

CREDIT AGRICOLE CORPORATE AND INVESTMENT BANK (CHINA) LIMITED 2022 ANNUAL REPORT



Disclaimer

The Board of Directors, the Supervisor and Senior Management members of Credit Agricole Corporate and Investment Banking (China) Limited (the “Bank”) undertake that the information in the 2022 Annual Report of the Bank (the “Report”) contains no false record, misleading statement or material omission. The preparation and approval procedures of this report conform to the laws and regulations.

The Report of the Bank has been reviewed and approved by the Board of Directors of the Bank on 27 April 2023.

The 2022 financial statements prepared by the Bank in accordance with Accounting Standards for Business Enterprises have been audited by Ernst & Young Hua Ming LLP Shanghai Branch, with standard unqualified auditors’ reports being issued.

The Report may contain forward-looking statements that involve risks and future plans. The statements are based on existing plans, estimates and forecasts, and bear upon future external events or the Group’s future finance, business or performance in other aspects, and may involve future plans which do not constitute substantive commitment. Hence, persons concerned shall be fully aware of the risks and understand the difference between plans, estimates and commitments.

The Report is prepared in both Chinese and English. In the case of discrepancy between the two versions, the Chinese version shall prevail.

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BANK PROFILE

Credit Agricole Corporate and Investment Bank (China) Limited was locally incorporated on 1 July 2009 and officially commenced business on 3 August 2009. Headquartered in Shanghai, CACIB (China) is a wholly-owned subsidiary of Crédit Agricole Corporate and Investment Bank.

Crédit Agricole CIB has been present in China in a “continuous” fashion for more than a century, first through “Banque de l’Indochine” which established its presence in China in 1898, making Crédit Agricole CIB one of the foreign banks with the longest history in China. Crédit Agricole CIB is also one of the first foreign banks which have obtained the RMB corporate licenses.

At present, CACIB (China) has five branches in Beijing, Shanghai, Tianjin, Xiamen and Guangzhou, with 225 employees offering professional financial services to corporate clients and financial institutions.

Crédit Agricole CIB and CACIB (China) offers their customers a comprehensive range of products and services in capital markets, investment banking, structured finance and corporate banking. The end purpose is to be a trusted partner to all their customers.

GROUP AND PARENT BANK INTRODUCTION

Group

As the leading financial partner to the French economy and one of the largest banking groups in Europe, Crédit Agricole Group supports its customers in their plans and projects in France and around the world, through its operations in all segments of the market including retail banking, insurance, real estate, payment systems, asset management, leasing and factoring, consumer finance, and corporate and investment banking.

2022 Full Year Results of Crédit Agricole Group:

Financial year 2022	EUR
Shareholder's equity Group share	126.5 billion
Net income Group share (stated)	8,144 million

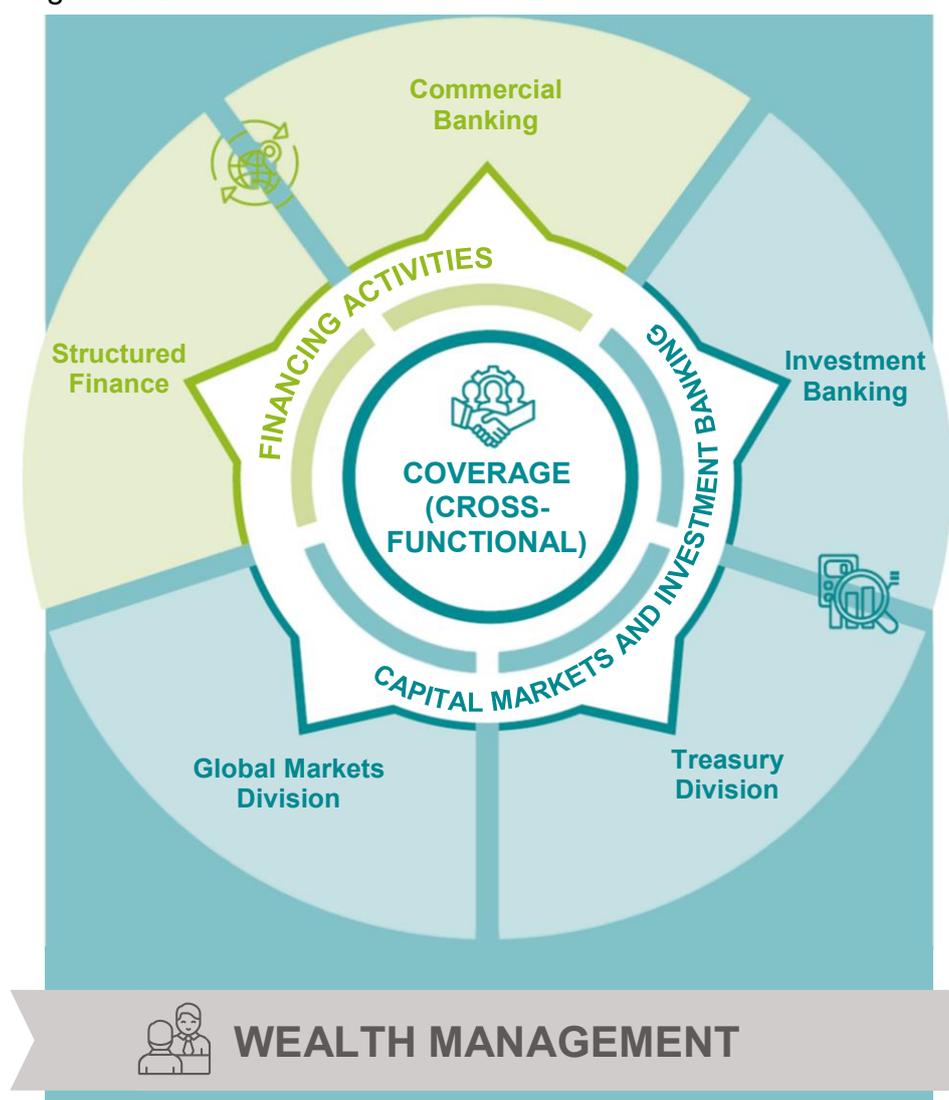
Crédit Agricole S.A. has been awarded high ratings by the main rating agencies.

Ratings	Standard & Poor's	Moody's	Fitch Ratings	DBRS
LT/ST Counterparty	AA-/A-1+ (RCR)	Aa2/P-1 (CRR)	AA- (DCR)	AA (high)/ R-1 (high) (COR)
Issuer/LT senior preferred debt	A+	Aa3	A+/AA-	AA (low)
Outlook/Review	Stable outlook	Stable outlook	Stable outlook	Stable outlook
ST senior preferred debt	A-1	P-1	F1+	R-1 (middle)
Last rating date	Oct/2022	Dec/2021	Oct/2022	Sep/2022
Last rating action	LT / ST ratings affirmed; outlook unchanged			

Parent Bank

Crédit Agricole CIB is the Corporate and Investment Banking arm of the Crédit Agricole Group. Crédit Agricole CIB offers its clients a large range of products and services in capital markets, investment banking, structured finance and corporate banking.

Crédit Agricole CIB's business lines:



Crédit Agricole Corporate and Investment Bank ID Card

Head office:

12, Place des Etats-Unis

CS 70052 – 92547 Montrouge Cedex, France

Website: <http://www.CACIB.com>

Company with limited liability with a capital of EUR 7,851,636,342

Companies Register SIREN 304 187 701

MESSAGE FROM THE PRESIDENT



(Photo of China Executive Committee Members*)

In 2022, despite a difficult environment impacted by the health crisis and economic uncertainty, CACIB (China) posted its best operating income ever at CNY609 million, a 13% revenue growth compared with year 2021. Our operating profit before credit impairment loss deduction increased by 16% to CNY238 million, reaching record high in nearly ten years. Yet, as we faced an isolated non-performing loan for which we fully provisioned the asset, our net profit turned to a loss. This limited loss, did not have any material impact on our solvency and with a capital adequacy ratio above 27% at 2022 year-end, our solvency significantly exceeds regulatory requirement and market average.

As our Group is one of the leading banks in green and sustainable finance, CACIB (China) is also contributing to a more sustainable and resilient world: we continue to accompany our clients in their energy transition and decarbonization pathways.

In 2022, we have grown our footprint on capital markets activities, thanks to a broader and diversified product offering and a good momentum with our clients.

* Middle: **Nicolas VIX** (President & Senior Country Officer). From left to right: **Didier HONG** (Head of Local Large Corporate Coverage & Head of Shanghai Branch), **Fabrice GARAMBOIS** (Vice-President, Chief Operating Officer & Chief Information Officer), **Wendy ZHU** (Head of Global Market Division), **Catherine JING** (Chief Risk Officer), **Frank WU** (Head of International Trade & Transaction Banking)

The new onshore bond underwriting license we received in 2022 demonstrates once again our commitment and efforts in China market.

We have also closed several landmark transactions on global commodity finance activities, international trade finance business and on the asset-backed securities market thanks to several junior underwriter and investor mandates.

Hiring has been active in 2022, both on front office and on control and support functions, highlighting our ambitions in China. We built up teams dedicated to coverage of technology sector and to debt capital markets. We are continuing to hire more staff locally in 2023 and keep enlarging our local products offering.

We have delivered all the goals set for the year in our strategic plan and we are on track to start a new 2025 Medium Term Plan (MTP) journey, focusing on the 4 pillars of our strategy:

- active on-boarding of new large corporate clients, leader in their sectors and deepening our relationship with our clients;
- supporting our financial institution clients in the opening of the Chinese financial markets;
- accompanying our growing multinational clientele in China; and
- keep growing our green and sustainable footprint with innovative solutions for our clients.

Every day, our teams located in five different locations (Beijing, Shanghai, Xiamen, Tianjin and Guangzhou) make the commitment to fulfill our objectives and serve at their best our clients and society.

Nicolas VIX

President

Credit Agricole Corporate and Investment Bank (China) Limited

MANAGEMENT REPORT

Business Review

Crédit Agricole CIB has an extended experience in advising and arranging major projects. Present in China since more than 120 years and considered as one of the most active corporate banking foreign institutions in the country, Crédit Agricole CIB also has close relationships with Chinese Financial Institutions.

Crédit Agricole CIB has pioneered in China a significant number of structured financings, syndication loan transactions and was among the first foreign banks to be licensed for Chinese currency (RMB) operations.

CACIB (China) leverages upon its **local and global expertise** as well as its **network synergy** to advise and finance its clients' investments in and out of China:

Corporate Banking

- Strong focus on Chinese Corporates and Financial Institutions as well as Foreign Multinational Companies.
- CACIB (China) also supports clients of the Crédit Agricole Group (Crédit Agricole Regional Banks, LCL, BPI: Crédit Agricole Italia, etc.) by offering account services and financing services and accompany them in their development in China.
- Short term and medium term financing, in RMB and/or foreign currencies, bilateral and/or by way of syndication, combining the strength of international and local banks, guarantees, letters of credit (L/Cs), deposits as well as cash management services (including e-banking, cash pooling, overdraft & e-commerce, etc.), cross-border RMB services and e-draft solutions.

Capital Markets

- Dealing and sales room in Shanghai and Beijing.
- Clients are corporates and financial institutions.
- Full range of hedging products (foreign exchange, interest rate derivatives, money market), investment products and underwriting business.

Structured & Trade Finance

- Strong expertise in structured and project finance: natural resources, infrastructures and power.
- Classic and structured international trade finance: SBLCs, trade and financial guarantees, L/Cs, discounting of receivables, forfeiting.
- Export finance both inbound and outbound transactions.
- Commodities finance: leading position among international trading companies.
- Asset financing: strong presence and structuring capabilities for asset and cash-flow based financing (aviation and shipping).

Syndication Market

Crédit Agricole CIB has been very active in China for several years in arranging and distributing syndicated loans in RMB.

Green Banking

Our Global approach

In 2022, the Crédit Agricole Group put forward its new “2025 Ambitions”, with the climate strategy at the heart of its Societal Project. As part of the membership of the Net Zero Banking Alliance, the Crédit Agricole Group is committed to contributing to carbon neutrality by 2050, and has published 2030 carbon trajectories for the 5 out of 10 most carbon intensive sectors (Oil & Gas, Power, Automotive, Cement and Commercial Real Estate), which positions the Group as one of the market frontrunners. The objectives for the 5 remaining sectors (Shipping, Aviation, Steel, Residential Real Estate, Agri-agro) will be published in 2023.

The Crédit Agricole CIB's climate strategy fully embraces this approach. Since 2017, Crédit Agricole CIB has published its own climate policy reflecting the different climate challenges identified:

- financing the energy transition;
- managing climate risks;
- reducing its direct carbon footprint.

As the first milestones in its strategy to achieve carbon neutrality by 2050, Crédit Agricole CIB committed in 2021 to reducing its exposure to oil extraction by 20% between 2020 and 2025 and increasing its exposure to low carbon energies (production and storage) by 60% over the same period.

In 2022, Crédit Agricole CIB has strengthened its commitment to reduce its exposure to oil extraction and production by increasing its target to 25% between 2020 and 2025 (versus 20%).

Our Local Organization & Governance

In line with our global ambition towards carbon neutrality, CACIB (China) has formulated a local Green strategy and implemented an Environmental, Social and Governance (“ESG”) Committee, to monitor the Green strategy and the initiatives taken, as well as to follow up the regulatory texts and to monitor the green target. A detailed ESG policy has also been established to define the governance, the organization and the processes related to the ESG matters and more specifically the processes on green finance within the Bank.

