high-quality development blueprint for 2023.

CIFTIS. As an active participant in China's financial industry, MBCL always hopes that the "Small yet Exquisite & Decent" banking characteristics can attract more customer attention and uses the parent bank's resources to help China implement the "the Belt and Road" strategy enable Chinese enterprises to "go out" and foreign enterprises to "come in". Therefore, in 2023, MBCL participated for the first time in CIFTIS in Beijing. Through the display of pictures and text, more people have become aware of Metrobank (China). Meanwhile, during the CIFTIS, the Bank also gained the attention of CCTV which once again greatly increased the exposure our Bank and further expanding the Bank's brand awareness.



The opening ceremony of Ningbo branch



Touring Forum (Nanjing)



Touring Forum (Shanghai)



Our employee is introducing MBCL to CCTV

# BRANDING BUILDING

## Unique Charity Brand Activities

Technology Empowerment Lighting Up the Classroom-Country Teacher Empowerment Training Programme. In response to the national requirements for rural revitalization, promoting science and education and improving the overall scientific quality of rural areas, MBCL have explored a unique and distinctive path of poverty alleviation through science and education. In March and October 2023, the Bank held a 'Lighting Up the Classroom-Country Teacher Empowerment Training Programme' in Fujian province. By utilizing ordinary tools within reach and through joint training and guidance from experts and public science teams, we aim to improve the scientific teaching level of teachers in rural areas and to benefit more teachers and students. This activity is innovative in form and has great promotional significance. It has been awarded the "Y2023 Golden Promise-China Financial Annual Excellent Social Responsibilities Programme" and the Banking ESG Practice-Technology Empowerment Model by CBIMC.

The Second Rural Children's Charity Painting Competition. In 2023, our Bank once again launched the second rural children's public welfare painting competition. As a commitment to public welfare and in response to the overall policy requirements of country to improve the level of aesthetic education in rural areas. The rural children's charity painting competition expanded the scope to Qiemo county, Xinjiang Province, allowing more children to participate in aesthetic education. Through painting, children can unleash their purest and imaginative imagery, allowing them to experience, appreciate and recognize beauty.



Technology Empowerment Lighting Up the Classroom-Country Teacher Empowerment Training Programme



2<sup>nd</sup> Rural Children's Charity Painting Competition

## Actively Participate in Media Activities

In 2023, the Bank continuously provided effective market perspectives to the media and participated in various activities organized by the media such as the "2023 New Year Special Plan" organized by NBD and the "2023 Two Session Creating a New Blueprint and Start a New Journey" two special events, Sohu Finance and CLS have conducted exclusive interviews with the President as well as actively and closely cooperated with market hot topics such as Xinhua Finance and China Business Journal to convey our Bank's localized and distinctive business strategy and policy to outside to help to expose the bank's brand. At the same time, in 2023, the Bank took the initiative to "speak out" by focusing on business, CSR, exclusive interview and events, and the amount of exposure reached a new high compared to last year.





# STAFF DEVELOPMENT

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 our bank and all our staff. In total, 89 courses was offered with 57392 hours of total learning hours. The completed learning hour is 191.3 hours per pax, with a training coverage rate of 100%.

“Digital Learning Programme” has gradually become an important tool for the learning and development of our staff. Choosing the world's most impactful business school online, we offers a quarter-base online learning series which are with deep insights, useful and full of interactivity. By focusing on the competency model of our bank, we help staff use their fragmented time to develop digital awareness as well as developing habits of self-oriented learning and development. This also helps effectively improve required competencies, soft skills and more comprehensive abilities while expanding staff's horizons. In 2023, the participation rate of this Programme has reached 92.6%.

The newly launched "Better ME" Programme is a Learning and Development Programme for all staff, aimed at helping our people achieve career success in the digital age. Using diversified development methods such as Executive Messages, Launch sessions, Classroom Training, Online Courses, Group Learning, Experience Sharing, Action Learning and etc., the Programme allows learning and practice become effective and gradually cultivates our staff's willingness of learning and growth. By providing team collaboration scenarios, the Programme is successful to help our staff develop the necessary abilities to encountered future challenges while being capable to solve specific problems in the current work. In 2023, we were successful to carry out 16 offline launch sessions and formed 49 learning groups.



Better ME Programme

“WING Programme” was continued to develop our frontline staff. By keep providing Special Sharing Sessions on Risk Control Topics, various Practice Campaigns and cross-division and cross-branch business experience sharing, we help staff to improve per capita production capacity. On the other hand, the newly launched toolkits, “Business Development Handbook” & “Risk Control Case Study Handbook”, help frontline colleagues gain better insights to understand our customers' needs and enhance their professional capabilities so as to provide better service.

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 2023, the 2<sup>nd</sup> MBCL Leadership Academy was launched. With the strict talent review process, 25 participants from various Divisions and Branches were selected to join the Programme. They will strive together to complete this 3-phase Journey through diversified learning and development methods, including Team Challenges, Leadership Workshops, Co-Mentoring mechanism, Business Projects, and etc. 5 business projects closely linked to actual business are designed in 2023 Leadership Academy, and the Co-mentoring mechanism are carried out to ensure the project results.



Leadership Academy

# CORPORATE CULTURE

## Metrobank Honor – Promote the High-Quality Sustainable Development of Metrobank (China)

The Metrobank Honor selection in 2023 fully implements the development theme of Metrobank (China) "Sustainable Future in Good Hands - Start the high-quality development", which awarded the "Broadening Sources of Income and Reducing Expenditures Award" and the "Ultimate Service Star". Appreciating the active participation of all divisions and branches, we have received a total of 75 submissions, 12 Broadening Sources and Income and Reducing Expenditures Award and 17 Ultimate Service Stars of the Year have been finally selected. We also presented the Long Service Awards to 7 dedicated colleagues who have been with Metrobank (China) for 10 years. 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 2023, “M-Club” held a variety of activities, including Write Blessing in the New Year, Women’s Day Flower Offering, Baking, Flower Salon, Photography Competition, TCM Consultation, Bowling Game, Painting Mirror and other activities. More and more employees are actively participating in M-club activities, and the concept of sports and healthy life is deeply rooted in people's mind.

The first large-scale outdoor group construction activity in Nanjing area was successfully held in May 2023, with the participation of 115 employees from the Head Office and Nanjing Branch. In December, we successfully held the Christmas Party in Shanghai, attended by 119 colleagues from Shanghai, Suzhou and Ningbo. These activities have brought people together, strengthened cooperation among divisions & teams, and laid a solid foundation for promoting high-quality development of the Bank.

In addition, all branches continue to expand various "staff privilege" merchants. In 2023, the number of new merchants exceeded 24 through the efforts of branches and HRD, aiming to bring real benefits to employees.



## Care for Female Colleagues

Female colleagues are our important drivers of promoting high-quality development for the Bank. Women accounted 59% of our employees as the end of 2023. To support female colleagues in balancing their life and professional responsibilities, we are constantly improving our care and benefits for female employees.

# CORPORATE SOCIAL RESPONSIBILITY

Metrobank (China) has long insisted that the founder, Mr. George Ty, a patriotic overseas Chinese from Quanzhou, will support CSR undertakings as the Bank's important responsibility, and giving back to hometown education through various CSR projects. Moreover, we have signed a CSR strategic cooperation agreement with Shanghai Soong Ching Ling Foundation to innovate and explore a small yet sophisticated development model of "Finance + Charity" which is an effective way to help children in rural areas grow and contribute financial strength to empowering rural revitalization.

## Keeping Walking, The Four-year Charity Strategy Come to a Successful Conclusion

In November 2019, our Bank and Shanghai Soong Ching Ling Foundation jointly launched a four-year charity project to protect the growth of rural children. Over the past four years, our Bank has invested a total of RMB 1 million in Charity projects focusing on the three major goals of the United Nations Sustainable Development Goals (SDGs): Goal 1: No Poverty, Goal 3: Good Health and Wellbeing and Goal 4: Quality Education.

Although the rural children's growth project isn't large in scale, it considers the needs of rural children's growth from multiple perspectives. It not only focuses on the economic problems of poor children and the hardware issues of campus construction, but also considers the software factors of children's "holistic" growth. Especially, financial aid continues to be provided to poor students to support them in successfully completing their studies from primary school, junior high school to high school. Over the past four years, in terms of building a campus growth environment, we purchased a total of 332 pieces of sports equipment, including table tennis tables, badminton, basketball for the two schools; And also gave 25 computers, built 2 growth classrooms and donated a total of 280 sets of school uniforms to two primary schools as well as awarding scholarships of RMB 60,000 to 335 students. In terms of providing financial assistance to poor students, our Bank has issued a total of RMB 96,000 in student aid to 21 students.

Compared with the current charity projects carried out by domestic enterprises, the "the rural children's growth project" is small in scale, but the project is promoted from many aspects, and the measures implemented can be put into practice, so that the project recipients can effectively benefit. Therefore, in the past four years, the project has also gained a lot of good reputation and recognition in society, such as winning the title of Golden Promise - China Annual Excellent Social Responsibility Project for two consecutive years, banking ESG Practice Award, and ESG Technology Empowerment Model.

## Technology Empowerment Lighting Up the Classroom - Country Teacher Empowerment Training

In 2022, the report of the 20th National Congress of the Communist Party of China pointed out that developing rural education and sharing resources in scientific literacy is one of the important ways to achieve the goals of the strategy of revitalizing the country through science and education and the strategy of rural revitalization. Based on this, in March 2023, our Bank launched a county-level teacher empowerment activity with the theme of "technology empowerment lighting up the classroom" in response to this requirement. This activity aims to enhance the scientific subject ability of rural teachers through technology related training for primary and secondary school teachers in townships, cultivate more leaders in rural science education, and promote rural children to experience better classroom activities and educational resources on the basis of technology empowerment of rural teachers, in order to achieve the goal of implementing the rural revitalization strategy to educational revitalization and ultimately benefiting rural children. The activity has positive exploratory significance for improving the education level and scientific literacy construction level of rural schools and helping to narrow the gap in scientific literacy development between urban and rural areas.

Over the past four years, the "Technology Empowerment Lighting Up the Classroom" activity was held three times in August 2020, March 2023 and October 2023 with each training lasting two days. A total of 306 teachers participated, benefiting nearly a thousand rural children. And this project has won the "Y2023 Golden Promise-China Financial Annual Excellent Social Responsibilities Programme" and the Banking ESG Practice-Technology Empowerment Model by CBIMC.





# CORPORATE SOCIAL RESPONSIBILITY

## Empowering and Coexisting with Beauty

As a series of distinctive charity activities of Metrobank (China). In February of Y2023, our Bank launched the second Rural children's charity painting competition. Unlike the first competition, this painting competition introduced the concept of ESG sustainable development for the first time. It not only uses "competition instead of teaching" to truly enter the rural fields, drive rural primary and secondary school students, enhance their aesthetic ability and sow the seeds of beauty in their young vitality. At the same time, it also enables them to understand the basic concepts of ESG and sustainable development. and together with them to explore the important issue of environmental protection through painting. The scope of participation in this painting competition is not limited to Fujian region, but has also expanded to Qiemo County, Xinjiang Province, allowing more rural children to develop and practice their imagination.