The primary responsibility concerning the analysis and management of the environmental and social risks linked to the Bank's loans and investments lies with the business lines concerned under the procedures in force. These aspects are taken into account in the business lines' strategies.

At the several different stages of a loan or investment, the different parties concerned by the client relationship or, as the case may be, the transaction assess the environmental and social aspects of the contemplated loan or investment based on information available each time.

Assess and Manage the Risks Inherent in Environmental and Social Impacts of Our Financing

Crédit Agricole CIB has developed a system to assess and manage the risks arising from the environmental and social impacts relating to both transactions and clients, by factoring in the main sustainable development issues, i.e. combating climate change, biodiversity protection and respect for human rights. The system which manages

these environmental and social business risks is based on three pillars:

- applying the Equator Principles to transactions which are directly related to a project;
- CSR sector policies for sectors with the highest potential ESG impacts: weapons, energy (including oil and gas, shale gas, coal-fired power plants hydroelectric and nuclear power), mining and metals, transport (sea, land and air), transport infrastructure, real estate, forestry and palm oil;
- assessment of the environmental and social aspects of the transactions.

From 2013, Crédit Agricole CIB also introduced a scoring system for all its corporate clients. Clients are rated each year on a scale that includes three levels (advanced, compliance and sensitive), with these ratings based on:

- compliance with existing sector policies;
- existence of reputational risk for the Bank (sensitive rating);
- client's inclusion in leading global CSR indexes (Advanced rating).

Limiting our direct and indirect environmental impact

Crédit Agricole CIB is fully involved to reduce greenhouse gas emissions caused by its own operations. For the year 2022, at the level of all Crédit Agricole CIB Group entities, electricity consumption was 79,532,252 kWh, and gas consumption was 8,186,083 kWh.

Besides its direct carbon footprint, Crédit Agricole CIB is also committed to reduce the "indirect" carbon footprint, notably by measuring the carbon footprint of our portfolios and map the indirect carbon emissions related to loans and investments by sector and geographic location.

Since 2011, an estimation of the financing and investment carbon footprint is in place at the level of Crédit Agricole CIB. The order of magnitude, on the basis of the amounts outstanding at 31 December 2022, was 62 Mt equivalent of CO₂, i.e. a carbon intensity of around 200 t of CO₂ per million euros of financing, significantly less than in 2021.

Financial Highlights

As at 31 December 2022, the Bank's total assets were CNY28.1 billion (31 December 2021: CNY31.8 billion), mainly due to the decrease of placements with financial institutions.

The Bank's total operating income increased 13% to CNY609 million (2021: CNY541 million), mainly attributed to growth in net fee income. General and administrative expenses were CNY365 million (2021: CNY330 million), up 10% from the previous year. The credit impairment losses increased to CNY291 million (2021: CNY21 million) mainly due to the downgrade of one non-performing loan. The Bank reported a net loss of CNY26 million in 2022 (2021 net profit: CNY152 million).

The regulatory average return on assets for the year 2022 was -0.10% (2021: 0.43%) and the regulatory average return on net assets was -0.41% (2021: 2.20%).

Human Resources

By the end of 2022, the Bank has 225 employees. The staff composition by age and education background is as follows:

Category	Detailed distribution	Number of employees	% of total
Age	Below 30	45	20%
	Between 31 and 40	99	44%
	Between 41 and 50	63	28%
	Above 51	18	8%
Educational Background	Holders of a Master's degree and above	112	50%
	Bachelor degree holders	93	41%
	Others	20	9%

The Bank implements a gender balance by grade up to the general management as shown in the table below:

Grade	Male	Female
Manager and above	17%	19%
From Supervisor to deputy Manager	10%	31%
Below Supervisor	6%	17%

Mobility

Being part of a large international network, we encourage the national and international mobility as one of the drivers to promote best practices within Crédit Agricole CIB and retain staff. It offers career opportunities to the employees.

Training

We also attach great importance to training and offer more than 4,000 hours of training in 2022 in all kinds of topics including banking product knowledge, information technologies, languages, compliance, risk control, law, soft skills etc.

Compensation Management

As authorized by the Board of Directors, the Compensation and Nomination Committee of the Bank shall be responsible, at the highest level in CACIB (China), for defining and formulating the remuneration policy and plans of the Bank's Directors and Senior Management Personnel and has power over all the Bank's branches. Please refer to Corporate Governance section for the membership composition and main duties and authorities of the Compensation and Nomination Committee.

The compensation policy of the Bank is designed to compensate the employees competitively, as compared to the market and the environment, while ensuring a strict management of the payroll. The policy relies on an individualized compensation principle that takes into account the level and characteristics of the function performed, the experience and skills of the employees, while making sure that internal equity is observed for functions with equivalent weight in the organization, and that we remain competitive.

The compensation structure is composed of fixed compensation, variable compensation and other benefits.

The fixed compensation represents the compensation for the position held by the employee. Its level is determined by the nature and weight of the position within the organization, the range of responsibilities, the level of experience and the missions inherent to the person's function.

The variable compensation is linked to the Bank's performance and to the individual performance, evaluated based on measurable quantitative and qualitative criteria, specific to each function, in connection with the objectives set for each individual employee. Bases for variable compensation are set taking into account bank's risk profile and all costs including the costs of risk, liquidity and cost of capital. It also takes into account the attention paid by the employees to risk control, compliance issues and fraud prevention.

We implement a deferred variable compensation for certain employees which includes some "top management" and "risk takers". At least 40% and up to 60% of the variable compensation is deferred over several years and is not fully vested until performance conditions have been met.

Compensation for Directors, Supervisors, Senior Management

Under the Bank's compensation structure, in 2022 the Bank has paid a total of CNY37,110,524 to its Directors and Senior Management. The Bank's

Supervisor has not received any supervisory fees or other remuneration from the Bank in 2022.

Corporate Social Responsibilities

In 2022, given its strong commitment to financing the real economy and supporting major projects aimed at sustainably revitalizing the regions, the Group implements sector policies in its evaluation of the environmental and social consequences of the projects it financed. These new corporate social responsibility policies impose specific analysis and potential exclusion criteria for transactions in sensitive sectors.

From 2011 to 2021, our bank has donated a total of 25,000 trees planted in Inner Mongolia and 50,000 shrubs planted in Ningxia by Roots & Shoots in an effort to offset its carbon footprint. In 2022, another 10,000 shrubs were donated by our bank. The Shanghai Roots & Shoots Million Tree Project which began in 2007, aims to raise community awareness of the Earth's precious environment while focusing on steps individuals can take to lessen their negative impact on the natural world. The project gives individuals and organizations an opportunity to fight against global warming by planting oxygen-producing trees in Inner Mongolia, China. It also encompasses true capacity building as the local population is intimately involved with, and benefits from, every step of planting, maintaining and monitoring the trees.

Our sponsorship with "Couleurs de Chine" provides scholarship sponsorship for 8 primary school students and 4 high school students in Miao Autonomous County of Rongshui from 2018 to 2024, 6 school years in total, with a total sponsorship amount of CNY159,200. "Couleurs de Chine" is an NGO with an established reputation. "Couleurs de Chine" has been aiming to grant schooling for young children (mainly girls) from the ethnic minorities of the Great Miao Mountains in China since 1998. In the last 20 years, the objectives of providing schooling for over 12,000 students and financing over 80 schools and dormitories have been successfully achieved.

Our bank launched a one-on-one mentorship program for youth with disabilities in 2022. The program aims at using the online platform to set up a career-focused coaching function and life planning when they are entering the job market. Our employees volunteered to be the mentor after training, helping disabled youth improve their job hunting skills and confidence, and inspiring them to reflect and motivate their life goals and visions.

Through another financial support to NGO "Jian Ai", our bank engaged in a brand new CSR category – elderly assistance in 2022. Our bank donated and set up brain activation stations in 2 nursing home and organized aid

association for families of cognitive impairment patient to improve the quality of life of the elderly and enhance their sense of happiness.

In order to save energy, reduce pollution and protect the environment, our bank implements various projects in the office:

- switch off the PC screens and lights during lunch time and after working time;
- stop using the disposable chopsticks and disposable cups;
- put special box in the office to collect used batteries;
- put recycling bins for recycling of waste and food composting; and
- recycle used toners.

Along with the deep values of our Group which began life as a cooperative institution making agricultural loans in 1894, the Bank's various corporate social responsibility policies and projects reflect our solidarity and our commitment to local population and are part of our sustainable development agenda.

RISK MANAGEMENT

Governance

From a governance point of view, being an independent function, Risk and Permanent Control Department (“RPC”) regularly reports the Bank’s risk management practice and performance to the Risk Management Committee (“RMC”), and to the Board of Directors (“BOD”). The Bank’s Chief Risk Officer (“CRO”), as Head of RPC, is responsible for credit risk, market risk and operational risk from 2nd line of risk defense point of view. The CRO has a functional reporting line to Asia Pacific CRO and attends Board Meeting regarding RMC subjects regularly.

CACIB (China) follows comprehensive risk management approach. To facilitate this, several internal governance committees with different functions have been set up, including but not limited to:

- The RMC, the Connected Transaction Control Committee and the Internal Audit Committee under the BOD;
- Internal Control Committee (“ICC”), Permanent Control Committee (“PCC”), Assets and Liabilities Management Committee (“ALCO”), Compliance Management Committee, IT Steering Committee, Credit Review Committee (“CRC”), Market Risk Committee (“MRC”), New Activities and Products Committee, the New Regulation Committee, Special Asset Committee and so on under the Senior Management;
- In 2020, China Executive Committee is established to oversee bank’s daily operations. Members include President, Vice-President, CRO, Head of Local Large Corporate, Head of Global Markets Division (“GMD”) and Head of International Trade and Transaction Banking.

A detailed governance structure can be found in the Organization Chart section.

All these committees have been held as per Terms of Reference (“TOR”) with clear agenda and minutes. Committees’ TORs are adequately reviewed on a regular basis.

The risk culture and control mechanism as well as its infrastructure, major risk monitoring system and tools which are deemed critical and essential to the Bank, have been optimized and upgraded with strong support from the Parent Bank in order to further enhance the risk management framework. CACIB (China) is responsible for the supervision and control of risks of all branches in China through centralized risk management.

Risk Appetite is defined on yearly basis with monitoring of Dashboard on quarterly basis. Risk Appetite set parameters on solvency, liquidity risk, credit risk, market risk, operational risk and compliance risk. In 2022, there is no breach of Tolerance level of risk indicators.

The comprehensive risk management framework of our bank covers all risks aspects. The risk management department, as an independent functional department, is responsible for reporting the main risks and related matters of the bank to RMC, BOD and the supervisor on a regular basis, and timely reporting the violation of the risk limit. The Board and senior management provide effective oversight of the overall risk management framework, regularly review relevant risk management reports, and approve risk policies and limits to ensure that they are consistent with risk appetite.

Country Risk

China country risk limit is set and reviewed together with country strategy on yearly basis.

Credit Risk

The past 2022 was a year under challenging macro-economic environment, resulted from frequent COVID control lockdowns, business operation suspension and disruption of clients leading to drastic commodity prices surge. However, CACIB (China) has enhanced the credit risk management in a prudent manner. New clients on-boarding, credit risk assessment, early warning signal identification framework has been further improved.

Client credit requests are proposed by front office coverage bankers and product lines. Independent analysis is performed by Sectors, Corporates and Structured (SCS) team analysts and submitted to various levels of credit committees for approval.

Post approval monitoring and control is done through regular client visits and internal anomaly meeting whereby credit documentation, overdue reviews, covenants controls are adequately reviewed with necessary follow-up actions. Concentration risk on countries, sectors, counterparties are also adequately monitored.

Credit portfolio reviews are performed annually to support the Bank's strategy and country risk review or periodically performed when necessary.

Credit risk stress testing follows the stress test policy under different pre-set scenarios. In 2022, two stress test plans have been made with two separate actual tests. The results have been reported to RMC and BOD.

Market Risk

CACIB (China) is exposed to market risks including foreign exchange risk, interest rate risk and option risk.

Market Activities Monitoring (“MAM”) team under RPC monitors and controls market risks via a standardized organization and by using various systems and tools:

- Market risk management involves various indicators at different levels of aggregation which mainly include but not limited to Value-at-Risk (“VaR”), Sensitivity, Profit and Loss (“P&L”) Annual and Monthly Loss Alert, as well as Foreign Exchange (FX) Position;
- Market risk limits are reviewed, adjusted and approved by the Parent Bank and by the BOD at least once a year or if necessary on an ad-hoc basis, taking into account commercial strategy, economic and market evolution and their impact on market risk;
- To complement VaR measurements, the Bank applies back-testing and stress scenarios to market activities in order to simulate potential impact of extreme market turbulence on its book values;
- Daily P&L and risk report of all business and desks within GMD is monitored through Market Risk Dashboard; and
- China MRC meeting is held on a monthly basis and if necessary on an ad-hoc basis. This committee reports to RMC directly.

The market risk management has been continuously maintained in a cautious manner despite the increase of trading volume. The market risk exposure is well under control, and market risk management framework is continuously enhanced.

Operational Risk

Operational risk is managed under “three lines of defence” mechanism within the Bank. In 2022, operational risk is mainly controlled through following activities:

- The operational risk management department is responsible for the management of operational risk from second line of risk defence point of view, including the investigation, reporting and monitoring of the implementation of rectifications, monitoring of key risk indicator (“KRI”), timely following up the result of KRI and raise alerts, and reviewing the

policies/processes of each department from second line of defence point of view. Operational Risk Manager (“ORM”) also participates in the New Product Committee and provides input from operational risk perspective.

- The bank attaches great importance to outsourcing risk management. Outsourcing activity managers continuously monitor outsourcing activities according to internal and external requirements, including but not limited to the vendor qualification, financial status, service quality, and business continuity plans of the outsourcing business. The outsourcing activity managers regularly review the outsourcing activities, and issue annual evaluation reports on outsourcing/IT outsourcing activities. ORM perform second level of control on outsourcing activities reports and submit to risk management committee.
- In 2022, ORM led the annual exercise of forward-looking risk and control self-assessment involving all business lines and support functions. The assessment identified potential key risks in main business processes of each department with key control measures.
- During Covid epidemic quarantine and outbreak, staff worked from home. Thanks to effective process supervision and execution, the support of information technology and strong awareness of operational risk prevention and control, no serious operational risk incidents occurred during this special period.

Overall, the bank carried out operational risk management prudently and continuously improved the management practice according to internal and regulatory requirement.

Liquidity Risk

Liquidity risk is the risk of insolvency when a company is unable to meet its financial commitments in a timely fashion when they become due or cannot timely liquidate its asset at fair price.

The commitments include principal and interest payment obligations to depositors and fund suppliers as well as commitments in respect of loans and investments.

Liquidity Risk Management Governance Structure

The BOD of CACIB (China) undertakes the ultimate responsibility for ensuring that the liquidity risk of the Bank is properly identified and managed. The BOD authorizes RMC to perform its partial duties. ALCO of CACIB (China) is responsible for ensuring compliance with the principles required by local regulation and the shareholder of the bank:

- to review and comment on liquidity management policies and procedures;

- to review and comment on tolerance for liquidity risk, including limits of liquidity gaps;
- to review and comment on liquidity reports, including the liquidity management indicators and liquidity gap analysis; and
- to review test and comment on contingency funding plan for liquidity crises.

Liquidity Management

Medium-Long-Term Liquidity Management

The medium-long-term liquidity management is centralized in ALCO. The committee defines internal fund transfer pricing policies, rules and procedures on both an overall basis for major currencies and on specific basis for local currency. It analyzes the medium-long-term funding needs of the bank and authorizes implementation of funding activities.

Medium-long-term liquidity risk is measured by liquidity gap in time buckets 1-year to 5-year, representing the duration mismatch of assets and liabilities.

Short-Term Liquidity Management

Short-term liquidity is managed by Treasury. Treasury renews short-term financing and manages portfolio of liquid assets. 7-day and 30-day cash flow gap, calculated and monitored by Treasury and MAM, are two indicators for short-term liquidity risk.

Identification, Measurement and Monitoring of Liquidity Risk

The Bank sets series of indicators to monitor daily liquidity condition. The colors of the early warning indicators reflect the level of the indicators. At the same time, Contingency Funding Plan (“CFP”) has been established as planned responses to liquidity deterioration based on CBIRC liquidity guideline and group liquidity management policy.

Stress Testing

Testing of three liquidity stress scenarios (global stress, systemic and idiosyncratic) is performed on daily basis and presented in daily Early Warning Indicator (EWI) report to management.

Contingency Funding Plan and Liquidity Ratios

CFP has been established as planned responses to liquidity deterioration based on CBIRC liquidity guideline and group liquidity management policy. Testing of three liquidity stress scenarios (global/stress pilote, systemic and idiosyncratic) is performed on daily basis and presented in daily Early Warning Indicator (EWI) report to management. Three levels of action plan have been predetermined in cases of funding shortfall.

Liquidity Risk Management Indicator

CACIB (China) closely monitors regulatory liquidity ratios:

- Daily liquidity ratio was properly controlled above 25% during 2022. As of 31 December 2022, CACIB (China)'s liquidity ratio reached 127.07%.
- The average loan-to-deposit ratio was 90.47% during December 2022.
- High quality liquidity asset adequacy ratio ("HQLAAR") evaluates whether banks have sufficient high quality assets to cover short term liquidity gaps under stress, with minimum requirement $\geq 100\%$. As of 31 December 2022, CACIB (China)'s HQLAAR reached 500.06%.
- Liquidity matching ratio (LMR)'s minimum requirement is $\geq 100\%$. As of 31 December 2022, CACIB (China)'s LMR reached 167.67%.

Liability quality management system and the status of liability quality

The liquidity management system of CACIB (China) covers liability quality management. In 2022, the balance of deposits was relatively stable. CACIB (China) has been strengthening the management of financing channels, actively maintained the relationship with major financing counterparties, and dispersed the resources of borrowing from financial institutions. CACIB has been fully supporting the development of our bank in China. When CACIB (China) needs funding, the head office will provide short-term and medium and long-term liquidity support, so as to gradually reduce the dependence on structured deposits, effectively improve the structure of asset liability maturity allocation, and improve the ability to resist liquidity risk.

Provision

As of 31 December 2022, CACIB (China) adopts the prudent provision strategy. The loan loss provision made in accordance with the "Accounting Standards for Business Enterprises" meets the minimal requirement of the "Guidance on Provisioning for Loan Losses", "Notice on adjustment of regulatory requirement for provisioning for Loan Losses" and "CBIRC shanghai notices to CACIB (China) on regulatory requirement for provisioning for Loan Losses in 2021" which require the standard loan provision rate shall be 1.5% and the standard provision coverage rate shall be 120%. As of 31 December 2022, CACIB (China) reported CNY400 million non-performing loan, the provision coverage rate was 120.83%, and loan provision ratio stood at 5.69%.

Legal Risk

The legal function contributes to ensuring that the Bank's business activities and operations comply with the applicable laws and regulations. It performs permanent controls on legal risks arising from the Bank's activities, services and transactions, along with the operational risks generated by the legal function itself. It also performs legal consultations to business lines and group policies, involvement in legal negotiation of transactions, legal watch

operations, execution of various key group policies, staff training, standard contract modeling, legal policies and procedure issuing, the collaboration to decision-making bodies and procedures as required by the Bank's governance rules. The legal function systematically takes part in the process of the approving new products and activities including ESG products, as well as in major lending and global market related decisions.

In 2022, the system of permanent controls and control of legal risks continued to be strengthened.

As of this date, to the Bank's knowledge, there are no government, legal or arbitration proceedings that are liable to produce, or that have recently produced, a material impact on the financial conditions or profitability of the Bank.

At December 31st, 2022, any legal risks that could have a negative impact on the Bank assets were covered by adequate provisions based on the information available to general management.

Compliance Risk

Compliance risk is the risk of failing to comply with banking or financial regulations, internal policies and procedures or rules of conduct which may lead to criminal penalties, penalties assessed by the regulatory authorities, disputes with customers and, more broadly, reputational damage.

Management of compliance risks

Compliance business line oversees compliance with policies and regulations applicable to the Bank's activities. The Compliance function aims at strengthening the confidence of stakeholders involved (customers, employees, investors, regulators, suppliers) in respect of these rules and their implementation.

Compliance also ensures that the systems in place for preventing these risks are efficient by:

- translating policies and regulations into procedures;
- training staff in compliance matters;
- providing opinions on transactions referred to it; and
- Assessing and ensuring that the compliance system operates correctly.

Compliance has two main missions:

- Protect the Bank against any external actions potentially harmful or unlawful: fight against fraud and corruption, but also prevention of money laundering, fight against terrorism financing, obligations in the fields of assets freeze and embargoes, etc.

- Protect the Bank's reputation towards the markets as well as its customers' interests against violations of external rules and regulations, internal ethical standards and failures to meet professional obligations to which the Bank and its employees are submitted (insider dealing, price manipulation, propagation of false information, conflict of interest, failure to advise, etc.) but also against internal or joint fraud and internal corruption.

CORPORATE INFORMATION

Shareholder

Crédit Agricole Corporate and Investment Bank

Registered Name

In Chinese: 东方汇理银行（中国）有限公司

In English: Credit Agricole Corporate and Investment Bank (China) Limited

Registered Address

12th Floor, Office Tower 2, No. 1266 West Nanjing Road, Jingan District, Shanghai 200040, PRC

Telephone: 86 21 38566888

Facsimile: 86 21 38566922/23

SWIFT – CRLYCNSH

Website: <https://www.ca-cib.com/our-global-markets/asia-pacific/china>

Registration Date

July 1st, 2009

Authority of Registration

State Administration for Market Regulation

Unified Social Credit Code

91310000691565587J

Financial Institution License Serial Number

B1022H231000001

Registered Capital

Renminbi 6,296,000,000

Legal Representative

Nicolas Jean Francois VIX

Auditor

Ernst & Young Hua Ming LLP

Address: 50/F, Shanghai World Financial Center, 100 Century Avenue, Pudong New Area, 200120 Shanghai, China

IMPORTANT EVENTS OF THE YEAR

1. Change of the registered address

As approved by CBIRC, the registered address of Credit Agricole Corporate and Investment Bank (China) Limited has been changed to 12th Floor, Office Tower 2, No. 1266 West Nanjing Road, Jingan District, Shanghai 200040, PRC.

2. Change of the Chairman of the Board of Directors

Mr. Jean-Francois DEROCHE's post-taking qualification as the Chairman of the Board of Directors of the Bank was officially approved by CBIRC on 23 February 2023.

DIRECTORS, SUPERVISOR AND SENIOR MANAGEMENT

Composition

Supervisor

BÉLORGEY, Olivier

Board of Directors

DEROCHE, Jean-François*	Chairman, Non-Executive Director
VIX, Nicolas	Vice-Chairman, Executive Director
GARAMBOIS, Fabrice*	Executive Director
HONG, Didier	Executive Director
BALAY, Jean- François	Non-Executive Director
BLANCHARD, Dominique	Non-Executive Director
PROUTIERE, Laurent	Non-Executive Director
WU, Zhi Ge	Independent Non-Executive Director
CHAN, Wen-Yueh (Dennis)	Independent Non-Executive Director

Senior Management

VIX, Nicolas	President (Legal Representative), Senior Country Officer
GARAMBOIS, Fabrice	Vice-President, Chief Operating Officer, Chief Information Officer
JING, Catherine	Chief Risk Officer
CAO, Lilian	Chief Financial Officer
FU, Di	Head of Compliance
SUN, Vanessa	Head of Internal Audit
YIP, Martin	Chief Technology Officer
LING, Maggie	Secretary to the Board of Directors
HONG, Didier	Head of Shanghai Branch
YUAN, Arthur	Head of Beijing Branch
PAN, Frank	Head of Guangzhou Branch
LI, Davy	Head of Tianjin Branch
HSIEH, Henry	Head of Xiamen Branch

* Post-taking qualification was approved by CBIRC on 23 February 2023.

Working Experience and Other Positions Held by Directors and Supervisor



DEROCHE, Jean-François

Chairman, Non-Executive Director

Jean-François DEROCHE is Senior Regional Officer for Asia-Pacific since 2022. He began his career at Crédit Lyonnais in 1982 where he held a number of positions, including Senior Banker in the European Client Department of the New York branch, General Branch Manager of the Boston office and Account Manager at the Investment Bank. He then became Head of the Investment Banking division in Japan. In 2004, he joined Crédit Agricole CIB in the team implementing the merger of Capital Markets activities. In 2005, he was appointed Secretary General of Capital Markets and Brokers, and in 2008 Head of the Global Markets Division, Americas. In 2011, Jean-François was appointed Senior Regional Officer for the Americas and Senior Country Officer for the United States. In 2016, he joined Crédit Agricole Indosuez Switzerland as Chief Executive Officer.

Jean-François DEROCHE was appointed Chairman of CACIB (China) in February 2023.

Jean-François DEROCHE holds a master degree in service public from Institut d'Etudes Politiques de Paris.



VIX, Nicolas

Vice-Chairman, Executive Director

Nicolas VIX started his career in 1988 with the Representative Office of Banque Indosuez in Beijing. He then held various front office positions in Paris, Singapore and Hong Kong until 2004 when he became Head of Project Finance in Asia for Calyon. From 2009 to 2016, he was Head of Structured Finance Asia for Crédit Agricole CIB. In 2016, Nicolas VIX became Global Head of Sectors, Corporate and Structured for Risk and Permanent Control. Nicolas VIX is now Senior Country Officer for China.

Nicolas VIX was appointed Vice-Chairman of CACIB (China) in October 2019. He was also appointed President of CACIB (China) in January 2020.

Nicolas VIX holds degrees in engineering (Ecole Centrale Paris), and economy & finance (Sciences-Po Paris).



GARAMBOIS, Fabrice

Executive Director

Fabrice GARAMBOIS is now Chief Operating Officer for China. Previously, Fabrice was in charge of various organization and IT teams in Asia and Paris for Crédit Lyonnais from 1988 to 1999. He then held the position of Head of Markets IT for the UK, based in London, from 1999 to 2004. From 2004 to 2009, he was Head of Markets IT and Operations for Asia, based in Hong Kong. And from late 2009 to early 2014, he was Head of GIT for Asia, including ISAP (Information System Asia-Pacific), based in Singapore. In 2014, Fabrice was appointed Head of Operations for Asia and Middle East regions, based in Hong Kong, and subsequently COO for Japan (Banking & Securities branches) in 2018, based in Tokyo.