# CONSUMER RIGHTS PROTECTION

Our Bank has always placed the "Financial Consumer Right Protection" in a great important position. We persist in the "customer-centered" service concept normally carrying out financial consumer rights education activities to effectively improve the financial literacy and knowledge level of financial consumer. We continuously strengthen their risk awareness and fully fulfill the main responsibility of protecting the legitimate rights and interests of financial consumers. We continuously and orderly promote the protection of the rights and interests of financial consumer, and safeguard the legitimate rights and interests of financial consumer in accordance with the law, and create a harmonious and healthy financial environment.

Based on the actual implementation of the Bank's financial consumer rights protection work and the updates of relevant regulatory regulations, the "Consumer Rights & Interest's Protection Work Management Method" were revised and reviewed in 2023 to ensure that our Bank's consumer protection work complies with institutional and regulatory requirements.

In accordance with the unified deployment of regulatory authorities and the annual consumer protection work plan, MBCL organized and carried out multiple consumer rights protection theme publicity activities such as "3.15 Consumer Rights Protection Publicity", "Popularizing Financial Knowledge, Guarding Your Wallet", "Financial Consumer Rights Protection Education and Publicity Month", and etc. By doing those, we use our branch storefronts and lobby TV screens to play the unified slogans and set up the publicity materials in prominent locations such as counters. We also organized our branch staff help the surrounding communities and corporate customers to well understand the useful financial knowledge to enhance risk prevention awareness which has been unanimously welcomed and praised.

At the same time, our head office has cooperated and assisted the Foreign Banks Working Committee of the Jiangsu Banking Association in organizing financial consumer rights protection education activities with other foreign banks in Nanjing at Jinling Institute of Technology to promote financial knowledge such as deposit insurance and financial risk prevention to college students up close which has been gained recognition from teachers and students.



In order to expand the scope of consumer rights protection publicity, our Bank has written more than ten online promotional articles, including "Preventing Illegal Financial Activities and Creating a Better Life Together", "Popularizing Financial Knowledge and Caring for New Citizens", "Rational Investment and Enjoying Happiness in Old Age", "Knowledge Sharing on Bank Wealth Management Products", "Network Security Goes with Us", etc. Carried out consumer rights protection publicity on the official website and wechat, so as to synchronize online and offline.

In 2023, we conducted two sessions of specific training on consumer right protection for all employees, covering the interpretation of the "Management Methods for Consumer Rights Protection of Banking and Insurance Institutions", preventing telecom and network fraud, etc. At the same time, we set Consumer Right Protection training as the mandatory course for new employees. In total, 616 pax has completed above mentioned training in 2023.

In summary, our Bank was able to carry out the Consumer Right Protection work in accordance with the requirements of Regulatory in 2023. This not only includes the publicity of social public financial knowledge to customers, but also includes enhancing the training and assessment on the Consumers Right Protection to internal staff. We took our responsibility to orderly promote the protection of the rights and interests of financial consumer.



ANNUAL FINANCIAL REPORT 2023

**Metropolitan Bank (China) Ltd.**  
**Audited Financial Statements**  
**31 December 2023**

<b><u>Index</u></b>	<b><u>Pages</u></b>
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	11-78

# Auditors' Report

Ernst & Young Hua Ming (2024) 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 2023, 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 2023, and the financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises ("ASBEs").

## (II) Basis for opinion

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

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

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

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

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

# Auditors' Report (continued)

Ernst & Young Hua Ming (2024) Shen Zi No 60928836\_B01  
Metropolitan Bank (China) Ltd.

## (IV) Auditor's responsibilities for the audit of the financial statements

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

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

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

# Auditors' Report (continued)

Ernst & Young Hua Ming (2024) Shen Zi No 60928836\_B01  
Metropolitan Bank (China) Ltd.

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

## BALANCE SHEET 31 December 2023

Unit: RMB yuan

<b>ASSETS</b>	<b>Note 5</b>	<b>31 December 2023</b>	<b>31 December 2022</b> <u>Restated</u>
Cash and balances with the central bank	1	2,117,213,939.21	1,137,743,925.14
Due from banks	2	502,776,202.41	347,706,096.17
Placements with banks	3	1,907,560,940.35	2,081,649,089.14
Derivative financial assets	4	713,134.80	1,152,001.73
Financial assets held under resale agreements	5	92,525,778.30	-
Loans and advances to customers	6	7,936,861,565.78	6,735,340,318.76
Financial investment			
-financial assets held-for-trading	7	-	10,182,691.78
-debt investments	8	21,213,891.49	21,342,739.31
-other debt investments	9	4,383,126,443.27	4,715,219,634.18
Fixed assets	10	5,558,073.73	7,155,045.21
Right-of-use assets	11	33,497,722.76	28,346,185.15
Deferred tax assets	12	17,094,843.15	44,418,742.58
Other assets	13	730,955,472.16	23,685,394.27
<b>TOTAL ASSETS</b>		<u>17,749,098,007.41</u>	<u>15,153,941,863.42</u>

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

BALANCE SHEET (CONTINUED)  
31 December 2023

Unit: RMB yuan

LIABILITIES AND EQUITY	Note 5	31 December 2023	31 December 2022 Restated
LIABILITIES			
Due to banks and other financial institutions	14	84,061,944.65	62,007,196.05
Placements from banks	15	2,315,665,565.49	2,169,695,242.99
Financial assets sold for repurchase	16	294,044,462.46	-
Customer deposits	17	12,160,002,364.52	10,935,069,722.14
Derivative financial liabilities	4	975,147.20	1,300,240.39
Payroll payables	18	42,023,299.56	43,362,968.47
Tax payables	19	15,567,348.86	17,232,743.80
Provisions	20	10,352,142.50	11,530,620.49
Bonds payables	21	199,207,315.73	147,513,761.86
Lease liabilities	22	33,007,540.50	29,253,076.26
Other liabilities	23	720,865,296.41	11,412,947.65
<b>TOTAL LIABILITIES</b>		<b>15,875,772,427.88</b>	<b>13,428,378,520.10</b>
EQUITY			
Paid-up capital	24	1,500,000,000.00	1,500,000,000.00
Capital reserves	25	453,890.00	453,890.00
Other comprehensive income	26	15,219,091.44	(72,109,648.71)
Surplus reserves	27	34,207,731.05	28,164,381.44
General reserves	28	233,397,497.80	208,758,182.73
Retained earnings	29	90,047,369.24	60,296,537.86
<b>TOTAL EQUITY</b>		<b>1,873,325,579.53</b>	<b>1,725,563,343.32</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>17,749,098,007.41</b>	<b>15,153,941,863.42</b>

INCOME STATEMENT  
For the year ended 31 December 2023

Unit: RMB yuan

	Note 5	2023	2022 Restated
1. OPERATING INCOME			
Net interest income	30	273,757,715.50	274,458,098.95
Interest income	30	583,258,650.57	500,680,704.39
Interest expenses	30	(309,500,935.07)	(226,222,605.44)
Net fee and commission income	31	8,110,700.91	7,173,546.63
Fee and commission income	31	10,452,318.56	8,324,206.41
Fee and commission expenses	31	(2,341,617.65)	(1,150,659.78)
Investment income	32	16,905,522.31	4,658,869.90
Net loss from changes in fair value		(143,234.40)	(252,221.92)
Foreign exchange gain	33	13,986,546.26	5,001,336.84
<b>TOTAL OPERATING INCOME</b>		<b>312,617,250.58</b>	<b>291,039,630.40</b>
2. OPERATING EXPENSES			
Tax and surcharges		(3,934,631.55)	(2,637,545.74)
General and administrative expenses	34	(194,058,644.30)	(186,362,082.62)
Credit impairment losses	35	(34,392,707.75)	(29,997,399.93)
Other operating expenses		-	(876.24)
<b>TOTAL OPERATING EXPENSES</b>		<b>(232,385,983.60)</b>	<b>(218,997,904.53)</b>
<b>3. OPERATING PROFIT</b>		<b>80,231,266.98</b>	<b>72,041,725.87</b>
Add: Non-operating income	36	2,127,775.03	1,283,577.75
Less: Non-operating expenses		308,071.26	248,099.39
<b>4. PROFIT BEFORE TAX</b>		<b>82,050,970.75</b>	<b>73,077,204.23</b>
Less: Income tax expense	37	21,617,474.69	19,083,744.02
<b>5. NET PROFIT</b>		<b>60,433,496.06</b>	<b>53,993,460.21</b>
6. OTHER COMPREHENSIVE INCOME			
Item to be reclassified to profit or loss:	26		
Fair value changes of other debt investments		92,424,996.16	(48,761,980.74)
Fair value changes of loans and advances to customers at fair value through other comprehensive income		432,901.01	2,778,401.56
Impairment of other debt investments		(5,507,498.93)	4,598,330.67
Impairment of loans and advances to customers at fair value through other comprehensive income		(21,658.09)	(216,074.67)
<b>7. TOTAL COMPREHENSIVE INCOME</b>		<b>147,762,236.21</b>	<b>12,392,137.03</b>

STATEMENT OF CHANGES IN EQUITY  
For the year ended 31 December 2023

Unit: RMB yuan

**For the year ended 31 December 2023**

	Paid-up capital	Capital reserves	Other comprehensive income	Surplus reserves	General reserves	Retained earnings	Total
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
Add: Changes in accounting policies	-	-	-	22,672.28	-	204,050.50	226,722.78
Balance as at 1 January 2023	1,500,000,000.00	453,890.00	(72,109,648.71)	28,164,381.44	208,758,182.73	60,296,537.86	1,725,563,343.32
Movements during the year	-	-	87,328,740.15	6,043,349.61	24,639,315.07	29,750,831.38	147,762,236.21
(i) Total comprehensive income	-	-	87,328,740.15	-	-	60,433,496.06	147,762,236.21
(ii) Profit appropriation							
1. Appropriation to surplus reserves	-	-	-	6,043,349.61	-	(6,043,349.61)	-
2. Appropriation to general reserves	-	-	-	-	24,639,315.07	(24,639,315.07)	-
Balance as at 31 December 2023	1,500,000,000.00	453,890.00	15,219,091.44	34,207,731.05	233,397,497.80	90,047,369.24	1,873,325,579.53

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

STATEMENT OF CHANGES IN EQUITY (CONTINUED)  
For the year ended 31 December 2023

Unit: RMB yuan

**For the year ended 31 December 2022**

<b>Restated</b>	Paid-up capital	Capital reserves	Other comprehensive income	Surplus reserves	General reserves	Retained earnings	Total
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
Add: Changes in accounting policies	-	-	-	13,502.39	-	121,521.49	135,023.88
Balance as at 1 January 2022	1,500,000,000.00	453,890.00	(30,508,325.53)	22,765,035.42	175,451,611.62	45,008,994.78	1,713,171,206.29
Movements during the year	-	-	(41,601,323.18)	5,399,346.02	33,306,571.11	15,287,543.08	12,392,137.03
(i) Total comprehensive income	-	-	(41,601,323.18)	-	-	53,993,460.21	12,392,137.03
(ii) Profit appropriation							
1. Appropriation to surplus reserves	-	-	-	5,399,346.02	-	(5,399,346.02)	-
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)	28,164,381.44	208,758,182.73	60,296,537.86	1,725,563,343.32

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

STATEMENT OF CASH FLOWS  
For the year ended 31 December 2023

Unit: RMB yuan

	Note 5	2023	2022
1. Cash Flows From Operating Activities:			
Net decrease in balances with the central bank and due from banks		5,292,795.49	-
Net decrease in placements to banks		-	125,187,000.00
Net increase in placements from banks		128,807,620.51	551,555,900.00
Net increase in customer deposits and due to banks		1,178,662,564.42	1,903,606,953.58
Net increase in financial assets sold for repurchase		294,000,000.00	-
Cash received from interest, service fee and commission income		440,598,234.77	360,368,552.01
Net decrease in financial assets at fair value through profit or loss		10,182,691.78	-
Cash received from other operating activities		33,850,675.53	9,285,416.15
Subtotal of cash inflows from operating activities		2,091,394,582.50	2,950,003,821.74
Net increase in balances with the central bank and due from banks		-	(97,751,819.54)
Net increase in loans and advances to customers		(1,219,418,270.15)	(1,350,095,449.40)
Net increase in placements with banks		(84,743,000.00)	-
Net increase in financial assets at fair value through profit or loss		-	(4,000,000.00)
Cash paid for interest, service fee and commission expense		(280,696,424.98)	(189,391,467.54)
Cash paid to and on behalf of employees		(140,447,723.58)	(130,520,009.64)
Cash paid for taxes and surcharges		(58,806,176.51)	(43,380,531.11)
Cash paid for other operating activities		(54,985,949.17)	(109,188,289.41)
Subtotal of cash outflows from operating activities		(1,839,097,544.39)	(1,924,327,566.64)
Net cash flows generated from operating activities	38	252,297,038.11	1,025,676,255.10

STATEMENT OF CASH FLOWS (CONTINUED)  
For the year ended 31 December 2023

Unit: RMB yuan

	Note 5	2023	2022
2. Cash Flows From Investing Activities:			
Proceeds from disposal/maturity of investments		7,034,137,765.44	3,814,070,662.20
Cash received from investment income		165,961,879.89	150,157,595.71
Net cash received from disposal of fixed assets and intangible assets		277,931.38	36,295.49
Subtotal of cash inflows from investing activities		7,200,377,576.71	3,964,264,553.40
Cash paid for investments		(6,533,186,119.43)	(4,926,703,972.58)
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(2,674,576.38)	(5,007,401.50)
Subtotal of cash outflows from investing activities		(6,535,860,695.81)	(4,931,711,374.08)
Net cash flows generated from/(used in) investing activities		664,516,880.90	(967,446,820.68)
3. Cash Flows From Financing Activities:			
Cash received from bond issuance		396,125,500.00	295,868,350.00
Subtotal of cash inflows from financing activities		396,125,500.00	295,868,350.00
Cash paid from bond repayment		(350,000,000.00)	(250,000,000.00)
Cash paid to other financing activities		(15,688,065.68)	(14,174,783.38)
Subtotal of cash outflows from financing activities		(365,688,065.68)	(264,174,783.38)
Net cash flows generated from financing activities		30,437,434.32	31,693,566.62
4. Effect of Exchange Rate Changes on Cash and Cash Equivalents		20,317,886.76	32,237,359.63
5. Net Increase in Cash and Cash Equivalents		967,569,240.09	122,160,360.67
Add: Opening Balances of Cash and Cash Equivalents		1,933,097,778.42	1,810,937,417.75
6. Closing Balances of Cash and Cash Equivalents	39	2,900,667,018.51	1,933,097,778.42

## NOTES OF FINANCIAL STATEMENTS

For the year ended 31 December 2023

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 2023, 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 2023

Unit: RMB yuan

**2. Basis of preparation (continued)**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 2023 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. Differences arising on settlement or translation of monetary items are recognised in profit or loss, with the exception of those relating to foreign currency borrowings specifically for the construction and acquisition of qualifying assets, which are capitalised in accordance with the guidance for capitalisation of borrowing costs. Non-monetary items measured at historical cost in a foreign currency are translated using exchange rates on initial recognition, 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 2023

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 has transferred substantially all the risks and rewards of the financial asset, or 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. Regular way purchases or sales are purchases or sales of financial assets under contracts whose terms require delivery within the time frame generally established 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 2023

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 2023

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. 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 2023

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 2023

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 equipment	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 2023

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 a finite 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.

**(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 2023

Unit: RMB yuan

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

**(12) 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, 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.

Other long-term benefits

During the accounting period when employees provide services, special deferred rewards are recognized as liabilities based on their actual operating conditions and recorded in the current period's profit and loss.

## NOTES OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

Unit: RMB yuan

**3. Significant accounting policies and estimates (continued)****(13) Provisions**

An obligation related to a contingency is recognised by the Bank as provisions when the obligation is a present obligation of the Bank and it is probable that an outflow of economic benefits from the Bank will be required to settle the obligation, together with a reliable estimate can be made of the amount of the obligation, except for contingent considerations and contingent liabilities assumed in a business combination not under common control.

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. Provisions are reviewed and adjusted appropriately at each balance sheet date to reflect the current best estimate.

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

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

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

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

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 2023

Unit: RMB yuan

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

**(15) 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 2023

Unit: RMB yuan

**3. Significant accounting policies and estimates (continued)****(16) 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 and the initially recognized assets and liabilities did not result in equal taxable and deductible temporary differences.

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 and the initially recognized assets and liabilities did not result in equal taxable and deductible temporary differences.

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 2023

Unit: RMB yuan

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

## (17) 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

The Bank recognises lease liabilities and right-of-use assets, except for short-term leases and leases of low-value assets.

Right-of-use assets

At the commencement date of the lease, the Bank recognises a right-of-use asset. Right-of-use assets are initially measured at cost. The cost of the right-of-use asset comprises: (i) the amount of the initial measurement of the lease liability; (ii) any lease payments made at or before the commencement date of the lease less any lease incentives received; (iii) any initial direct cost incurred; and (iv) 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 that are not paid at that date, 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 2023

Unit: RMB yuan

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

## (17) Leases (continued)

As lessee (continued)Lease liabilities (continued)

After the commencement date of the lease, 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 with low value when it is new as a lease of low-value assets. 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.

## (18) 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.

## (19) 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.

## (20) 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.

## NOTES OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

Unit: RMB yuan

**3. Significant accounting policies and estimates (continued)****(21) 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.

**(22) 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:

*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.

## NOTES OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

Unit: RMB yuan

**3. Significant accounting policies and estimates (continued)****(22) Significant accounting judgements and estimates (continued)**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 future accounting periods, are listed below.

*Impairment of financial instruments*

The Bank uses the expected credit losses model to evaluate the impairment of financial instruments. 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.

*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 2023

Unit: RMB yuan

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

## (23) Changes in accounting policies and estimates

*Recognition of deferred tax associated with leases*

*Accounting Standards for Business Enterprises Interpretation No. 16* issued in 2022 states that where a single transaction is not a business combination and affects neither accounting profit nor taxable profit (or tax loss), and equal taxable and deductible temporary differences may arise on initial recognition of the asset and liability in such transaction, the exemption from initial recognition of deferred tax is not applicable. The Bank applies it since 1 January 2023. In a lease transaction in which a lease liability is initially recognised and included in a right-of-use asset at the commencement date of the lease, for the taxable and deductible temporary differences arising on initial recognition of the asset and liability, the corresponding deferred tax liability and asset shall be recognised separately instead of not being recognised. In accordance with the transition requirements, the Bank made adjustments for the above-mentioned transactions that occurred from the beginning of the earliest period presented in the financial statements on which the Interpretation was initially applied to the date of changes to accounting policies; for lease liabilities and right-of-use assets recognised for the above-mentioned transactions due to the application of the interpretation at the beginning of the earliest period presented in the financial statements on which the interpretation was initially applied, where taxable and deductible temporary differences arose, the Bank recognised the cumulative effect of RMB226,722.78 of the initial application of the interpretation as an adjustment to the opening balance of retained earnings and other related financial statement items of the earliest period presented in the financial statements.

The effects of retrospective adjustments caused by the above changes in accounting policies on the financial statements are stated as follows:

2023			
	Before changes Closing balance of prior year	Changes in accounting policies	After changes Opening balance
Deferred tax assets	44,192,019.80	226,722.78	44,418,742.58
Surplus reserves	28,141,709.16	22,672.28	28,164,381.44
Retained earnings	60,092,487.36	204,050.50	60,296,537.86

2022			
	Before changes Closing balance of prior year	Changes in accounting policies	After changes Opening balance
Deferred tax assets	25,541,420.61	135,023.88	25,676,444.49
Surplus reserves	22,751,533.03	13,502.39	22,765,035.42
Retained earnings	44,887,473.29	121,521.49	45,008,994.78

## NOTES OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

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%.

## 5. Notes to financial statements

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

	2023	2022
Cash on hand	330,381.18	416,605.08
Balances with the central bank		
Statutory reserve fund		
- RMB	719,792,250.51	721,589,772.88
- foreign currency	58,472,419.74	61,967,692.86
Excess reserves	1,338,242,355.35	353,368,551.61
Subtotal	2,116,507,025.60	1,136,926,017.35
Interest receivables	376,532.43	401,302.71
Total	2,117,213,939.21	1,137,743,925.14

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 4% (31 December 2022: 6%) 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% (31 December 2022: 7.5%) of the average balance of RMB customer deposits at the last ten-day period. For forward foreign exchange sales, a foreign exchange risk reserve is calculated at 20% (December 31, 2022: 20%) of the contracted amount for forward foreign exchange sales.