Fabrice GARAMBOIS was appointed Executive Director of CACIB (China) in February 2023.

Fabrice GARAMBOIS holds a master degree in engineering from ENSTA.



HONG, Didier

Executive Director

Didier HONG started his career as a Marketing Officer of China Division-Corporate Banking of Crédit Agricole Indosuez, Hong Kong in 1996. From March 1999 to July 2004, he was the Vice President of French & HK Desk – Corporate Banking of Crédit Agricole Indosuez, Shanghai Branch. From August 2004 to August 2009, he was the Managing Director and Head of Coverage East China of Calyon Shanghai Branch. Since August 2009, he has been the Shanghai Branch Manager of CACIB (China). He was appointed Head of Coverage China in September 2013.

Didier HONG was appointed Executive Director of CACIB (China) in July 2013.

Didier HONG obtained the European Master Degree in Management (Major in Finance) from Institut Supérieur de Gestion, Paris in 1996.



BALAY, Jean-François

Non-Executive Director

Jean-François BALAY has been appointed Deputy Chief Executive Officer of CACIB on January 1st, 2021. Jean-François Balay started his career at Credit Lyonnais (now LCL) in 1989 where he held several managerial positions in the corporate banking markets in London, Paris and Asia. From 2001 to 2006, Jean-François was Head of Origination and Structuring for Europe within LCL and then Crédit Agricole CIB Credit syndication activity. In 2006, he became Deputy Head of the EMEA team and, in 2009, Head of the Global Loan Syndication Group. In 2012, he was appointed Head of Debt Optimisation & Distribution. In 2016, he was appointed Head of Risks and Permanent Control. He became in July 2018 Deputy General Manager supervising Structured Finance, Debt Optimisation and Distribution, Distressed Assets and International Trade & Transaction Banking.

Jean-François BALAY was appointed Non-Executive Director of CACIB (China) in December 2015.

Jean-François BALAY studied at Lumière Lyon II University where he obtained a DESS degree in Banking and Finance and a master's degree in Economics



BLANCHARD, Dominique

Non-Executive Director

Dominique BLANCHARD is the Regional Head of Global Markets Division for Asia-Pacific as of April 2018. He has more than 25 years' experience in financial markets spent in Europe and Asia-Pacific across fixed income, equity derivatives and financial advisory. He joins CACIB from ANZ where he was Global Head of Sales and Debt Capital Markets. He also worked for Daiwa Sumitomo from 2008 to 2013, where he ran and restructured their global financial products activities, front to back. Prior to that, he spent over 15 years with the Crédit Agricole Group, his last position was Deputy Head of the Fixed Income division.

Dominique BLANCHARD was appointed Non-executive Director of CACIB (China) in August 2019.

Dominique BLANCHARD holds a Master Degree in Business Administration at ESSEC Business School.



PROUTIÈRE, Laurent

Non-Executive Director

Laurent PROUTIÈRE has been appointed as Regional Head of International Trade and Transaction Banking for Asia-Pacific in December 2020. Laurent began his career in 1998 working for the Equity Brokerage Division of Société Générale in Japan before joining Crédit Agricole group in 2002. Laurent worked to different teams in the Group, he worked for the Group's Credit Derivatives teams in 2007 in London, and the Asia Loan Syndication team in 2012 in Hong Kong.

Laurent PROUTIÈRE was appointed Non-Executive Director of CACIB (China) in June 2021.

Laurent PROUTIÈRE holds the MBA in INSEAD and the MS in Finance Operations Management in University of Lyon 2.



WU, Zhi ge

Independent Non-Executive Director

Mr. WU worked for ING BANK N.V. from 2011 to 2016, as Managing Director and Head of Corporate Finance, Greater China. He was accountable for greater China cross-border M&A strategies, executions, annual budgets and staff management. His main deals included advising State Power Investment Corp. to acquire Australian wind farm operator Taralga, advising JP Morgan Infrastructure fund to sell Goldtrust, advising Bright Foods on its acquisition of the leading Italian olive oil company Salov, etc. Prior to that, Mr. WU was the Founder and Managing Partner at China Link Capital. Previously he also worked for Lazard Asia, BOCI Asia Ltd, etc.

Mr. WU was appointed Independent Non-Executive Director of CACIB (China) in December 2017. He is also an Independent Non-executive Director of Wanbang Digital and Energy Co., Ltd. and a Partner of Chengdu Puluogesi Business Management Consulting Firm.

Mr. WU is a graduate from Beijing Foreign Studies University and holds a Master Degree in Business Administration from Ross School of Business, University of Michigan.



CHAN, Wen-Yueh

Independent Non-Executive Director

Mr. CHAN has spent 14 years working in China Before relocating back to his hometown Taipei. In 2014, he was appointed CEO of Fubon Bank (China). In 2018, he was promoted to Vice Chairman after the bank transited into a fully local-managed platform. Prior to the CEO post, Dennis was the Senior VP covering strategic planning and served as a Board Directors for both Fubon Bank (Hong Kong) and Xiamen Commercial Bank.

Mr. CHAN was appointed Independent Non-Executive Director of CACIB (China) in June 2021. He is also an Independent Non-executive Director of Acer Medical Inc., and a Managing Partner of Chenco Holdings.

Mr. CHAN holds the MBA in Georgetown University and the Bachelor of Business Administration.



BÉLORGEY, Olivier

Supervisor

Olivier BÉLORGEY is appointed Deputy Chief Executive Officer of CACIB on January 1st, 2021. Olivier BÉLORGEY started his career in capital markets at Crédit Lyonnais in 1991. In 1995, he joined the Finance division's ALM unit, where he oversaw interest rate risk. In 1999, he joined the retail banking network as Head of Individuals and Professionals before being appointed to the Human Resources division as Head of HR policy in 2001. In 2004, he became Head of Management Control at Crédit Agricole CIB (formerly Calyon). In 2007, Olivier was appointed Head of ALM at Crédit Agricole CIB and in 2009 his responsibilities were extended to include credit portfolio management. In 2011, he was appointed Head of Financial Management at Crédit Agricole S.A., becoming Finance Director of Crédit Agricole CIB in 2017. Olivier also took over the supervision of the Procurement in September 2020.

Olivier BÉLORGEY was a Non-Executive Director of CACIB (China) since September 2018 till May 2019. In May 2019, he was appointed Supervisor of CACIB (China).

Olivier BÉLORGEY is a graduate of Ecole Polytechnique and holds a postgraduate degree in condensed matter physics as well as a PhD in science.

CORPORATE GOVERNANCE

Corporate governance is the basic structure on which companies are built. Good corporate governance is essential for maintaining and enhancing its Shareholder's value and other stakeholders' confidence, and it is the only viable way of ensuring the Bank's sustainable development.

Since the Bank's incorporation in June 2009, in strict accordance with the relevant laws and regulations of PRC, as well as those rules and regulations stipulated by the regulatory authorities in regard to the corporate governance of commercial banks, the Bank has been dedicated to enhancing its corporate governance mechanism, and strived to follow the best corporate governance practice. Key corporate governance mechanisms were established to ensure independent operation of decision-making bodies, clear segregation of duties, and effective checks and balances for supervisory and management bodies. The overall status of the Bank's corporate governance structure is satisfactory.

The Board of Directors, Directors, the Supervisor, Specialized Committees under the Board of Directors and Senior Management of the Bank all diligently performed their respective duties and responsibilities in a professional and efficient manner according to applicable statutory and regulatory provisions as well as the Articles of Association of the Bank. Achievements were made to ensure the smooth operation and sustainable growth of the Bank.

The Board of Directors and Directors

The Board and Directors has been diligently performing their respective authorized duties and supervisory responsibilities, formulating business strategies in accordance with the development of the Bank's business and ensuring that the Bank's development is on the right track.

In 2022, the Board of Directors held four ordinary meetings, on 23 March, 22 June, 8 September and 15 December respectively. During the meetings, the Board of Directors reviews and approves various matters, including the corporate governance, risk control, compliance management, development strategy, policies and procedures, budget and financial statements of the Bank, etc. In addition, several resolutions have been circulated in writing to the Board of Directors. All meetings were held with required quorum.

In compliance with the Articles of Association, the Bank's Directors are appointed by the Shareholder, with a term of office of three (3) years starting from the date when the Bank receives the post-taking qualification approval from CBIRC. A Director, at the expiry of the term of office, may serve consecutive terms by reappointment.

From the beginning of 2022 to the reporting date, the following changes have taken place in the composition of the Board of Directors:

- Mr. Andre TCHOURBASSOFF tendered his resignation as Executive Director on 10 June 2022.
- Ms. Helene COMBE-GUILLEMET tendered her resignation as Non-Executive Director on 1 September 2022.
- Mr. Michel ROY tendered his resignation as Chairman and Non-Executive Director on 9 September 2022.
- Mr. Nicolas VIX has been renewed by the Shareholder as Vice-Chairman and Executive Director from 11 October 2022.
- Mr. Didier HONG has been renewed by the Shareholder as Executive Director from 31 July 2022.
- Mr. Dominique BLANCHARD has been renewed by the Shareholder as Non-Executive Director from 13 August 2022.
- Mr. Jean-Francois DEROCHE been appointed by the Shareholder as Chairman and Non-Executive Director, and the post-taking qualification was approved by CBIRC on 23 February 2023.
- Mr. Fabrice GARAMBOIS been appointed by the Shareholder as Executive Director, and the post-taking qualification was approved by CBIRC on 23 February 2023.

Shareholder's Meeting

Not applicable

Specialized Committees under the Board of Directors

In 2022, the Specialized Committees under the Board fully discharged their duties in accordance with their respective Terms of References and the authorization of the Board. The Specialized Committees regularly convened meetings and reported to the Board, playing an important role in the meticulous and effective decision-making of the Board.

The frequency, quorum, contents of all the meetings of the Specialized Committees were in accordance with respective Terms of Reference of Committee.

Internal Audit Committee

This committee's main duties and authorities are listed here-below:

- to supervise the implementation of internal audit policies and procedures
- to evaluate the Bank's internal control system and advise on improvement plans
- to advise on the selection of external auditor and/or consultancy agency(s) for evaluating the effectiveness of the risk management and internal control system of the Bank
- to implement measures highlighted by the Board, the Supervisor, external auditor, and regulators
- to establish communication channels between the external auditor, the Internal Audit Department and the Board
- to review the Bank's policies for accounting treatment
- to review the Bank's financial information and its disclosure

Risk Management Committee

This committee's main duties and authorities are listed here-below:

- to review the Bank's risk management structure
- to review the Bank's risk management objectives and strategy
- to review and coordinate the establishment of limits of main risk indicators
- to evaluate the Bank's risk limits on a periodic basis
- to supervise and guide the risk identification, measurement and monitoring
- to ensure that the Bank has established an effective risk analysis and reporting mechanism

Connected Transaction Control Committee

This committee's main duties and authorities are listed here-below:

- to review the Bank's connected parties and report the list to the Board
- to review and approve normal connected transactions within its authority level
- to review and comment on significant connected transactions and submit them to the Board for approval
- to supervise the Bank's Directors and Senior Management in the effectiveness and efficiency of implementing the connected transactions management policies and procedures, and submit a Connected Transactions Management Report to the Board on an annual basis
- to review and comment on the information to be disclosed or to be reported to the regulatory authorities in relation to the Bank's connected parties and connected transactions

Pricing Methodology

The Bank's transaction price and pricing methodology with related parties are in accordance with usual commercial terms and conditions and are aligned with the Bank's transaction with other third parties.

Compensation & Nomination Committee

This committee's main duties and authorities are listed here-below:

- to formulate and review the Bank's policies and procedures related to compensation & nomination and benefits for Directors and the Senior Management Personnel
- to review annually the structure and competitiveness of the Bank's compensation programs applicable to the Directors and the Senior Management Personnel and submit for approval by the Board any new plans, and amendments to any existing plans
- to formulate performance evaluation measures of the Bank's Directors and the Senior Management Personnel and submitting them to the Board for approval
- to assist the Supervisor to periodically review and assess the performance of the Directors and the Senior Management Personnel, seeking input from individual members of the Board and the Senior Management Personnel
- to formulate and review the compensation and other terms of employment of the Bank's President and Directors (if applicable) and submitting them to the Board for approval

The Bank's Supervisor may attend the meetings of the above Committees, and the Supervisor shall have the right to give comments and suggestions, but not to vote.

Independent Non-Executive Director

Members of the Board of Directors include two (2) Independent Non-Executive Directors, Mr. WU Zhi Ge and Mr. CHAN Wen-Yueh. It is in compliance with the requirement of a quorum specified in the Bank's Articles of Association.

Mr. WU serves as a permanent member of the Internal Audit Committee, the chairman of the Connected Transaction Control Committee and the Compensation and Nomination Committee. He also serves as a permanent member of the Risk Management Committee.

Mr. CHAN serves as the chairman of the Internal Audit Committee, a permanent member of the Connected Transaction Control Committee, the Risk Management Committee and the Compensation and Nomination Committee.

The post-taking qualification of the Bank's Independent Non-Executive Director is fully complied with relevant requirements set forth by CBIRC. Moreover, as required by CBIRC, the Bank has received written confirmation from its Independent Non-Executive Director with regard to his independence.

Based on these confirmations and relevant information in its possession, the Bank confirms the independent status of Mr. WU and Mr. CHAN as the Independent Non-Executive Directors of the Bank.