## NOTES OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

Unit: RMB yuan

## 5. Notes to financial statements (continued)

## (2) Due from banks

	2023	2022
Domestic banks	238,687,578.18	290,844,657.92
Overseas banks	265,614,803.80	57,184,963.81
Subtotal	504,302,381.98	348,029,621.73
Interest receivables	222,834.02	125,273.56
Less: provisions	1,749,013.59	448,799.12
Total	502,776,202.41	347,706,096.17

## (3) Placements with banks

	2023	2022
Domestic banks	594,540,900.00	424,115,000.00
Other domestic financial institutions	1,241,654,000.00	1,593,252,000.00
Overseas banks	50,000,000.00	50,000,000.00
Subtotal	1,886,194,900.00	2,067,367,000.00
Interest receivables	21,759,880.71	14,813,261.07
Less: provisions	393,840.36	531,171.93
Total	1,907,560,940.35	2,081,649,089.14

## (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 2023

Unit: RMB yuan

## 5. Notes to financial statements (continued)

## (4) Derivative financial instruments (continued)

The derivative financial instruments held on 31 December 2023 and 2022 are as follows:

	2023		
	Nominal amount	Fair value	
		Assets	Liabilities
Foreign exchange derivatives			
Swap contract	1,417,496,660.00	524,520.14	504,682.81
Subtotal	1,417,496,660.00	524,520.14	504,682.81
Interest rate derivatives			
Option contract	969,160,000.00	188,614.66	194,072.87
Interest rate swap	1,043,380,000.00	-	276,391.52
Subtotal	2,012,540,000.00	188,614.66	470,464.39
Total	3,430,036,660.00	713,134.80	975,147.20
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

## NOTES OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

Unit: RMB yuan

## 5. Notes to financial statements (continued)

## (5) Financial assets held under resale agreements

	2023	2022
Bonds	92,424,000.00	-
Interest payables	101,778.30	-
Total	92,525,778.30	-

## (6) Loans and advances to customers

## (6.1) By types of loans

	2023	2022
Measured at amortised cost		
Loans	7,572,691,827.06	6,664,505,682.35
Measured at fair value through other comprehensive income		
Discounted bills	29,710,918.58	-
Trade finance	481,265,966.95	193,155,843.79
Subtotal	8,083,668,712.59	6,857,661,526.14
Interest receivables	12,055,593.77	11,634,132.29
Total	8,095,724,306.36	6,869,295,658.43
Less: provisions of loans (Notes5. (6.4))	158,862,740.58	133,955,339.67
Net value	7,936,861,565.78	6,735,340,318.76

## (6.2) By types of collateral or guarantee

	2023	2022
Unsecured loans	331,009,295.23	169,476,819.71
Guaranteed loans	5,850,750,000.00	5,024,086,000.00
Secured by mortgages	133,759,554.40	200,156,650.38
Secured by pledges	1,768,149,862.96	1,463,942,056.05
Subtotal	8,083,668,712.59	6,857,661,526.14
Interest receivables	12,055,593.77	11,634,132.29
Total	8,095,724,306.36	6,869,295,658.43

## NOTES OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

Unit: RMB yuan

## 5. Notes to financial statements (continued)

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

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

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

As of 31 December 2023, there is no overdue loans of the Bank.

As of 31 December 2022, there is no overdue loans of the Bank.

## (6.4) 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 2023 is as follows:

	Stage 1	Stage 2	Stage 3	
	12-month expected credit losses	Lifetime expected credit losses	Credit-impaired financial assets (Lifetime expected credit losses)	Total
At 1 January 2023	124,811,076.22	-	9,144,263.45	133,955,339.67
Accrual/(reversal)	25,192,364.07	-	(308,972.42)	24,883,391.65
Exchange difference	24,009.26	-	-	24,009.26
Closing balance	150,027,449.55	-	8,835,291.03	158,862,740.58

The movement of impairment provisions during 2022 is as follows:

	Stage 1	Stage 2	Stage 3	
	12-month expected credit losses	Lifetime expected credit losses	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
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

## NOTES OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

Unit: RMB yuan

## 5. Notes to financial statements (continued)

## (7) Financial assets held for trading

	2023	2022
Financial assets at fair value through profit or loss		
Pension management products	-	10,182,691.78

## (8) Debt investments

	2023	2022
Bonds investments issued by		
Policy banks	20,616,962.55	20,745,067.96
Subtotal	20,616,962.55	20,745,067.96
Interest receivables	597,131.15	598,767.12
Less: provision	202.21	1,095.77
Net Value	21,213,891.49	21,342,739.31

As at 31 December 2023 and 31 December 2022, the Bank recorded all 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 2023

Unit: RMB yuan

## 5. Notes to financial statements (continued)

## (9) Other debt investments

	2023	2022
Bonds investments issued by		
Government	19,984,860.00	9,982,070.00
Policy banks	1,432,051,060.00	1,475,130,930.00
Business enterprises	2,662,362,066.31	2,744,089,970.02
Interbank negotiable certificates of deposit issued by		
Commercial banks	169,815,480.00	398,898,250.00
Subtotal	4,284,213,466.31	4,628,101,220.02
Interest receivables	98,912,976.96	87,118,414.16
Net Value	4,383,126,443.27	4,715,219,634.18

As at 31 December 2023, the Bank recorded all other debt investments in stage 1, and measured the provision based on expected credit losses for the next 12 months; As at 31 December 2022 the Bank recorded the bonds with the nominal value of RMB100 million issued by Shanghai Shimao Co., Ltd ("Shimao Bonds") 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.

During the year, the Bank has collected and disposed of Shimao Bonds by taking legal actions, and obtained 70,000 thousand shares of Shanghai Shimao Co., Ltd. (equivalent to RMB84 million) held by Shanghai Shimao Investment Management Co., Ltd. ("Shimao Investment"), as partial debt payment, who is the transferee and pledgor under the 《Bond Transfer Agreement》 and 《Stock Pledge Agreement》 signed with the Bank in 2022. The remaining unpaid debt amount was recorded as other receivables from Shimao Investment by the Bank, and fully provided credit loss provisions. As at 31 December 2023, there is no balance of Shimao Bonds included in other debt investments. Due to above, the Bank held RMB 100 million Shimao Bonds on behalf of the pledgor Shimao Investment. Till settling the aforesaid other receivable of Shimao Investment, the Bank shall deliver the held Shimao Bonds to Shimao Investment or its designated party.

## NOTES OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

Unit: RMB yuan

## 5. Notes to financial statements (continued)

## (10) Fixed assets

2023	Motor vehicles	Computers	Office equipment	Total
Cost				
Opening balance	1,704,384.23	33,446,766.87	4,794,281.68	39,945,432.78
Additions	-	128,056.88	11,154.35	139,211.23
Disposals	(479,749.74)	(2,118,851.90)	(163,227.25)	(2,761,828.89)
Closing balance	1,224,634.49	31,455,971.85	4,642,208.78	37,322,815.12
Accumulated depreciation				
Opening balance	1,533,946.03	27,797,046.14	3,459,395.40	32,790,387.57
Additions	-	1,098,371.73	359,879.60	1,458,251.33
Disposals	(431,774.73)	(1,906,093.81)	(146,028.97)	(2,483,897.51)
Closing balance	1,102,171.30	26,989,324.06	3,673,246.03	31,764,741.39
Net book value				
Opening balance	170,438.20	5,649,720.73	1,334,886.28	7,155,045.21
Closing balance	122,463.19	4,466,647.79	968,962.75	5,558,073.73
2022	Motor vehicles	Computers	Office equipment	Total
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 in progress	-	194,810.00	210,619.53	405,429.53
Disposals	-	(127,387.86)	(9,582.47)	(136,970.33)
Closing balance	1,704,384.23	33,446,766.87	4,794,281.68	39,945,432.78
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	1,533,946.03	27,797,046.14	3,459,395.40	32,790,387.57
Net book value				
Opening balance	170,438.20	7,250,363.98	1,492,334.53	8,913,136.71
Closing balance	170,438.20	5,649,720.73	1,334,886.28	7,155,045.21

## NOTES OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

Unit: RMB yuan

## 5. Notes to financial statements (continued)

## (11) Right-of-use assets

2023	Buildings	Motor vehicles	Total
Cost			
Opening balance	53,199,092.07	415,938.18	53,615,030.25
Additions	19,351,163.77	546,311.88	19,897,475.65
Disposals	(2,147,129.21)	-	(2,147,129.21)
Closing balance	70,403,126.63	962,250.06	71,365,376.69
Accumulated depreciation			
Opening balance	24,999,047.42	269,797.68	25,268,845.10
Additions	13,214,899.76	180,424.83	13,395,324.59
Disposals	(796,515.76)	-	(796,515.76)
Closing balance	37,417,431.42	450,222.51	37,867,653.93
Net book value			
Opening balance	28,200,044.65	146,140.50	28,346,185.15
Closing balance	32,985,695.21	512,027.55	33,497,722.76
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

## NOTES OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

Unit: RMB yuan

## 5. Notes to financial statements (continued)

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

2023	As at 31 December 2022	Changes in accounting policies	As at 1 January 2023	Charged to profit or loss	Charged to equity	As at 31 December 2023
Impairment losses	11,742,648.74	-	11,742,648.74	4,155,579.59	-	15,898,228.33
Changes in fair value of other debt investments	27,199,337.00	-	27,199,337.00	-	(30,808,375.93)	(3,609,038.93)
Changes in fair value of held-for-trading financial assets	(52,113.10)	-	(52,113.10)	52,113.10	-	-
Changes in fair value of derivative financial instruments	37,059.68	-	37,059.68	33,402.79	-	70,462.47
Changes in fair value of forfeiting and discounted bills	(949,646.66)	-	(949,646.66)	-	(144,300.34)	(1,093,947.00)
Payroll payables	4,215,742.12	-	4,215,742.12	(233,815.47)	-	3,981,926.65
Accounting-tax difference of fixed assets	(883,663.11)	-	(883,663.11)	265,384.69	-	(618,278.42)
Provisions	2,882,655.13	-	2,882,655.13	(294,619.52)	-	2,588,035.61
Right-of-use assets	-	(7,086,546.29)	(7,086,546.29)	(1,287,884.40)	-	(8,374,430.69)
Lease liabilities	-	7,313,269.07	7,313,269.07	938,616.06	-	8,251,885.13
Total	44,192,019.80	226,722.78	44,418,742.58	3,628,776.84	(30,952,676.27)	17,094,843.15
2022 (Restated)	As at 31 December 2021	Changes in accounting policies	As at 1 January 2022	Charged to profit or loss	Charged to equity	As at 31 December 2022
Impairment losses	10,180,428.77	-	10,180,428.77	1,562,219.97	-	11,742,648.74
Changes in fair value of other debt Investments	10,945,343.41	-	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)	-	(48,893.02)	(3,220.08)	-	(52,113.10)
Changes in fair value of derivative financial instruments	(95,639.65)	-	(95,639.65)	132,699.33	-	37,059.68
Changes in fair value of forfeiting and discounted bills	(23,512.80)	-	(23,512.80)	-	(926,133.86)	(949,646.66)
Payroll payables	3,575,356.46	-	3,575,356.46	640,385.66	-	4,215,742.12
Accounting-tax difference of fixed assets	(1,470,793.31)	-	(1,470,793.31)	587,130.20	-	(883,663.11)
Provisions	2,479,130.75	-	2,479,130.75	403,524.38	-	2,882,655.13
Right-of-use assets	-	(9,020,141.92)	(9,020,141.92)	1,933,595.63	-	(7,086,546.29)
Lease liabilities	-	9,155,165.80	9,155,165.80	(1,841,896.73)	-	7,313,269.07
Total	25,541,420.61	135,023.88	25,676,444.49	3,414,438.36	15,327,859.73	44,418,742.58

(13) Other assets	Notes	2023	2022
Receivable upon settlement of spot foreign exchange transactions	13.1	709,483,980.00	-
Other receivables	13.2	6,440,262.50	5,488,622.84
Long-term deferred expenses	13.3	4,297,192.09	7,665,233.71
Intangible assets	13.4	10,445,278.36	10,691,917.35
Construction in progress	13.5	1,157,771.29	708,632.45
Subtotal		731,824,484.24	24,554,406.35
Less: Provision		869,012.08	869,012.08
Net Value		730,955,472.16	23,685,394.27

## NOTES OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

Unit: RMB yuan

## 5. Notes to financial statements (continued)

## (13) Other assets (continued)

## (13.1) Receivable upon settlement of spot foreign exchange transactions

	2023	2022
Foreign exchange transactions	709,483,980.00	-
Total	709,483,980.00	-

Receivable upon settlement of spot foreign exchange transactions arised from foreign exchange swap transactions, which would be received on the settlement date as agreed.

## (13.2) Other receivables

## (i) By Aging

	2023			
	Book value	%	Provision	Net value
Within 1 year	2,236,521.88	35%	-	2,236,521.88
1-2 years	448,325.49	7%	-	448,325.49
2-3 years	409,553.76	6%	-	409,553.76
Over 3 years	3,345,861.37	52%	(869,012.08)	2,476,849.29
Total	6,440,262.50	100%	(869,012.08)	5,571,250.42
	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

## (ii) By nature

	2023	2022
Rental deposits	3,655,304.77	3,331,489.97
Prepayments	1,910,643.60	1,281,218.74
Others	874,314.13	875,914.13
Total	6,440,262.50	5,488,622.84

## NOTES OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

Unit: RMB yuan

## 5. Notes to financial statements (continued)

## (13) Other assets (continued)

## (13.3) Long-term deferred expenses

	Opening balance	Additions	Disposal	Amortizations	Closing balance
2023					
Leasehold improvements	7,665,233.71	-	(39,196.79)	(3,328,844.83)	4,297,192.09
2022					
Leasehold improvements	9,358,975.51	2,147,887.94	-	(3,841,629.74)	7,665,233.71

## (13.4) Intangible assets

	2023	2022
Cost		
Opening balance	23,975,557.96	21,154,876.31
Additions	857,525.38	1,194,224.49
Transfer from construction in progress	1,105,094.72	1,649,447.81
Disposal	-	(22,990.65)
Closing balance	25,938,178.06	23,975,557.96
Amortizing		
Opening balance	13,283,640.61	10,995,323.88
Additions	2,209,259.09	2,289,373.31
Disposal	-	(1,056.58)
Closing balance	15,492,899.70	13,283,640.61
Net carrying amount		
Opening balance	10,691,917.35	10,159,552.43
Closing balance	10,445,278.36	10,691,917.35
(13.5) Construction in progress	2023	2022
Opening balance	708,632.45	1,461,790.43
Additions	1,554,233.56	3,019,247.21
Transfers	(1,105,094.72)	(3,772,405.19)
Closing balance	1,157,771.29	708,632.45

## NOTES OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

Unit: RMB yuan

## 5. Notes to financial statements (continued)

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

	2023	2022
Overseas banks	84,061,944.65	61,862,366.34
Domestic financial institutions	-	144,829.71
Total	84,061,944.65	62,007,196.05

## (15) Placements from banks

	2023	2022
Domestic banks	1,065,405,900.00	360,000,000.00
Overseas banks	1,239,952,100.00	1,797,365,400.00
Interest payables	10,307,565.49	12,329,842.99
Total	2,315,665,565.49	2,169,695,242.99

## (16) Financial assets sold for repurchase

	2023	2022
Bonds	294,000,000.00	-
Interest payables	44,462.46	-
Total	294,044,462.46	-

## (17) Customer deposits

	2023	2022
Demand deposits		
Corporate customers	3,493,719,663.55	2,683,821,419.20
Personal customers	9,411,918.70	13,276,301.93
Time deposits		
Corporate customers	8,228,999,174.63	7,670,787,343.50
Personal customers	326,451,160.83	492,356,622.97
Others	-	180,000.00
Interest payables	101,420,446.81	74,648,034.54
Total	12,160,002,364.52	10,935,069,722.14

## NOTES OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

Unit: RMB yuan

## 5. Notes to financial statements (continued)

## (18) Payroll payables

	2023	2022
Amount unpaid		
Salary, bonus, subsidy and allowance	42,023,299.56	43,362,968.47
Amount payable	2023	2022
Salary, bonus, subsidy and allowance	109,548,990.30	106,961,578.50
Employee benefits	934,390.53	955,523.12
Social insurance	5,808,811.64	5,751,277.83
Including: Medical insurance	5,303,581.12	5,293,264.83
Injury insurance	183,427.08	163,455.98
Maternity insurance	321,803.44	294,557.02
Housing fund	8,557,245.92	7,992,953.28
Defined contribution plan	14,109,546.20	12,501,324.23
Including: Retirement insurance	10,690,613.04	9,918,151.44
Enterprise annuity	3,083,781.00	2,264,257.00
Unemployment insurance	335,152.16	318,915.79
Total	138,958,984.59	134,162,656.96

## (19) Tax payables

	2023	2022
Value-added Tax	6,588,697.37	5,643,567.88
Corporate Income Tax	7,932,738.28	10,706,555.49
Others	1,045,913.21	882,620.43
Total	15,567,348.86	17,232,743.80

## NOTES OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

Unit: RMB yuan

## 5. Notes to financial statements (continued)

## (20) Provisions

	Opening balance	Increase	Decrease	Closing balance
2023				
Provision for credit commitment and financial guarantee	11,530,620.49	-	(1,178,477.99)	10,352,142.50
2022	Opening balance	Increase	Decrease	Closing balance
Provision for credit commitment and financial guarantee	9,916,522.98	1,614,097.51	-	11,530,620.49

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:

	2023			Total
	Stage 1	Stage 2	Stage 3	
	12-month expected credit losses	Lifetime expected credit losses	Credit-impaired financial assets (Lifetime expected credit losses)	
Opening balance	11,530,620.49	-	-	11,530,620.49
Reversals	(1,178,449.67)	-	-	(1,178,449.67)
Exchange differences	(28.32)	-	-	(28.32)
Closing balance	10,352,142.50	-	-	10,352,142.50
	2022			Total
	Stage 1	Stage 2	Stage 3	
	12-month expected credit losses	Lifetime expected credit losses	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

NOTES OF FINANCIAL STATEMENTS (CONTINUED)  
For the year ended 31 December 2023

Unit: RMB yuan

5. Notes to financial statements (continued)

(21) Bonds payables

	2023	2022
Interbank negotiable certificates of deposit	199,207,315.73	147,513,761.86
Total	199,207,315.73	147,513,761.86

On 31 December 2023 and 31 December 2022, the balances of bonds payables are as follows:

Date of issuance	Duration	Amount	Currency	2022					2023				
				Opening balance	Issuance	Amortization of discount/premium	Reimbursement	Closing balance	Issuance	Amortization of discount/premium	Reimbursement	Closing balance	
2023/1/13	6 months	50,000,000.00	RMB	-	-	-	-	-	49,323,650.00	676,350.00	50,000,000.00	-	
2023/4/21	3 months	50,000,000.00	RMB	-	-	-	-	-	49,687,750.00	312,250.00	50,000,000.00	-	
2023/6/16	6 months	100,000,000.00	RMB	-	-	-	-	-	98,789,800.00	1,210,200.00	100,000,000.00	-	
2023/7/17	1 year	50,000,000.00	RMB	-	-	-	-	-	48,685,500.00	609,229.88	-	49,294,729.88	
2023/12/8	1 month	150,000,000.00	RMB	-	-	-	-	-	149,638,800.00	273,785.85	-	149,912,585.85	
2023/12/19	1 month	50,000,000.00	RMB	-	49,894,900.00	44,074.19	-	49,938,974.19	-	61,025.81	50,000,000.00	-	
2023/11/30	1 year	50,000,000.00	RMB	-	48,638,150.00	119,395.07	-	48,757,545.07	-	1,242,454.93	50,000,000.00	-	
2023/11/14	1 year	50,000,000.00	RMB	-	48,638,150.00	179,092.60	-	48,817,242.60	-	1,182,757.40	50,000,000.00	-	

In 2023 and 2022, the Bank issued RMB interbank negotiable certificates of deposit in the national interbank market, with a face value of RMB100 and discount interest.

## NOTES OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

Unit: RMB yuan

## 5. Notes to financial statements (continued)

## (22) Lease liabilities

	2023	2022
Within 1 year	14,532,500.06	13,038,695.77
1-5 years	19,845,124.63	17,528,466.93
Total undiscounted lease liabilities	34,377,624.69	30,567,162.70
Total	33,007,540.50	29,253,076.26

## (23) Other liabilities

	2023	2022
Payable upon settlement of spot foreign exchange transactions	23.1 709,503,270.00	-
Accounts payable	342,476.32	3,060,590.98
Payables from unsettled	699,433.65	960,702.10
Accrued expenses	5,292,892.79	4,854,738.54
Deferred income	4,977,223.65	2,515,222.01
Others	50,000.00	21,694.02
Total	720,865,296.41	11,412,947.65

## (23.1) Payable upon settlement of spot foreign exchange transactions

	2023年	2022年
Foreign exchange transactions	709,503,270.00	-
Total	709,503,270.00	-

Payable upon settlement of spot foreign exchange transactions arised from foreign exchange swap transactions, which would be paid on the settlement date as agreed.

## (24) Paid-up capital

	2023	2022
	RMB equivalent %	RMB equivalent %
Metrobank	1,500,000,000.00 100%	1,500,000,000.00 100%

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.