In 2022, Mr. WU attended 4 meetings of the Board, 4 meetings of the Internal Audit Committee, 4 meetings of the Connected Transaction Control Committee, 4 meetings of the Risk Management Committee and 1 meeting of the Compensation and Nomination Committee. Mr. CHAN attended 4 meetings of the Board, 4 meetings of the Internal Audit Committee, 4 meetings of the Connected Transaction Control Committee and 4 meetings of the Risk Management Committee. With extensive professional knowledge and practical experience, they fully discharge their duties and responsibilities through expressing objective and impartial opinions as well as providing valuable and constructive suggestions to the Bank.

Different Opinions Raised by the Independent Non-Executive Director on Relevant Matters of the Bank

No different opinions were raised by the Independent Non-Executive Directors on the resolutions of the Board of Directors and the specialized committees under the Board of Directors of the Bank in 2022.

Supervisor

The Supervisor inspects and supervises the business operations and financial activities of the Bank, oversees the conduct of Directors and Senior Management Personnel in carrying out their duties, and reviews various documents submitted by the Bank. On a yearly basis, the Supervisor oversees the performance assessment of the Board of Directors and its individual Directors.

According to the Articles of Association, the Supervisor shall be responsible to the Shareholder, and shall perform the following duties to supervise the Board of Directors and the Senior Management Personnel:

- to inspect the Bank's financial conditions;
- to monitor and require that the Directors or the Senior Management Personnel rectify the acts that are in violation of the PRC Laws and Regulations and the AOA;
- to prevent any actions of the Board of Directors or the Senior Management Personnel that are detrimental to the interests of the Bank, the Shareholder and other connected parties, particularly the depositors;
- to propose recommendations to the Shareholder regarding the dismissal of the Directors and/or Senior Management Personnel, having observed their acts that are in violation of the PRC Laws and Regulations, the AOA and/or the Shareholder's resolution;
- to evaluate the performance of the Directors and Senior Management Personnel on a regular basis and report the evaluation result to the Shareholder;
- to report, upon finding any major issue(s), such finding diligently to the Shareholder and the CBRC;
- to take legal proceedings against the Directors and the Senior Management Personnel in accordance with the PRC Laws and Regulations; and
- such other authorities as delegated by the PRC Laws and Regulations and the AOA.

In compliance with the Articles of Association, the Bank's Supervisor is appointed by the Shareholder, with a term of office of three (3) years. The Supervisor, at the expiry of the term of office, may serve consecutive terms by re-appointment. Mr. Olivier BELORGEY has been renewed by the Shareholder as Supervisor from 6 May 2022.

In 2022, the Supervisor was in attendance of 3 of the Board meetings.

Senior Management

In accordance with the Articles of Association and subsequent Board of Directors' resolution, the chief authority to manage the day to day operations of the Bank has been delegated to the President, which in turn is assisted in the exercise of his authorities by the Vice-President and other Senior Management Personnel.

The President may set up specialized committees according to the needs and the actual circumstances of the Bank to be in charge of providing specialized opinions in a specific area on behalf of the President, and inspect and supervise the business operation in such area.

The President and other Senior Management Personnel shall be responsible to the Board of Directors, shall carry out the activities of operation and management of the Bank in accordance with the AOA and the authorization of the Board of Directors, shall formulate the daily business plans of the Bank and shall be responsible for the specific implementation of such plans after the Board of Directors approves them.

Responsibility Statement of Directors on Financial Reports

The following statement, which should be read in conjunction with the auditors' statement of auditor's responsibilities set out in the Independent Auditor's Report, is made with a view to distinguishing for the Shareholder the respective responsibilities of the Directors and of the auditors in relation to the financial statements.

The financial statements for the year ending on 31 December 2022 truthfully and fairly present the financial position and operating results of the Bank.

Appointment or Termination of External Auditors

The Internal Audit Committee of the Bank shall advise the Board of Directors on the selection of external auditors. The ultimate responsibility to engage, renew the engagement or dismiss the External Auditor lies within the Bank's Board of Directors.

In June 2022, the Board of Directors resolved to re-appoint Ernst & Young Hua Ming LLP ("Ernst & Young") as the Bank's Public Accountants for the year 2022.

The Chairman and the President were authorized to make any necessary or reasonable arrangement relating to such engagement, including negotiating and determining the fees of such auditors in accordance with market practice.

Ernst & Young was not engaged in significant non-auditing services with the Bank.

INDEPENDENT AUDITOR'S REPORT

CREDIT AGRICOLE CIB (CHINA) LIMITED

Audited Financial Statements

31 December 2022

Important Notice

The attached financial statements have been translated from the statutory financial statements prepared in accordance with Chinese accounting standards for business enterprises established in the People's Republic of China. In the event of any inconsistency between the Chinese and English versions, the Chinese version shall prevail.

CREDIT AGRICOLE CIB (CHINA) LIMITED

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Auditors' Report

Ernst & Young Hua Ming (2023) Shen Zi No 61114184_B01
CREDIT AGRICOLE CIB (China) Limited

To the Board of Directors of CREDIT AGRICOLE CIB (China) Limited,

(I) Opinion

We have audited the financial statements of CREDIT AGRICOLE CIB (China) Limited (hereinafter referred to as “the Bank”), which comprise the balance sheets as at 31 December 2022, 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 aspects, the Bank’s financial position as at 31 December 2022 and the Bank’s 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 the Bank 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 the Bank 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 Bank’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the management either intends to liquidate the Bank or to cease operations or has no realistic alternative but to do so.

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

Auditors' Report (continued)

Ernst & Young Hua Ming (2023) Shen Zi No 61114184_B01
CREDIT AGRICOLE CIB (China) Limited

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

Auditors' Report (continued)

Ernst & Young Hua Ming (2023) Shen Zi No 61114184_B01
CREDIT AGRICOLE CIB (China) Limited

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

- (5) Evaluate the overall presentation, including the disclosures, 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.

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.

Zhou, Mingjun

Ernst & Young Hua Ming LLP,
Shanghai Branch

Chinese Certified Public Accountant

Jiang, Bei

Shanghai, the People's Republic of China

Chinese Certified Public Accountant

Apr 14th, 2023

<u>ASSETS:</u>	<u>Note 5</u>	<u>2022-12-31</u>	<u>2021-12-31</u>
Cash and due from the central bank	1	1,683,972,832	1,334,257,495
Due from financial institutions	2	874,479,257	734,454,230
Placements with financial institutions	3	4,312,393,697	9,427,806,014
Derivative financial assets	4	5,973,160,987	3,189,066,212
Reverse repurchase agreements	5	1,549,487,950	-
Loans and advances to customers	6	8,028,110,516	9,792,520,100
Financial investments:			
Financial assets held-for-trading	7	712,914,953	1,064,492,609
Debt instruments	8	4,538,685,487	6,042,586,409
Fixed assets	9	4,277,537	5,719,978
Right-of-use assets	10	40,789,475	52,193,299
Intangible assets	11	3,171,787	2,671,181
Deferred tax assets	12	155,790,468	36,755,385
Other assets	13	<u>254,629,553</u>	<u>113,436,063</u>
TOTAL ASSETS		<u>28,131,864,499</u>	<u>31,795,958,975</u>

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

<u>LIABILITIES:</u>	<u>Note 5</u>	<u>2022-12-31</u>	<u>2021-12-31</u>
Due to financial institutions	14	34,418,051	105,113,224
Placements from financial institutions	15	4,074,348,523	7,742,306,385
Derivative financial liabilities	4	6,602,424,847	3,160,942,447
Customer deposits	16	9,633,432,254	12,623,345,753
Payroll payables	17	62,585,139	62,015,606
Tax payables	18	99,845,347	28,586,241
Lease liabilities		41,918,041	54,572,725
Debt securities issued	19	-	684,773,080
Accrued liabilities	20	3,597,836	1,711,480
Other liabilities	21	<u>572,206,129</u>	<u>204,238,612</u>
TOTAL LIABILITIES		<u>21,124,776,167</u>	<u>24,667,605,553</u>
<u>SHAREHOLDERS' EQUITY:</u>			
Paid-in capital	22	6,296,000,000	6,296,000,000
Capital reserve	23	65,429,072	65,429,072
Surplus reserve	24	144,281,114	144,281,114
General reserve	25	367,414,758	367,414,758
Retained earnings	26	<u>133,963,388</u>	<u>255,228,478</u>
TOTAL SHAREHOLDERS' EQUITY		<u>7,007,088,332</u>	<u>7,128,353,422</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>28,131,864,499</u>	<u>31,795,958,975</u>

The financial statements have been signed by:

President

Vice President

Chief Financial Officer

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

	<u>Note 5</u>	<u>Year 2022</u>	<u>Year 2021</u>
OPERATING INCOME			
Interest income	27	694,079,915	805,922,604
Interest expense	27	<u>(404,833,255)</u>	<u>(484,949,109)</u>
Net interest income		289,246,660	320,973,495
Fee and commission income	28	216,138,995	124,772,109
Fee and commission expense	28	<u>(59,993,816)</u>	<u>(52,922,866)</u>
Net Fee and commission income		156,145,179	71,849,243
Investment income	29	(42,332,304)	(58,407,855)
Gains/(Losses) from changes in fair value	30	(50,467,221)	183,144,531
Foreign exchange gains		214,247,685	(9,795,635)
Other operating income	31	<u>41,764,570</u>	<u>32,736,975</u>
TOTAL OPERATING INCOME		<u>608,604,569</u>	<u>540,500,754</u>
OPERATING EXPENSE			
Tax and surcharges		(5,687,577)	(4,663,689)
General and administrative expenses	32	(364,636,823)	(330,011,472)
Credit impairment losses	33	<u>(290,688,113)</u>	<u>(21,290,842)</u>
TOTAL OPERATING EXPENSES		<u>(661,012,513)</u>	<u>(355,966,003)</u>
OPERATING (LOSS)/PROFIT		(52,407,944)	184,534,751
Non-operating income		756	172,018
Non-operating expenses		<u>(1,967,340)</u>	<u>(298,346)</u>
(LOSS)/PROFIT BEFORE TAX		(54,374,528)	184,408,423
Less: Income tax expenses	34	<u>28,103,644</u>	<u>(32,418,559)</u>
NET (LOSS)/PROFIT		<u>(26,270,884)</u>	<u>151,989,864</u>
TOTAL COMPREHENSIVE INCOME		<u>(26,270,884)</u>	<u>151,989,864</u>

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

	Paid-in Capital	Capital Reserve	Surplus Reserve	General Reserve	Retained Earnings	Total
1. Balance as at 1 January 2022	6,296,000,000	65,429,072	144,281,114	367,414,758	255,228,478	7,128,353,422
2. Movements during the year	-	-	-	-	(121,265,090)	(121,265,090)
(1) Total comprehensive income	-	-	-	-	(26,270,884)	(26,270,884)
(2) Profit distribution	-	-	-	-	(94,994,206)	(94,994,206)
1. Appropriation to surplus reserve	-	-	-	-	-	-
2. Appropriation to general reserve	-	-	-	-	-	-
3. Distribution to Shareholder	-	-	-	-	(94,994,206)	(94,994,206)
3. Balance as at 31 December 2022	6,296,000,000	65,429,072	144,281,114	367,414,758	133,963,388	7,007,088,332

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

	Paid-in Capital	Capital Reserve	Surplus Reserve	General Reserve	Retained Earnings	Total
1. Balance as at 31 December 2020	4,796,000,000	2,881,771	129,082,128	325,618,086	138,032,213	5,391,614,198
Changes in accounting policies- Impact of adopting IFRS9	-	-	-	-	22,202,059	22,202,059
2. Balance as at 1 January 2021	4,796,000,000	2,881,771	129,082,128	325,618,086	160,234,272	5,413,816,257
3. Movements during the year	1,500,000,000	62,547,301	15,198,986	41,796,672	94,994,206	1,714,537,165
(1) Total comprehensive income	-	-	-	-	151,989,864	151,989,864
(2) Capital invested by owner	1,500,000,000	62,547,301	-	-	-	1,562,547,301
1. Capital injection	1,500,000,000	-	-	-	-	1,500,000,000
2. Debt waived	-	62,547,301	-	-	-	62,547,301
(3) Profit distribution	-	-	15,198,986	41,796,672	(56,995,658)	-
1. Appropriation to surplus reserve	-	-	15,198,986	-	(15,198,986)	-
2. Appropriation to general reserve	-	-	-	41,796,672	(41,796,672)	-
4. Balance as at 31 December 2021	6,296,000,000	65,429,072	144,281,114	367,414,758	255,228,478	7,128,353,422

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

	<u>Note 5</u>	<u>Year 2022</u>	<u>Year 2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net increase in customer deposits and due to financial institutions		-	1,569,082,165
Net decrease statutory deposit reserve with the central bank	346,913,937		697,650,717
Net decrease in loans and advances to customers	1,476,616,528		-
Net decrease in due from financial institutions		-	48,722,880
Net decrease in placements with financial institutions	1,224,137,667		3,184,089,570
Net decrease in financial assets held-for-trading	373,074,771		505,499,236
Cash received from interest, service fee and commission	809,935,593		762,882,989
Cash received from other operating activities	<u>336,707,831</u>		<u>178,094,380</u>
Sub-total of cash inflows from operating activities		<u>4,567,386,327</u>	<u>6,946,021,937</u>
Net decrease in customer deposits and due to financial institutions	3,069,938,920		-
Net increase in due from financial institutions	229,971,543		-
Net increase in loans and advances to customers		-	846,798,430
Net decrease in placements from financial institutions	3,603,755,490		600,583,099
Payments made for interest, service fee and commission	424,273,672		435,680,487
Cash paid to and on behalf of employees	212,258,532		190,425,846
Cash paid for all types of taxes	41,012,063		89,006,882
Cash paid for other operating activities	<u>48,171,777</u>		<u>233,214,744</u>
Sub-total of cash outflows from operating activities		<u>7,629,381,997</u>	<u>2,395,709,488</u>
Net cash inflows from operating activities	35	<u>(3,061,995,670)</u>	<u>4,550,312,449</u>