## NOTES OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

Unit: RMB yuan

## 5. Notes to financial statements (continued)

## (25) Capital reserves

2023	Opening balance	Additions	Closing balance
Excess of contributed capital	453,890.00	-	453,890.00
2022	Opening balance	Additions	Closing balance
Excess of contributed capital	453,890.00	-	453,890.00

## (26) Other comprehensive income

Accumulated balance of other comprehensive income in the balance sheet:

2023	Opening balance	Changes during the year	Closing balance
Fair value changes of other debt investments	(81,597,879.37)	92,424,996.16	10,827,116.79
Fair value changes of loans and advances to customers at fair value through other comprehensive income	2,848,939.97	432,901.01	3,281,840.98
Provisions for other debt investments	6,616,202.51	(5,507,498.93)	1,108,703.58
Provisions for loans and advances to customers at fair value through other comprehensive income	23,088.18	(21,658.09)	1,430.09
Total	(72,109,648.71)	87,328,740.15	15,219,091.44
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	239,162.85	(216,074.67)	23,088.18
Total	(30,508,325.53)	(41,601,323.18)	(72,109,648.71)

NOTES OF FINANCIAL STATEMENTS (CONTINUED)  
For the year ended 31 December 2023

Unit: RMB yuan

5. Notes to financial statements (continued)

(26) Other comprehensive income (continued)

Other comprehensive income in the income statement:

2023	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	119,326,551.95	(3,906,820.14)	30,808,375.93	92,424,996.16
Fair value changes of loans and advances to customers at fair value through other comprehensive income	(3,852,203.57)	(4,429,404.92)	144,300.34	432,901.01
Impairment provision for other debt investments	4,156,668.08	11,500,000.00	(1,835,832.99)	(5,507,498.93)
Impairment provision for loans and advances to customers at fair value through other comprehensive income	(28,877.46)	-	(7,219.37)	(21,658.09)
Total	119,602,139.00	3,163,774.94	29,109,623.91	87,328,740.15

NOTES OF FINANCIAL STATEMENTS (CONTINUED)  
For the year ended 31 December 2023

Unit: RMB yuan

5. Notes to financial statements (continued)

(26) Other comprehensive income (continued)

Other comprehensive income in the income statement (continued):

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	(58,295,835.25)	(2,827,404.31)	(13,867,107.76)	(41,601,323.18)

## NOTES OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

Unit: RMB yuan

## 5. Notes to financial statements (continued)

## (27) Surplus reserves

	Closing balance of prior year	Changes in accounting policies	Adjusted opening balance	Additions	Closing balance
2023					
Statutory surplus reserves	<u>28,141,709.16</u>	<u>22,672.28</u>	<u>28,164,381.44</u>	<u>6,043,349.61</u>	<u>34,207,731.05</u>
2022 (Restated)	Closing balance of prior year	Changes in accounting policies	Adjusted opening balance	Additions	Closing balance
Statutory surplus reserves	<u>22,751,533.03</u>	<u>13,502.39</u>	<u>22,765,035.42</u>	<u>5,399,346.02</u>	<u>28,164,381.44</u>

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

## (28) General reserves

	Opening balance	Additions	Closing balance
2023			
General reserves	<u>208,758,182.73</u>	<u>24,639,315.07</u>	<u>233,397,497.80</u>
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>

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 2023

Unit: RMB yuan

## 5. Notes to financial statements (continued)

## (29) Retained earnings

	2023	2022 Restated
Closing balance of prior year	60,092,487.36	44,887,473.29
Changes in accounting policies	204,050.50	121,521.49
Opening balance after adjustment	60,296,537.86	45,008,994.78
Net profit	60,433,496.06	53,993,460.21
Less: Appropriations to		
- statutory surplus reserves	6,043,349.61	5,399,346.02
- general reserves	<u>24,639,315.07</u>	<u>33,306,571.11</u>
Closing balance	<u>90,047,369.24</u>	<u>60,296,537.86</u>

## (30) Net interest income

	2023	2022
Interest income		
Balances with the central bank	12,215,520.07	12,185,347.44
Due from banks and placements with banks	68,692,703.96	59,271,948.46
Financial assets held under resale agreements	951,805.17	-
Debt investments	800,258.62	11,848,540.40
Other debt investments	168,107,048.63	149,558,343.41
Loans and advances	332,491,314.12	267,816,524.68
Including:		
Corporate loans	322,750,234.08	259,621,685.63
Discounted bills	552,104.57	3,672,097.35
Trade finance	<u>9,188,975.47</u>	<u>4,522,741.70</u>
Subtotal	<u>583,258,650.57</u>	<u>500,680,704.39</u>
Interest expenses		
Due to banks and placements from banks	(59,597,463.82)	(32,837,137.85)
Customer deposits	(240,647,593.40)	(189,604,280.13)
Financial assets sold for repurchase	(2,792,156.26)	(1,055,190.05)
Interbank certificates of Deposit	(5,568,053.87)	(1,712,708.63)
Lease liabilities	<u>(895,667.72)</u>	<u>(1,013,288.78)</u>
Subtotal	<u>(309,500,935.07)</u>	<u>(226,222,605.44)</u>
Net interest income	<u>273,757,715.50</u>	<u>274,458,098.95</u>

## NOTES OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

Unit: RMB yuan

## 5. Notes to financial statements (continued)

## (31) Net fee and commission income

	2023	2022
Fee and commission income		
Settlement and clearing fees	4,760,364.93	3,705,941.40
Commitment and agency fees	3,951,701.86	3,860,517.26
Others	1,740,251.77	757,747.75
Subtotal	10,452,318.56	8,324,206.41
Fee and commission expenses		
Service charge expenses	(2,341,617.65)	(1,150,659.78)
Net fee and commission income	8,110,700.91	7,173,546.63

## (32) Investment income

	2023	2022
Net gain on disposal of other debt investments	8,507,807.72	2,366,160.02
Net loss on disposal of financial assets held-for-trading	(2,726,139.20)	-
Net gain on disposal of trade finance	10,396,083.29	-
Net gain on disposal of discount and rediscount business	1,050,626.35	2,599,898.99
Others	(322,855.85)	(307,189.11)
Total	16,905,522.31	4,658,869.90

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

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

## (34) General and administrative expenses

	2023	2022
Staff costs	138,958,984.59	134,162,656.96
Depreciation	14,853,575.92	14,965,070.42
Amortization	5,538,103.92	6,131,003.05
Other operating expenses	34,707,979.87	31,103,352.19
Total	194,058,644.30	186,362,082.62

## NOTES OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

Unit: RMB yuan

## 5. Notes to financial statements (continued)

## (35) Credit Impairment losses

	2023	2022
Credit impairment losses/(reversals) for due from banks	1,220,317.01	(472,759.56)
Credit impairment reversals for placements with banks	(137,503.39)	(2,327,642.98)
Credit impairment losses for loans and advances	24,854,514.18	28,746,016.52
Credit impairment (reversals)/losses for other debt investments	(7,343,331.92)	6,131,107.53
Credit impairment reversals for debt investments	(893.56)	(3,641,066.35)
Credit impairment losses on other receivables	16,978,055.10	-
Credit impairment (reversals)/losses for loan commitments and financial guarantee contracts	(1,178,449.67)	1,561,744.77
Total	34,392,707.75	29,997,399.93

## (36) Non-operating income

	2023	2022
Subsidy for opening new branch	1,666,000.00	667,000.00
Others	461,775.03	616,577.75
Total	2,127,775.03	1,283,577.75

## NOTES OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

Unit: RMB yuan

## 5. Notes to financial statements (continued)

## (37) Income tax expense

	<u>2023</u>	<u>2022</u> Restated
Current income tax expenses	23,403,199.17	23,958,934.35
Deferred income tax expenses	<u>(1,785,724.48)</u>	<u>(4,875,190.33)</u>
Total	<u>21,617,474.69</u>	<u>19,083,744.02</u>

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

	<u>2023</u>	<u>2022</u> Restated
Profit before tax	<u>82,050,970.75</u>	<u>73,077,204.23</u>
Tax charge at the statutory tax rate of 25%	20,512,742.69	18,269,301.06
Adjustments in respect of income tax of previous year	(72,948.04)	23,234.23
Tax exempted income	(25,598.74)	(182,379.42)
Non-deductible items	1,344,164.08	1,119,123.97
Additional deduction of wages payment for placements of disabled person	(49,041.42)	(7,770.00)
Research and development expenditures additional deduction	<u>(91,843.88)</u>	<u>(137,765.82)</u>
Income tax expense	<u>21,617,474.69</u>	<u>19,083,744.02</u>

## NOTES OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

Unit: RMB yuan

## 5. Notes to financial statements (continued)

## (38) Cash flows from operating activities

Reconciliation of net profit to cash flows from operating activities:

	<u>2023</u>	<u>2022</u> Restated
Net Profit	60,433,496.06	53,993,460.21
Add: Impairment losses	36,235,760.11	28,536,647.96
Depreciation for fixed assets	1,458,251.33	2,343,313.53
Depreciation for right-of-use assets	13,395,324.59	13,528,290.21
Amortization for intangible assets	2,209,259.09	2,289,373.31
Amortization for long-term deferred expenses	3,328,844.83	3,841,629.74
Exchange gain	(36,594,384.78)	(78,954,301.02)
Losses from changes in fair value	143,234.40	252,221.92
Interest on NCD	5,568,053.87	1,712,708.63
Interest on lease liabilities	895,667.72	1,013,288.78
Investment income and interest income	(185,812,829.56)	(166,065,753.71)
Increase in deferred tax assets	(3,628,776.84)	(3,414,438.36)
Increase in operating receivables	(2,029,836,544.49)	(1,324,354,869.13)
Increase in operating payables	<u>2,384,501,681.78</u>	<u>2,490,954,683.03</u>
Net cash flows generated from operating activities	<u>252,297,038.11</u>	<u>1,025,676,255.10</u>

## (39) Cash and Cash Equivalents

	<u>2023</u>	<u>2022</u>
Cash	<u>330,381.18</u>	<u>416,605.08</u>
Cash equivalents		
Non-restricted deposits with the central bank	1,338,242,355.35	353,368,551.61
With original maturity less than three months		
- Due from banks	504,302,381.98	348,029,621.73
- Placements with banks	965,367,900.00	1,231,283,000.00
- Financial assets held under resale agreements	<u>92,424,000.00</u>	<u>-</u>
Subtotal	<u>2,900,336,637.33</u>	<u>1,932,681,173.34</u>
Total	<u>2,900,667,018.51</u>	<u>1,933,097,778.42</u>

## NOTES OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

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.

2023	Credit and deposit	Financial Markets	Total
Net interest income	91,843,720.72	181,913,994.78	273,757,715.50
Net fee and commission income	8,110,700.91	-	8,110,700.91
Other income, net (i)	(60,151.39)	32,936,760.59	32,876,609.20
General and administrative expenses and non-operating expenses	(110,800,319.23)	(83,566,396.33)	(194,366,715.56)
Including: Depreciation and amortization	(11,624,442.12)	(8,767,237.72)	(20,391,679.84)
Tax and surcharges	(2,658,736.97)	(1,275,894.58)	(3,934,631.55)
Credit impairment losses	(40,654,119.61)	6,261,411.86	(34,392,707.75)
Profit before tax of segment	(54,218,905.57)	136,269,876.32	82,050,970.75
Less: Income tax expense			21,617,474.69
Net Profit			60,433,496.06

2023	Credit and deposit	Financial Markets	Total
Segment assets	8,393,763,213.50	9,355,334,793.91	17,749,098,007.41
Segment liabilities	12,633,632,054.85	3,242,140,373.03	15,875,772,427.88
Credit commitments	4,149,147,392.79	-	4,149,147,392.79

## NOTES OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

Unit: RMB yuan

## 6. Segment report(continued)

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 (Restated)			19,083,744.02
Net Profit			53,993,460.21

2022	Credit and deposit	Financial Markets	Total
Segment assets (Restated)	6,781,379,558.29	8,372,562,305.13	15,153,941,863.42
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

(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 2023 and year 2022. Non-current assets are all located in China.

## NOTES OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

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 2023

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 2023

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:

	2023	2022
Balances with the central bank	2,116,883,558.03	1,137,327,320.06
Due from banks	502,776,202.41	347,706,096.17
Placements with banks	1,907,560,940.35	2,081,649,089.14
Derivative financial assets	713,134.80	1,152,001.73
Financial assets held under resale agreements	92,525,778.30	-
Loans and advances to customers	7,936,861,565.78	6,735,340,318.76
Financial investments	-	10,182,691.78
-financial assets held-for-trading	21,213,891.49	21,342,739.31
-debt investments	4,383,126,443.27	4,715,219,634.18
-other debt investments	713,139,284.77	3,331,489.97
Other financial assets		
Total	17,674,800,799.20	15,053,251,381.10
Credit commitments	4,149,147,392.79	4,554,932,818.72
Maximum credit risk exposure	21,823,948,191.99	19,608,184,199.82

## (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 2023

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	2023 %	Book Value	2022 %
Manufacturing	242,199,229.52	2%	312,343,500.00	4%
Wholesale and retail	1,192,248,031.78	15%	1,287,697,979.38	19%
Construction	1,829,542,371.99	23%	1,278,900,000.00	19%
Agriculture, forestry, farming and fishing	60,000,000.00	1%	60,000,000.00	1%
Transportation	160,000,000.00	2%	100,000,000.00	1%
Leasing and business services	2,437,929,079.30	30%	2,509,334,020.85	37%
Culture, sports and entertainment	-	0%	38,000,000.00	1%
Water conservancy, environment and public facilities management	2,161,750,000.00	27%	1,253,800,000.00	18%
Finance	-	0%	17,586,025.91	0%
Subtotal	8,083,668,712.59	100%	6,857,661,526.14	100%
Interest receivables	12,055,593.77		11,634,132.29	
Total	8,095,724,306.36		6,869,295,658.43	
Less: provision	158,862,740.58		133,955,339.67	
Net value	7,936,861,565.78		6,735,340,318.76	

Loans and advances distributed by regions are shown below:

	2023	2022
Shanghai	1,588,072,078.08	2,103,749,031.97
Jiangsu	5,511,013,934.51	4,185,912,494.17
Zhejiang	450,000,000.00	-
Fujian	534,582,700.00	568,000,000.00
Subtotal	8,083,668,712.59	6,857,661,526.14
Interest receivables	12,055,593.77	11,634,132.29
Total	8,095,724,306.36	6,869,295,658.43
Less: provision	158,862,740.58	133,955,339.67
Net amount	7,936,861,565.78	6,735,340,318.76

## NOTES OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

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
2023				
Balances with the central bank	2,116,883,558.03	-	-	2,116,883,558.03
Due from banks	504,525,216.00	-	-	504,525,216.00
Placements with banks	1,907,954,780.71	-	-	1,907,954,780.71
Derivative financial assets	713,134.80	-	-	713,134.80
Financial assets held under resale agreements	92,525,778.30	-	-	92,525,778.30
Loans and advances to customers	8,085,864,751.96	-	9,859,554.40	8,095,724,306.36
Debt investments	21,214,093.70	-	-	21,214,093.70
Other debt investments	4,383,126,443.27	-	-	4,383,126,443.27
Other financial assets	713,139,284.77	-	869,012.08	714,008,296.85
Total	17,825,947,041.54	-	10,728,566.48	17,836,675,608.02
	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

As at 31 December 2023, the Bank has no overdue but not impaired financial assets (31 December 2022: nil).

## NOTES OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

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:

	Pass	Special Mention	Total
2023			
Unsecured loans	331,858,986.41	-	331,858,986.41
Guaranteed loans	5,859,459,608.33	-	5,859,459,608.33
Loans secured by mortgages	124,045,959.92	-	124,045,959.92
Loans secured by pledges	1,770,500,197.30	-	1,770,500,197.30
Total	8,085,864,751.96	-	8,085,864,751.96
2022			
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

Loans and advances that are overdue but not impaired

As at 31 December 2023, 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 RMB9,859,554.40 (2022: the balance of impaired loans and advances is RMB10,209,924.74).

## NOTES OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

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 2023

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 2023 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	1,338,572,736.53	-	376,532.43	-	-	-	778,264,670.25	2,117,213,939.21
Due from banks	502,553,368.40	322,500.00	-	-	-	-	-	502,875,868.40
Placements with banks	-	1,032,035,942.08	529,074,616.16	354,124,703.61	-	-	-	1,915,235,261.85
Derivative financial assets	-	531,920.02	46,210.70	135,004.08	-	-	-	713,134.80
Financial assets held under resale agreements	-	92,565,348.28	-	-	-	-	-	92,565,348.28
Loans and advances to customers	-	349,025,921.25	1,685,423,785.04	5,582,197,777.05	513,030,403.63	3,218,425.05	-	8,132,896,312.02
Debt investments	-	-	-	930,000.00	25,272,058.44	-	-	26,202,058.44
Other debt investments	-	290,965,646.44	817,400,661.68	1,125,348,664.84	2,416,317,091.41	-	-	4,650,032,064.37
Other financial assets	-	709,483,980.00	-	2,000.00	3,653,304.77	-	-	713,139,284.77
<b>Total financial assets</b>	<b>1,841,126,104.93</b>	<b>2,474,931,258.07</b>	<b>3,032,321,806.01</b>	<b>7,062,738,149.58</b>	<b>2,958,272,858.25</b>	<b>3,218,425.05</b>	<b>778,264,670.25</b>	<b>18,150,873,272.14</b>
Due to banks and other financial institutions	84,061,944.65	-	-	-	-	-	-	84,061,944.65
Placements from banks	-	1,897,201,863.34	82,359,200.00	338,882,430.55	-	-	-	2,318,443,493.89
Financial assets sold for repurchase	-	294,059,283.29	-	-	-	-	-	294,059,283.29
Customer deposits	3,504,915,651.48	2,303,975,743.87	2,191,424,312.66	3,908,086,870.53	332,958,882.97	-	-	12,241,361,461.51
Bonds payables	-	150,000,000.00	-	50,000,000.00	-	-	-	200,000,000.00
Derivative financial liabilities	-	587,673.43	163,368.74	224,105.03	-	-	-	975,147.20
Lease liabilities	-	1,358,156.69	2,020,995.30	11,153,348.07	19,845,124.63	-	-	34,377,624.69
Other financial liabilities	615,874.10	709,503,270.00	-	5,741,928.66	27,000.00	-	-	715,888,072.76
<b>Total financial liabilities</b>	<b>3,589,593,470.23</b>	<b>5,356,685,990.62</b>	<b>2,275,967,876.70</b>	<b>4,314,088,682.84</b>	<b>352,831,007.60</b>	<b>-</b>	<b>-</b>	<b>15,889,167,027.99</b>
Credit commitments	80,132,386.36	273,991,004.39	937,734,929.24	2,857,289,072.80	-	-	-	4,149,147,392.79

## NOTES OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

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
<b>Total financial assets</b>	<b>701,491,787.13</b>	<b>1,720,502,389.87</b>	<b>2,423,185,555.19</b>	<b>6,900,939,377.07</b>	<b>3,004,620,295.20</b>	<b>30,224,399.72</b>	<b>783,557,465.74</b>	<b>15,564,521,269.92</b>
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
<b>Total financial liabilities</b>	<b>2,780,323,149.39</b>	<b>2,895,170,150.22</b>	<b>2,339,769,036.70</b>	<b>5,004,167,305.57</b>	<b>429,636,352.73</b>	<b>-</b>	<b>-</b>	<b>13,449,065,994.61</b>
<b>Credit commitments</b>	<b>174,053,037.90</b>	<b>402,809,727.56</b>	<b>887,280,263.26</b>	<b>3,090,789,790.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,554,932,818.72</b>

## NOTES OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

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 2023, 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	2,058,555,308.20	58,658,631.01	-	-	2,117,213,939.21
Due from banks	218,635,776.70	254,213,008.05	23,958,377.38	5,969,040.28	502,776,202.41
Placements with banks	1,289,883,375.27	617,677,565.08	-	-	1,907,560,940.35
Derivative financial assets	713,134.80	-	-	-	713,134.80
Financial assets held under resale agreements	92,525,778.30	-	-	-	92,525,778.30
Loans and advances to customers	7,847,137,695.16	7,090,018.77	82,633,851.85	-	7,936,861,565.78
Debt investments	21,213,891.49	-	-	-	21,213,891.49
Other debt investments	3,510,161,465.49	872,964,977.78	-	-	4,383,126,443.27
Other financial assets	359,004,284.77	354,135,000.00	-	-	713,139,284.77
<b>Total financial assets</b>	<b>15,397,830,710.18</b>	<b>2,164,739,200.69</b>	<b>106,592,229.23</b>	<b>5,969,040.28</b>	<b>17,675,131,180.38</b>
	RMB	USD (RMB equivalent)	EUR (RMB equivalent)	Other (RMB equivalent)	Total
Due from banks and other financial institutions	14,747,043.16	69,314,901.49	-	-	84,061,944.65
Placements from banks	1,966,395,845.83	258,610,961.60	90,658,758.06	-	2,315,665,565.49
Financial assets sold for repurchase	294,044,462.46	-	-	-	294,044,462.46
Customer deposits	10,667,433,279.15	1,491,632,989.54	140,929.21	795,166.62	12,160,002,364.52
Bonds payables	199,207,315.73	-	-	-	199,207,315.73
Derivative financial liabilities	975,147.20	-	-	-	975,147.20
Lease liabilities	33,007,540.50	-	-	-	33,007,540.50
Other financial liabilities	360,865,225.53	355,022,847.23	-	-	715,888,072.76
<b>Total financial liabilities</b>	<b>13,536,675,859.56</b>	<b>2,174,581,699.86</b>	<b>90,799,687.27</b>	<b>795,166.62</b>	<b>15,802,852,413.31</b>
<b>Net position</b>	<b>1,861,154,850.62</b>	<b>(9,842,499.17)</b>	<b>15,792,541.96</b>	<b>5,173,873.66</b>	<b>1,872,278,767.07</b>
<b>Credit commitments</b>	<b>4,058,083,864.36</b>	<b>76,130,230.83</b>	<b>14,933,297.60</b>	<b>-</b>	<b>4,149,147,392.79</b>

## NOTES OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

Unit: RMB yuan

## 7. Financial Risk Management (continued)

## (4) Market risk (continued)

## (4.1) Currency risk (continued)

As at 31 December 2022, 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	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
<b>Total financial assets</b>	<b>12,887,338,368.11</b>	<b>2,037,958,977.68</b>	<b>121,719,906.37</b>	<b>6,650,734.02</b>	<b>15,053,667,986.18</b>
	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
<b>Total financial liabilities</b>	<b>11,202,553,707.15</b>	<b>2,038,563,807.40</b>	<b>111,522,159.04</b>	<b>1,088,934.22</b>	<b>13,353,728,607.81</b>
<b>Net position</b>	<b>1,684,784,660.96</b>	<b>(604,829.72)</b>	<b>10,197,747.33</b>	<b>5,561,799.80</b>	<b>1,699,939,378.37</b>
<b>Credit commitments</b>	<b>4,384,638,635.64</b>	<b>103,294,783.98</b>	<b>51,993,727.19</b>	<b>15,005,671.91</b>	<b>4,554,932,818.72</b>

## NOTES OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

Unit: RMB yuan

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

As at 31 December 2023, 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 RMB6,463,807.96 (2022: RMB1,787,105.15); the Bank's other comprehensive income after tax will decrease/increase by RMB6,547,237.33 (2022: RMB1,983,400.89).