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

	<u>Note 5</u>	<u>Year 2022</u>	<u>Year 2021</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash received from maturity of investments		7,781,989,280	5,127,033,021
Cash received from investment income		<u>144,770,835</u>	<u>181,698,487</u>
Sub-total of cash inflows from investing activities		<u>7,926,760,115</u>	<u>5,308,731,508</u>
Cash paid for purchase of fixed assets, intangible assets and other long term assets		5,501,580	9,876,385
Cash paid for investment		<u>5,938,711,833</u>	<u>6,551,593,049</u>
Sub-total of cash outflows from investing activities		<u>5,944,213,413</u>	<u>6,561,469,434</u>
Net cash outflows from investing activities		<u>1,982,546,702</u>	<u>(1,252,737,926)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash received from investment		-	1,500,000,000
Cash received from bond issuance		<u>494,177,500</u>	<u>682,656,900</u>
Sub-total of cash inflows from financing activities		<u>494,177,500</u>	<u>2,182,656,900</u>
Cash paid for debt repayment		1,176,834,400	778,926,800
Cash paid for attributable dividends		90,244,496	-
Cash paid for payment of interest		23,165,600	26,791,650
Other cash paid relating to financing activities		<u>16,249,348</u>	<u>11,893,365</u>
Subtotal of cash outflows from financing activities		<u>1,306,493,844</u>	<u>817,611,815</u>
Net cash inflows from financing activities		<u>(812,316,344)</u>	<u>1,365,045,085</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		<u>165,906,396</u>	<u>(85,643,363)</u>
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		(1,725,858,916)	4,576,976,245
Add: Cash and cash equivalents at beginning of the year		<u>6,615,522,040</u>	<u>2,038,545,795</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	36	<u>4,889,663,124</u>	<u>6,615,522,040</u>

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

1. GENERAL INFORMATION

CREDIT AGRICOLE CIB (China) Limited (hereinafter referred to as the "CA-CIB (China)" or the "Bank") was established as a wholly owned subsidiary of CRÉDIT AGRICOLE CIB LIMITED (hereinafter referred to as "CA-CIB") in the People's Republic of China.

China Banking and Insurance Regulatory Commission (hereinafter referred to as the "CBIRC") approved the application regarding the restructuring into a wholly foreign-owned subsidiary bank in China on 10 June 2008. CBIRC issued "certificate of approval of foreign banks" (Yin Jian Han [2009] No. 126) on 17 June 2009, approving the opening of the Bank.

The registered capital of the Bank was RMB3,000,000,000. The Bank obtained the license for conducting financial transaction from the CBIRC and its business license from State Administration for Industry and Commerce of the People's Republic of China. With the approval of the CBIRC, the registered capital of the Bank increased by RMB196,000,000, RMB1,600,000,000 and RMB 1,500,000,000 in 2014, 2019 and 2021 respectively, and the paid-in capital of the Bank was RMB6,296,000,000 after the capital injection.

2. Preparation basis of the financial statements

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

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

Statement of compliance with Accounting Standards for Business Enterprises

The financial statements present truly and completely the financial positions of the Bank as at 31 December 2022, and the financial performance and the cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

3. Significant accounting policies and estimates

The financial statements of the Bank are prepared based on the following significant accounting policies and estimates regulated by the Accounting Standards for Business Enterprises.

(1) Accounting year

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

(2) Functional currency

The Bank's functional and presentation currency is Renminbi ("RMB"). These financial statements are presented in RMB and all amounts are stated in RMB, unless otherwise stated.

(3) Cash and cash equivalents

Cash comprises the Bank's cash on hand and bank deposits that can be readily withdrawn on demand. Cash equivalents are short-term, highly liquid investments that are readily convertible into known amounts of cash, and are subject to an insignificant risk of changes in value.

(4) Foreign currency transactions

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

Foreign currency transactions are translated using the exchange rates ruling at the transaction date. Subsequent to initial recognition, monetary assets and liabilities denominated in foreign currencies are translated at the applicable exchange rates ruling at the balance sheet date. Non-monetary items measured at historical cost in a foreign currency are translated with the exchange rates ruling at the dates of the initial transactions.

3. Significant accounting policies and estimates (continued)

(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

A financial asset or a financial liability is recognised when the Bank becomes a party to the contractual provisions of the financial instrument.

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Bank's balance sheet) when:

- (i) the rights to receive cash flows from the financial assets have expired; or
- (ii) the Bank has transferred its rights to receive cash flows from the financial asset, and either (a) has transferred substantially all the risks and rewards of the financial asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the financial asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Purchases or sales of financial assets are recognised and derecognised, as applicable, using trade date accounting. Purchase or sale of financial assets represents a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned. The trade date is the date that the Bank committed to purchase or sell a financial asset.

Classification and measurement of financial assets

The Bank's financial assets are classified at initial recognition according to the Bank's corporate business model for managing financial assets and the contractual cash flow characteristics of the financial assets: financial assets at fair value through profit or loss, financial assets at amortized cost, and financial assets at fair value through other comprehensive income. All the related financial assets affected are reclassified when, and only when, the Bank changes the business model for managing the financial assets.

3. Significant accounting policies and estimates (continued)

(5) Financial instruments (continued)

Classification and measurement of financial assets (continued)

Financial assets are measured at fair value on initial recognition, but accounts receivable or notes receivable arising from the sale of goods or rendering of services that do not contain significant financing components or do not take into account financing components of less than one year are initially measured at transaction price.

For financial assets at fair value through profit or loss, the related transaction costs are charged directly to current profit or loss, and for other categories of financial assets related transaction costs are charged to their initial recognition amounts.

Subsequent measurement of financial assets are based on their classification:

Debt instruments at amortized cost

Financial assets are classified as financial assets carried at amortized cost if both of the following conditions are met: the business model for managing the financial asset is to collect the contractual cash flows; and the contractual terms of the financial asset provide that the cash flows arising on a specific date are solely payments of principal and interest based on the principal amount outstanding. Interest income is recognized on such financial assets using the effective interest method, with any gain or loss arising from derecognition, modification or impairment charged to current profit or loss.

Debt instruments at fair value through other comprehensive income

Financial assets are classified into financial assets at fair value through other comprehensive income when both of the following conditions are satisfied: The business model is to collect both the contractual cash flows and cash flows arising from the sale of assets; the cash flows on specific date are solely payments of principal and interest on the principal amount outstanding according to the agreement of the financial assets. Their interest income is recognized using the effective interest rate method. A gain or loss arising from a change in the fair value is recognized as other comprehensive income, except for interest income, credit impairment losses and foreign exchange gains or losses, which are recognized in profit or loss. The gain or loss recognized in other comprehensive income will be reversed and recognized in profit or loss when the financial assets are derecognized.

Financial assets at fair value through profit or loss

Financial assets other than financial assets at amortized cost and financial assets at fair value through other comprehensive income as described above are classified as financial assets at fair value through profit or loss. For such financial assets, fair value is used for subsequent measurement and all changes in fair value are recognized in profit or loss for the current period.

3. Significant accounting policies and estimates (continued)

(5) Financial instruments (continued)

Classification and measurement of financial liabilities

The Bank's financial liabilities are classified at initial recognition as: financial liabilities at fair value through profit or loss and financial liabilities at amortized cost. For financial liabilities at fair value through profit or loss, the related transaction costs are recognized directly in profit or loss, while for financial liabilities at amortized cost, the related transaction costs are recognized in their initial recognition amount.

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 that are financial liabilities) and financial liabilities designated as at fair value through profit or loss on initial recognition. Financial liabilities held for trading (including derivative instruments that are financial liabilities) are subsequently measured at fair value, with all changes in fair value recognized in profit or loss. For financial liabilities designated as at fair value through profit or loss, they are subsequently measured at fair value, with changes in fair value recognized in profit or loss, except for those arising from changes in the Bank's own credit risk, which are recognized in other comprehensive income; if the inclusion of changes in fair value arising from changes in the Bank's own credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss, the Bank recognizes all changes in fair value (including the amount of the effect of changes in its own credit risk) in profit or loss for the current period.

Financial liabilities at amortized cost

For such financial liabilities, the effective interest method is applied and the subsequent measurement is made at amortized cost.

Impairment of financial instruments

The Bank impairs financial assets measured at amortised cost, commitments and financial guarantee contracts on the basis of expected credit losses ("ECL") and recognises a loss allowance.

3. Significant accounting policies and estimates (continued)

(5) Financial instruments (continued)

Impairment of financial instruments (continued)

For receivables without significant financing components, the Bank applies a simplified measurement approach and measures the loss allowance at an amount equal to the ECL over the life of the asset.

Other than the financial assets, commitments and financial guarantee contracts are subject to the simplified approach, the Bank assesses at each balance sheet date whether there has been a significant increase in credit risk since initial recognition and, if there has been no significant increase in credit risk since initial recognition, the financial instruments are included in Stage I. The Bank measures the allowance for losses at an amount equal to the ECL over the next 12 months and calculates interest income based on the carrying amount and effective interest rate. If the credit risk has increased significantly since initial recognition, but no credit impairment has occurred, the financial instruments are included in Stage II, the Bank measures the allowance for losses at an amount equivalent to the ECL over the lifetime of the financial instruments, and calculates the interest income based on the carrying balance and the effective interest rate. If credit impairment occurs after initial recognition, the financial instruments are included in Stage III, the Bank measures the provision for loss at an amount equivalent to the ECL over the lifetime of the financial instruments, and calculates interest income at amortized cost and the effective interest rate.

At each balance sheet date, the Bank assesses whether the credit risk of the relevant financial instruments has increased significantly since initial recognition. The Bank compares the risk of a default occurring of a single financial instrument or a group of financial instruments with similar credit risk characteristics as at the balance sheet date with the risk of a default as at the date of initial recognition, to determine changes in the risk of a default occurring of the financial instrument in the expected lifetime. For financial instruments with only low credit risk at the balance sheet date, the Bank assumes that the credit risk has not increased significantly since initial recognition.

A financial asset becomes credit impaired when one or more events occur that have an adverse effect on the expected future cash flows of the financial asset.

When the Bank no longer has a reasonable expectation of recovering all or part of the contractual cash flows from a financial asset, the Bank writes down the carrying amount of the financial asset directly.

3. Significant accounting policies and estimates (continued)

(5) Financial instruments (continued)

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 recognised amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Financial guarantee contract

Financial guarantee contracts are those contracts that require issuer to pay a specified amount to the contract holder who has suffered a loss if a specified debtor is unable to pay its debt when due in accordance with the terms of the debt instruments. Financial guarantee contracts are measured at fair value on initial recognition, except for financial guarantee contracts designated as financial liabilities at fair value through profit or loss, which are subsequently measured at the higher of (i) the ECL determined at the balance sheet date and (ii) the amount initially recognised less accumulated amortization determined in accordance with the revenue recognition standards.

Derivative financial instruments

The Bank uses derivative financial instruments. Derivative financial instruments are initially measured at fair value at the date the derivative transaction contract is entered into and are subsequently measured at their fair value. A derivative financial instrument with a positive fair value is recognised as an asset and a negative fair value is recognised as a liability.

Gains or losses arising from changes in the fair value of derivatives are taken directly to current profit or loss, except when they relate to 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 has neither transferred nor retained substantially all the risks and rewards of the financial asset, it is treated as follows (i) If control over the financial asset is relinquished, the financial asset is derecognised and the resulting assets and liabilities are recognised, (ii) if control over the financial asset is not relinquished, the financial asset is recognised to the extent of its continuing involvement in the transferred financial asset and the related liabilities are recognised accordingly.

3. Significant accounting policies and estimates (continued)

(5) Financial instruments (continued)

Transfer of financial assets (continued)

Continuing involvement in a transferred financial asset is recognized to the extent of the lower of the carrying amount of the financial asset or the amount of the financial guarantee. The amount of the financial guarantee is the maximum amount of the consideration received that will be required to be repaid.

(6) Repurchase and reverse repurchase transactions

Securities and bills sold subject to repurchase agreements (“Repos”) continue to be recognised and are recorded as financial investments. The corresponding obligation is included in “Repurchase agreements”. Securities and bills purchased under agreements to re-sell (“Reverse repos”) are not recognised. The receivables are recorded as “Reverse repurchase financial assets”, as appropriate.

The difference between purchase and sale price is recognised as interest expense or interest income in the profit or loss over the life of the agreements using the effective interest method.

(7) Fixed assets

The fixed assets can be recognised 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 recognised as the cost of fixed assets when the recognition criteria set above is met, and the replaced carrying amount shall be derecognised. Otherwise, such expenditure is to be charged to the profit or loss 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 directly attributable expenditure for bringing the asset to working condition for its intended use.