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 2023

Unit: RMB yuan

## 7. Financial Risk Management (continued)

## (4) Market risk (continued)

## (4.2) Interest rate risk (continued)

As at 31 December 2023, 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	2,058,034,605.86	-	-	-	-	59,179,333.35	2,117,213,939.21
Due from banks	502,553,386.46	-	-	-	-	222,815.95	502,776,202.41
Placements with banks	1,025,028,623.45	520,824,677.27	339,949,523.06	-	-	21,758,116.57	1,907,560,940.35
Derivative financial assets	-	-	-	-	-	713,134.80	713,134.80
Financial assets held under resale agreements	92,424,000.00	-	-	-	-	101,778.30	92,525,778.30
Loans and advances to customers	319,992,380.13	1,632,224,777.87	5,483,659,566.01	488,143,939.05	1,024,263.38	11,816,639.34	7,936,861,565.78
Debt investments	-	-	597,131.15	20,019,831.40	-	596,928.94	21,213,891.49
Other debt investments	278,790,139.56	783,202,123.71	1,038,665,062.28	2,183,556,140.76	-	98,912,976.96	4,383,126,443.27
Other financial assets	-	-	-	-	-	713,139,284.77	713,139,284.77
<b>Total financial assets</b>	<b>4,276,823,135.46</b>	<b>2,936,251,578.85</b>	<b>6,862,871,282.50</b>	<b>2,691,719,911.21</b>	<b>1,024,263.38</b>	<b>906,441,008.98</b>	<b>17,675,131,180.38</b>
Due to banks and other financial institutions	14,747,043.17	-	-	-	-	69,314,901.48	84,061,944.65
Placements from banks	1,894,944,500.00	80,000,000.00	330,413,500.00	-	-	10,307,565.49	2,315,665,565.49
Financial assets sold for repurchase	294,000,000.00	-	-	-	-	44,462.46	294,044,462.46
Customer deposits	5,735,863,704.32	2,154,076,682.05	3,820,931,265.18	305,188,071.77	-	143,942,641.20	12,160,002,364.52
Bonds payables	149,912,585.85	-	49,294,729.88	-	-	-	199,207,315.73
Derivative financial liabilities	-	-	-	-	-	975,147.20	975,147.20
Lease liabilities	1,282,716.28	1,867,712.82	10,616,287.22	19,240,824.18	-	-	33,007,540.50
Other financial liabilities	-	-	-	-	-	715,888,072.76	715,888,072.76
<b>Total financial liabilities</b>	<b>8,090,750,549.62</b>	<b>2,235,944,394.87</b>	<b>4,211,255,782.28</b>	<b>324,428,895.95</b>	<b>-</b>	<b>940,472,790.59</b>	<b>15,802,852,413.31</b>
<b>Net position</b>	<b>(3,813,927,414.16)</b>	<b>700,307,183.98</b>	<b>2,651,615,500.22</b>	<b>2,367,291,015.26</b>	<b>1,024,263.38</b>	<b>(34,031,781.61)</b>	<b>1,872,278,767.07</b>

## NOTES OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

Unit: RMB yuan

## 7. Financial Risk Management (continued)

## (4) Market risk (continued)

## (4.2) Interest rate risk (continued)

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
<b>Total financial assets</b>	<b>3,088,210,093.63</b>	<b>2,326,836,957.41</b>	<b>6,617,471,329.69</b>	<b>2,818,601,490.53</b>	<b>21,211,962.14</b>	<b>181,336,152.78</b>	<b>15,053,667,986.18</b>
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
<b>Total financial liabilities</b>	<b>5,596,394,577.37</b>	<b>2,304,820,639.44</b>	<b>4,902,609,366.61</b>	<b>394,138,320.11</b>	<b>-</b>	<b>155,765,704.28</b>	<b>13,353,728,607.81</b>
<b>Net position</b>	<b>(2,508,184,483.74)</b>	<b>22,016,317.97</b>	<b>1,714,861,963.08</b>	<b>2,424,463,170.42</b>	<b>21,211,962.14</b>	<b>25,570,448.50</b>	<b>1,699,939,378.37</b>

## NOTES OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

Unit: RMB yuan

## 7. Financial Risk Management (continued)

## (4) Market risk (continued)

## (4.2) Interest rate risk (continued)

As at 31 December 2023, 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 RMB15,578,014.80 (2022: RMB13,066,924.72); the Bank's other comprehensive income after tax will decrease/increase by RMB31,585,075.40 (2022: RMB34,289,079.70).

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 2023

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". National Financial Regulatory Administration 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.

	2023	2022 Restated
Core tier-one capital	1,873,325,579.53	1,725,563,343.32
Paid-up capital	1,500,000,000.00	1,500,000,000.00
Capital reserves	453,890.00	453,890.00
Other comprehensive income	15,219,091.44	(72,109,648.71)
Surplus reserves	34,207,731.05	28,164,381.44
General reserves	233,397,497.80	208,758,182.73
Retained earnings	90,047,369.24	60,296,537.86
Core tier-one capital deductions	10,445,278.36	10,691,917.35
Other intangible assets	10,445,278.36	10,691,917.35
Provision for loan impairment	-	-
Net core tier-one capital	1,862,880,301.17	1,714,871,425.97
Net tier-one capital	1,862,880,301.17	1,714,871,425.97
Tier-two capital	148,766,138.54	123,556,475.26
Surplus provision for loan impairment	148,766,138.54	123,556,475.26
Net capital base	2,011,646,439.71	1,838,427,901.23
Weighted risk assets	12,691,764,798.58	12,953,692,660.43
Core tier-one capital adequacy ratio	14.68%	13.24%
Tier-one capital adequacy ratio	14.68%	13.24%
Capital adequacy ratio	15.85%	14.19%

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 2023

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	Financial assets sold for repurchase
Financial assets held under resale agreements	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 2023

Unit: RMB yuan

## 9. Fair Value (continued)

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

Level 1: Quoted active market price

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

Level 2: Valuation technique using observable inputs

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

Level 3: Valuation technique with significant non-observable inputs

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

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

	Inputs in fair value measurement			Total
	Quoted active market price Level 1	Significant observable inputs Level 2	Significant non-observable inputs Level 3	
2023				
Derivative financial assets	-	713,134.80	-	713,134.80
Other debt investments	-	4,383,126,443.27	-	4,383,126,443.27
Total financial assets	-	4,383,839,578.07	-	4,383,839,578.07
Derivative financial Liabilities	-	975,147.20	-	975,147.20
Total financial liabilities	-	975,147.20	-	975,147.20

	Inputs in fair value measurement			Total
	Quoted active market price Level 1	Significant observable inputs Level 2	Significant non-observable inputs Level 3	
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

## NOTES OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

Unit: RMB yuan

**9. Fair Value (continued)**

In 2023 and 2022, 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 2023

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 company whose legal representative and chairman was the board member of the parent company
Shanghai Yongde Real Estate Development Co., Ltd.	The company whose legal representative and chairman was the board member of the parent company
South Pacific Land (Nanjing) Co., Ltd	The company whose legal representative and chairman was the board member of the parent company
Shanghai Yee Hong Investment Co., Ltd.	The company that is the subsidiary of the entity whose director was the board member of the parent 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**

	2023	2022
Due from banks		
Metrobank	8,532,889.47	3,502,229.29
New York Branch	41,336,942.34	4,633,058.42
Total	49,869,831.81	8,135,287.71
Due to banks		
Metrobank	84,061,944.65	61,862,366.34
Placements from banks		
Metrobank	1,107,804,927.88	1,393,557,523.14

## NOTES OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

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)

	2023	2022
Customer deposits		
Related individuals	2,667,502.48	2,301,472.08
ASPAC Real Estate Development (Shanghai) Co., Ltd.	364,392,510.29	28,525,445.15
Shanghai Yongde Real Estate Development Co., Ltd.	45,995,013.82	406,864,520.98
South Pacific Land (Nanjing) Co., Ltd	894,380,423.28	894,227,019.33
Shanghai Yee Hong Investment Co., Ltd.	33,746,661.41	32,962,170.86
Total	1,341,182,111.28	1,364,880,628.40

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

	2023	2022
Interest income		
Metrobank	683.89	1,259.83
Interest expenses		
Metrobank	28,089,765.38	15,350,024.35
Related individuals	28,935.07	21,116.11
ASPAC Real Estate Development (Shanghai) Co., Ltd.	672,267.70	488,882.65
Shanghai Yongde Real Estate Development Co., Ltd.	6,801,645.74	7,825,209.16
South Pacific Land (Nanjing) Co., Ltd	14,363,558.93	16,425,896.11
Shanghai Yee Hong Investment Co., Ltd.	536,843.21	437,567.71
Total	50,493,016.03	40,548,696.09
Lease expenses		
ASPAC Real Estate Development (Shanghai) Co., Ltd.	3,711,360.00	3,240,610.00

## (4.3) Key management personnel

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

	2023	2022
Salaries and benefits	28,424,150.00	31,144,944.07

## NOTES OF FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

Unit: RMB yuan

## 11. Contingency

As at 31 December 2023, there was no contingency to be disclosed.

## 12. Leases

## (1) As lessee

	2023	2022
Interest expense on lease liabilities	895,667.72	1,013,288.78
Expenses relating to short-term leases accounted for applying practical expedients	3,109,527.34	3,135,809.75
Total cash outflow for leases	18,797,593.02	17,310,593.13

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 2023.

## (2) Credit commitments

	2023	2022
Financial guarantee contracts		
Letters of credit issued-usance	2,016,362,965.42	428,047,359.39
Letters of credit issued-at sight	79,367,082.43	102,319,700.72
Bank acceptance draft	2,053,417,344.94	3,929,071,138.32
Loan Commitment:		
Original maturity within:		
One year (Inclusive one year)	-	95,494,620.29
Total	4,149,147,392.79	4,554,932,818.72

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 2023

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 31 December 2023 and 2022, the sizes of entrusted loans and deposits were as follows:

	<u>2023</u>	<u>2022</u>
Entrusted loans	370,000,000.00	120,000,000.00
Entrusted deposits	<u>370,000,000.00</u>	<u>120,000,000.00</u>

**14. Post-balance-sheet events**

2023 Annual Profit distribution plan is approved by board of directors of the Bank at 2024 Second Board Meeting on 15 April 2024.

- (1) The Bank will appropriate 10% of its net profit to the statutory surplus reserves, which is amount to RMB6,043,349.61.
- (2) In accordance with Cai Jin [2012] No. 20 "Impairment Loss on Loans for Financial Institutions", the Bank set aside general reserves from net profit as profit appropriation, which is amount to RMB24,639,315.07.

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

**15. Comparative amounts**

As further explained in Note 3. (23) to the financial statements, due to *Accounting Standards for Business Enterprises Interpretation No.16* was applied since 1 January 2023, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made, and certain comparative amounts have been restated to conform to the current year's presentation and accounting treatment.

**16. Approval of the financial statements**

The financial statements were approved and authorized for issue by the Board of Directors on 15 April 2024.