Depreciation is charged to profit or loss on a straight-line basis. And the respective estimated useful lives, estimated residual values and annual depreciation rates of fixed assets are set by the Bank considering the nature and usage of fixed assets.

3. Significant accounting policies and estimates (continued)

(7) Fixed assets (continued)

	Estimated useful lives	Estimated residual value	Annual depreciation rate
Office equipment and office furniture	3-6 years	-	17-33%
Computers	3 years	-	33%

Residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate, at each balance sheet date.

(8) Intangible assets

The intangible assets can be recognised only when the economic benefits related to intangible assets are likely to flow into the Bank, and the cost of intangible assets can be measured reliably.

The useful life of intangible assets is determined according to the economic useful lives; those intangible assets with unforeseeable economic lives can be classified as intangible assets with infinite useful lives.

The Bank's intangible assets comprise computer software with a 3-year useful life.

For the intangible assets with finite useful lives, amortisation is charged to income statement on a straight line. The useful life and amortisation method for intangible assets with finite useful lives are reviewed at each balance sheet date, with proper adjustments made by the Bank when necessary.

3. Significant accounting policies and estimates (continued)

(9) Impairment of assets

For assets excluding deferred income tax and financial assets, the Bank assesses impairment of assets as follows:

The Bank assesses at each balance sheet date whether there is an indication that an asset may be impaired. If any such indication exists, the Bank makes an estimate of the asset's recoverable amount and performs impairment test.

An asset's recoverable amount is the higher of its fair value less costs to sell and the present value of estimated future cash flows discounted. The Bank estimates the recoverable amount on the basis of individual asset; while recoverable amount of the individual asset is hard to estimate, the Bank determined the recoverable amount of the asset group that the individual asset belongs to. The recognition of the asset group is based on whether the main cash inflows to asset group are independent of other assets or asset group of the cash inflows.

If the recoverable amount of an asset or asset group is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount by the Bank. The reduction is recognised as an impairment loss and recognised in the income statement for the current period. A provision for impairment loss of the asset is made accordingly.

Once an impairment loss is recognised, it shall not be reversed in a subsequent accounting period.

(10) Employee benefits

Employee benefits refer to all forms of consideration given and other related expenditure incurred by the Bank in exchange for services rendered by employees or termination of employment. Employee benefits include short-term salary and post-employment benefit. The benefits that the Bank provides to the spouse, children, and dependent of employees, survivors of deceased employee and other beneficiaries also belong to employee benefits.

Post-employment benefit (defined contribution plans)

The Bank made contributions to social pension insurance schemes separately administered by the local government authorities. Contributions to these plans are recognised in the cost of corresponding assets or the income statement of the current period as incurred.

3. Significant accounting policies and estimates (continued)

(11) 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 not probable that an outflow of economic resources will be required, or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised as a provision but is disclosed in the notes to the financial statements.

(12) Accrued liabilities

An obligation related to a contingency is recognised as accrued liabilities when all of the following conditions are satisfied:

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

The accrued liabilities are initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. The Bank reviews the carrying amount of the accrued liabilities at each balance sheet date. When there is clear evidence that the carrying amount does not reflect the current best estimate, the carrying amount is adjusted to the current best estimate.

Off-balance sheet commitments that are subsequently measured with expected credit losses are listed in estimated liabilities.

3. Significant accounting policies and estimates (continued)

(13) Revenue from contracts with customers

The Bank recognises revenue when it has fulfilled its performance obligations under the contract, that is, when the customer obtains control of the relevant goods or services. The acquisition of control of the relevant goods or services is defined as the ability to dominate the use of the goods or the provision of the services and to derive substantially all the economic benefits therefrom.

Interest income and expense

“Interest income” and “Interest expense” item in the income statement represent interest income and expense arising from financial assets measured at amortised cost and financial liabilities measured at amortised cost, etc. recognised under the effective interest method.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the accounting periods. The effective interest rate is the rate used to discount the estimated future cash flows of a financial asset or financial liability through its expected life to the carrying amount of the financial asset or the amortised cost of the financial liability. In determining the effective interest rate, the Bank estimates the expected cash flows considering all contractual terms of the financial asset or financial liability but does not take into account ECL. Fees, transaction costs and premiums or discounts paid or received by the Bank that are an integral part of the effective interest rate are taken into account in determining the effective interest rate.

For financial assets acquired or originated with credit impairment, the Bank determines interest income from initial recognition based on the amortised cost of the financial assets and the credit-adjusted effective interest rate. The credit-adjusted effective interest rate is the rate that discounts the estimated future cash flows through the expected life of an acquired or originated financial asset that is credit impaired to the amortised cost of that financial asset.

For financial assets acquired or originated that are not credit impaired but become credit impaired in a subsequent period, the Bank determines interest income in the subsequent period based on the amortised cost of the financial asset and the effective interest rate.

Fee and commission income

The Bank receives fees and commissions for the provision of various services to customers. The fees and commissions charged for services rendered within a certain period are recognized in accordance with the progress of performance within the respective period, while other fees and commissions are recognized upon completion of the relevant transactions.

3. Significant accounting policies and estimates (continued)

(14) Government subsidies

Government subsidies will be recognised if the Bank can receive government subsidies and meet the conditions attached to government subsidies. If government subsidies are monetary assets, they shall be measured in the light of the amount received or receivable. If a government subsidy is a non-monetary asset, it shall be measured at its fair value; and if its fair value cannot be obtained in a reliable way, it shall be measured at a nominal amount. Government subsidies associated with income which are used as compensation for future costs, expenses or losses are recognized as deferred expenditures and shall be recorded in future profits and losses to reverse the related costs where the relevant costs, expenses or losses are recognized. Government subsidies associated with income which are used to compensate the related costs, expenses or losses incurred by the Bank are directly included in current profit and loss or used to reverse the related costs. Government subsidies associated with assets shall set off the book value of related assets or be recognized as deferred expenditures. Government subsidies related to assets are recognized as deferred expenditures to be distributed over the useful lives of the relevant assets and shall be recorded in the profit or loss by stages in a reasonable and systematic manner. Government subsidies measured in nominal amounts, shall be directly recognized in current profits and losses. Where relevant assets are sold, transferred, scrapped or damaged before the end of their lives, balance of the unallocated deferred expenditures shall be recognized in current profit and loss on asset disposal.

(15) Deferred income tax

Deferred income tax is provided, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Temporary differences also include the differences between the book values and tax bases of items not recognised as assets or liabilities where the tax base can be determined according to the relevant tax regulations.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- (i) Where the taxable temporary difference arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction which contains both of the following characteristics: (i) it is not a business combination and (ii) at the time of the transaction it affects neither the accounting profit nor taxable profit or deductible loss;

3. Significant accounting policies and estimates (continued)

(15) Deferred income tax (continued)

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused deductible tax losses and unused tax credits, 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:

- (i) Where the deductible temporary difference arises from a transaction that is not a business combination, and, at the time of the transaction, it affects neither the accounting profit nor taxable profit or loss;

At the balance sheet date, deferred income tax assets and liabilities are measured by the Bank at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, according to the requirements of tax laws, and reflect the corresponding tax effect.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset when fulfilling of the following conditions:

- (i) A legally enforceable right exists to set off current tax assets against current tax liabilities.
- (ii) The deferred tax assets and deferred tax liabilities are related to the income tax levied on the same taxpayer by the same tax administrative department or are related to different taxpayers but, within each future period of reversal of important deferred tax assets and deferred tax liabilities, the taxpayers involved intend to settle current tax assets and current tax liabilities or acquire assets and liquidate liabilities at the same time.

3. Significant accounting policies and estimates (continued)

(16) Leases

The Bank assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As lessee

In addition to short-term leases and low-value asset leases, the Bank recognises lease liabilities and right-of-use assets.

Right-of-use assets

The right-of-use assets of the Bank mainly include property.

At the commencement date of the lease, the Bank recognises right-of-use assets. Right-of-use assets are initially measured at cost. The cost of the right-of-use assets comprises: (i) the amount of the initial measurement of the lease liabilities; (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.

3. Significant accounting policies and estimates (continued)

(16) Leases (continued)

As lessee (continued)

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. In calculating the present value of the lease payments, the Bank uses the interest rate implicit in the lease as the discount rate; if the interest rate implicit in the lease cannot be determined, the lessee's incremental borrowing interest rate is used as the discount rate. The Bank calculates the interest expenses of the lease liabilities in each period during the lease term using the constant periodic rate of interest, and recognises such interest expenses in profit or loss, 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.

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. If there is a change on actual fixed payment, expected payable of guaranteed residual value, the index or rate used to calculate the lease payment, purchase option, the assessment of option to extend the lease, option to terminate the lease or actual option exercise situation, the Bank will recalculate the lease liabilities at the present value of the lease payments based changes occurred.

Short-term leases and leases of low-value assets

The Bank does not recognise the right-of-use assets and lease liabilities for short-term leases (leases with a lease term not exceeding 12 months) and low-value assets. The Bank recognises lease payments on short-term leases and leases of low-value assets in the costs of the related asset or profit or loss on a straight-line basis over the lease term.

3. Significant accounting policies and estimates (continued)

(17) Fair value measurement

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.

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

At the end of the balance sheet date, the Bank estimates assets and liabilities again which are measured at fair value on a recurring basis as to confirm whether there is transfer between different levels of the fair value hierarchy.

The Bank manages financial assets and financial liabilities on the basis of market risk and credit risk exposure. Therefore, the financial assets and financial liabilities are measured by prices in current market transactions.

(18) Significant accounting judgment and estimates

The preparation of financial statements requires management to make judgments and estimates. These judgments and estimates will affect the reported amounts of income, expenses, assets and liabilities and their disclosures, as well as the disclosure of contingent liabilities on the balance sheet date. However, the results resulting from the uncertainty of these estimates may cause significant adjustments to the carrying amounts of assets or liabilities that will be affected in the future.

Business model

Financial assets are initially classified based on the Bank's business model for managing the financial assets. The Bank judges the business model, with the consideration of enterprise evaluation, the reporting mode to key management, related risk and corresponding risk management method of financial assets performance, and the reward system of related business personnel. The Bank analyses and judges the reason, timing, frequency and value of selling financial assets before maturity date when judging whether the business model is to collect contractual cash flows or not.

3. Significant accounting policies and estimates (continued)

(18) Significant accounting judgment and estimates (continued)

Characteristics of the contractual cash flows

The classification of a financial asset at initial recognition depends on the contractual cash flow characteristics of the financial asset and requires a judgement as to whether the contractual cash flows are solely payments of principal and interest based on the principal outstanding, whether there is a significant difference between the time value of money and the benchmark cash flows when including a correction to the time value of money, whether the fair value of the early repayment feature is very small for financial assets that include an early repayment feature, etc. The fair value of the early repayment feature is very small, etc.

Impairment of financial instruments

The Bank uses the expected credit loss model to evaluate the impairment of financial instruments. Applying the expected credit loss model need to make significant judgment and estimates with consideration of all reasonable information with proper basis, including the forward-looking information. When making those judgment and estimates, the Bank deduces the expected changes of obligor's credit risk with consideration of the historical repayment data combined with the economic policy, macroeconomic indicators, industry risk and etc. Different estimates may affect the impairment provision. The provision for impairment may not equal amount of impairment losses in the future.

Deferred income 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 utilised. 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.

4. Taxes

The major categories of tax applicable to the Bank and the respective tax rates for the current financial year are as follows:

Value-added tax	–Calculate output tax based on 6% of taxable revenue and the Bank pay the Value-added tax according to the difference between the input tax deductible and the output tax.
City construction tax	–Based on 7% of turnover taxes paid
Educational surcharge	–Based on 3% of turnover taxes paid
Local Educational Surcharge	–Based on 2% of turnover taxes paid
Corporate income tax	–The Bank is subjected to a corporate tax rate of 25%.

5. Notes to financial statements

(1) Cash and due from the central bank

	31-12-2022	31-12-2021
Cash on hand	113,935	156,655
Statutory deposit reserve with the central bank - RMB	673,101,313	961,831,622
Statutory deposit reserve with the central bank - FCY	40,956,540	141,246,810
Excess reserve with the central bank	927,346,047	230,487,975
Foreign exchange risk reserve with the central bank	42,106,642	-
Interest receivable	<u>378,491</u>	<u>534,433</u>
Sub-total	<u>1,684,002,968</u>	<u>1,334,257,495</u>
Less: Credit loss provision (Note i)	<u>(30,136)</u>	<u>-</u>
Total	<u><u>1,683,972,832</u></u>	<u><u>1,334,257,495</u></u>

5. Notes to financial statements (continued)

(1) Cash and due from the central bank (continued)

The Bank places statutory deposit reserves with the People's Bank of China (PBOC) in accordance with relevant regulations issued by it. The required statutory deposit reserve ratios are 6% (2021: 9%) of the balance of customer deposits denominated in foreign currencies, and 7.5% (2021: 8%) of the balance of customer deposits denominated in RMB.

Since 10 October 2020, the ratio of foreign exchange risk reserve was adjusted to zero by PBOC. In accordance with relevant regulations of PBOC, starting from 28 September 2022, the Bank is required to place foreign exchange risk reserve with PBOC basing on 20% of the nominal value of all forward RMB sale derivative contracts.

Note i: Credit loss provision represented the provision for impairment measured according to 12-month ECL. As at 31 December 2022 and 31 December 2021, the Bank classified all statutory deposit reserve with the central bank into Stage I, and measured the impairment losses based on ECL in the next 12 months.

(2) Due from financial institutions

	31-12-2022	31-12-2021
Due from domestic financial institutions	796,653,048	525,695,742
Due from overseas financial institutions	<u>78,217,296</u>	<u>209,807,526</u>
Sub-total	<u>874,870,344</u>	<u>735,503,268</u>
Less: Credit loss provision (Note i)	<u>(391,087)</u>	<u>(1,049,038)</u>
Net amount of due from financial institutions	<u>874,479,257</u>	<u>734,454,230</u>

Note i: Credit loss provision represented the provision for impairment measured according to 12-month ECL. As at 31 December 2022 and 31 December 2021, the Bank classified all due from financial institutions into Stage I, and measured the impairment losses based on ECL in the next 12 months.

5. Notes to financial statements (continued)

(3) Placements with financial institutions

	31-12-2022	31-12-2021
Placements with domestic financial institutions	3,380,895,081	7,343,451,248
Placements with overseas financial institutions	922,813,400	2,065,554,700
Interest receivable	<u>15,656,975</u>	<u>32,958,610</u>
Sub-total	<u>4,319,365,456</u>	<u>9,441,964,558</u>
Less: Credit loss provision (Note i)	<u>(6,971,759)</u>	<u>(14,158,544)</u>
Net amount of placements with financial institutions	<u>4,312,393,697</u>	<u>9,427,806,014</u>

Note i: Credit loss provision represented the provision for impairment measured according to 12-month ECL. As at 31 December 2022 and 31 December 2021, the Bank classified all placements with financial institutions into Stage I, and measured the impairment losses based on ECL in the next 12 months.

(4) Derivative financial instruments

A derivative is a financial instrument, the value of which is derived from the value of another “underlying” financial instrument, an index or some other variables. Typically, an “underlying” financial instrument is a share, commodity or bond price, an index value or an exchange or interest rate. The Bank uses derivative instruments such as forwards, swaps and options.

The notional amount of a derivative represents the amount of underlying asset upon which the value of the derivative is based. It indicates the unsettled volume of business transaction at the balance sheet date. The amount of underlying asset reflects the risk exposure of derivative at the end of accounting period other than fair value.

5. Notes to financial statements (continued)

(4) Derivative financial instruments (continued)

The notional amount and fair value of the Bank's derivative instruments are as follows:

31-12-2022

	Notional Amount	Fair Value	
		Assets	Liabilities
Foreign exchange contracts			
Options	323,691,527,265	2,061,007,747	(1,992,895,435)
Swaps	272,114,417,650	3,099,377,610	(2,979,729,136)
Forwards	19,763,857,414	296,270,603	(302,059,786)
Cross-currency swaps	7,059,757,906	109,510,142	(143,812,728)
Sub-total	622,629,560,235	5,566,166,102	(5,418,497,085)
Less: Credit loss provision	-	(2,898,831)	-
Net amount of foreign exchange contracts	622,629,560,235	5,563,267,271	(5,418,497,085)
Interest rate swaps	125,554,370,880	379,338,396	(375,124,445)
Sub-total	125,554,370,880	379,338,396	(375,124,445)
Less: Credit loss provision	-	(167,586)	-
Net amount of interest rate contracts	125,554,370,880	379,170,810	(375,124,445)
Other contracts			
Non-deliverable forwards	2,612,102,710	14,009,612	(14,033,515)
Others	6,108,305,867	16,797,280	(794,769,802)
Sub-total	8,720,408,577	30,806,892	(808,803,317)
Less: Credit loss provision	-	(83,986)	-
Net amount of other contracts	8,720,408,577	30,722,906	(808,803,317)
Total	756,904,339,692	5,973,160,987	(6,602,424,847)

5. Notes to financial statements (continued)

(4) Derivative financial instruments (continued)

The notional amount and fair value of the Bank's derivative instruments are as follows (continued):

31-12-2021

	Notional Amount	Fair Value	
		Assets	Liabilities
Foreign exchange contracts			
Swaps	249,135,278,839	1,617,781,952	(1,502,693,203)
Options	245,974,456,314	945,919,585	(609,318,726)
Forwards	16,164,913,527	131,607,058	(173,629,394)
Cross-currency swaps	2,969,872,734	38,221,645	(20,814,667)
Sub-total	514,244,521,414	2,733,530,240	(2,306,455,990)
Less: Credit loss provision	-	(3,123,133)	-
Net amount of foreign exchange contracts	514,244,521,414	2,730,407,107	(2,306,455,990)
Interest rate swaps	89,668,667,402	439,692,842	(435,971,960)
Sub-total	89,668,667,402	439,692,842	(435,971,960)
Less: Credit loss provision	-	(101,205)	-
Net amount of interest rate contracts	89,668,667,402	439,591,637	(435,971,960)
Other contracts			
Non-deliverable forwards	3,007,510,770	15,678,937	(15,717,559)
Others	1,720,159,716	3,460,032	(402,796,938)
Sub-total	4,727,670,486	19,138,969	(418,514,497)
Less: Credit loss provision	-	(71,501)	-
Net amount of other contracts	4,727,670,486	19,067,468	(418,514,497)
Total	608,640,859,302	3,189,066,212	(3,160,942,447)

5. Notes to financial statements (continued)

(5) Reverse repurchase agreements

(5.1) Analysis by counterparty

	31-12-2022	31-12-2021
Non-bank financial institutions	899,350,000	-
Commercial banks	<u>649,740,000</u>	<u>-</u>
Sub-total	<u>1,549,090,000</u>	<u>-</u>
Interest receivable	<u>397,950</u>	<u>-</u>
Total	<u><u>1,549,487,950</u></u>	<u><u>-</u></u>

(5.2) Analysis by security type

	31-12-2022	31-12-2021
Government bonds	1,462,140,000	-
Policy bank bonds	<u>86,950,000</u>	<u>-</u>
Sub-total	<u>1,549,090,000</u>	<u>-</u>
Interest receivable	<u>397,950</u>	<u>-</u>
Total	<u><u>1,549,487,950</u></u>	<u><u>-</u></u>

Credit loss provision represented the provision for impairment measured according to 12-month ECL. As at 31 December 2022, the Bank classified all reverse repurchase agreements into Stage I, and measured the impairment losses based on ECL in the next 12 months.

5. Notes to financial statements (continued)

(6) Loans and advances to customers

(6.1) Distribution of loans and advances by corporate

	31-12-2022	31-12-2021
Corporate loans and advances		
- Loans	6,786,086,836	8,139,837,197
- Trade financing loan	1,661,678,490	1,822,303,292
- Bills discounted	<u>47,716,182</u>	<u>9,957,547</u>
Total amount of loans and advances	<u>8,495,481,508</u>	<u>9,972,098,036</u>
Interest receivable	<u>15,941,101</u>	<u>21,515,834</u>
Total	<u>8,511,422,609</u>	<u>9,993,613,870</u>
Less: Credit loss provision	<u>(483,312,093)</u>	<u>(201,093,770)</u>
Net value of loans and advances to customers	<u>8,028,110,516</u>	<u>9,792,520,100</u>

5. Notes to financial statements (continued)

(6) Loans and advances to customers (continued)

(6.2) Distribution of loans and advances to customers by industry

	31-12-2022		31-12-2021	
	Amount	%	Amount	%
Manufacturing	4,419,735,884	51	5,632,822,298	56
Finance	1,653,289,871	19	1,201,563,566	12
Wholesale and retail	1,580,847,630	19	2,526,777,117	25
Leasing and business services	449,772,097	5	59,957,547	1
Real estate	217,146,114	3	323,827,313	3
Transport, storage and communications	153,952,412	2	138,652,500	1
Telecommunication, software and information technology	20,737,500	1	20,947,500	-
Agriculture, forestry, animal husbandry and fishery service	-	-	39,550,195	1
Scientific research and technical service	-	-	28,000,000	1
Total amount of loans and advances	<u>8,495,481,508</u>	<u>100</u>	<u>9,972,098,036</u>	<u>100</u>
Interest receivable	<u>15,941,101</u>		<u>21,515,834</u>	
Total	<u>8,511,422,609</u>		<u>9,993,613,870</u>	
Less: Credit loss provision	<u>(483,312,093)</u>		<u>(201,093,770)</u>	
Net value of loans and advances	<u>8,028,110,516</u>		<u>9,792,520,100</u>	

5. Notes to financial statements (continued)

(6) Loans and advances to customers (continued)

(6.3) Distribution of loans and advances to customers by geographical region

	31-12-2022		31-12-2021	
	Amount	%	Amount	%
East	5,440,758,201	64	6,680,484,654	67
South	2,002,083,658	24	1,665,901,284	17
North	955,139,649	11	766,094,387	8
Southwest	97,500,000	1	701,303,426	7
Northwest	-	-	158,314,285	1
Total amount of loans and advances	<u>8,495,481,508</u>	<u>100</u>	<u>9,972,098,036</u>	<u>100</u>
Interest receivable	<u>15,941,101</u>		<u>21,515,834</u>	
Less: Credit loss provision	<u>(483,312,093)</u>		<u>(201,093,770)</u>	
Net value of loans and advances	<u>8,028,110,516</u>		<u>9,792,520,100</u>	

(6.4) Loans and advances to customers by type of collateral or guarantee

	31-12-2022	31-12-2021
Unsecured loans	4,208,420,272	5,164,557,909
Guaranteed loans	2,453,773,731	2,760,360,306
Secured by pledges	1,452,850,966	2,009,679,821
Secured by mortgages	<u>380,436,539</u>	<u>37,500,000</u>
Total amount of loans and advances	<u>8,495,481,508</u>	<u>9,972,098,036</u>
Interest receivable	<u>15,941,101</u>	<u>21,515,834</u>
Less: Credit loss provision	<u>(483,312,093)</u>	<u>(201,093,770)</u>
Net value of loans and advances	<u>8,028,110,516</u>	<u>9,792,520,100</u>

5. Notes to financial statements (continued)

(6) Loans and advances to customers (continued)

(6.5) Overdue loans (without deducting loss provision)

	31-12-2022				Total
	Overdue 1 day to 90 days (inclusive)	Overdue 90 days to 360 days (inclusive)	Overdue 360 days to 3 years (inclusive)	Overdue 3 years above	
Secured by pledges	-	400,000,000	-	-	400,000,000
Total	-	400,000,000	-	-	400,000,000

The overdue loan is all or part of principal or interest has been overdue. The Bank has no overdue loan as of 31 December 2021.

(6.6) Credit loss provision

	2022			Total
	Stage I	Stage II	Stage III	
	Expected credit impairment (next 12 months)	Expected credit impairment (entire duration)	Incurred credit impairment (entire duration)	
Opening balance	196,444,385	4,649,385	-	201,093,770
Amount on Opening balance				
Transfer to Stage II	(4,703,071)	4,703,071	-	-
Transfer to Stage III	-	-	-	-
Transfer back to Stage II	-	-	-	-
Transfer back to Stage I	3,858,381	(3,858,381)	-	-
(Reverse)/ Charge during the year	(102,259,676)	(4,121,222)	388,000,000	281,619,102
Exchange losses	599,221	-	-	599,221
Closing balance	93,939,240	1,372,853	388,000,000	483,312,093

	2021			Total
	Stage I	Stage II	Stage III	
	Expected credit impairment (next 12 months)	Expected credit impairment (entire duration)	Incurred credit impairment (entire duration)	
Opening balance	182,559,184	-	-	182,559,184
Amount on Opening balance				
Transfer to Stage II	(3,960,885)	3,960,885	-	-
Transfer to Stage III	-	-	-	-
Transfer back to Stage II	-	-	-	-
Transfer back to Stage I	-	-	-	-
Charge during the year	17,846,086	688,500	-	18,534,586
Closing balance	196,444,385	4,649,385	-	201,093,770

5. Notes to financial statements (continued)

(6) Loans and advances to customers (continued)

(6.6) Credit loss provision (continued)

The Bank classified loans and advances to customers into Stage I, Stage II and Stage III, measured the impairment losses based on ECL in the next 12 months, during the entire duration, and incurred credit impairment respectively.

(7) Financial investments: Financial assets held-for-trading

	31-12-2022	31-12-2021
Government bonds	<u>712,914,953</u>	<u>1,064,492,609</u>

(8) Financial investments: Debt instruments

	31-12-2022	31-12-2021
Government bonds	2,396,035,537	1,711,094,648
Financial bonds issued by other financial institutions	360,041,343	210,000,000
Asset-backed security	<u>1,742,650,000</u>	<u>4,086,900,500</u>
Sub-total	<u>4,498,726,880</u>	<u>6,007,995,148</u>
Interest receivable	<u>43,786,175</u>	<u>36,483,698</u>
Less: Credit loss provision (Note i)	<u>(3,827,568)</u>	<u>(1,892,437)</u>
Total	<u><u>4,538,685,487</u></u>	<u><u>6,042,586,409</u></u>

Note i: As of 31 December 2022 and 31 December 2021, the Bank classified all financial investments: debt instruments into Stage I and measured the impairment losses based on ECL in the next 12 months.

5. Notes to financial statements (continued)

(9) Fixed assets

	Office equipment	Computers	Total
Cost:			
At 1 January 2021	6,672,689	20,676,709	27,349,398
Additions	769,767	1,882,623	2,652,390
Disposals	<u>(1,093,633)</u>	<u>-</u>	<u>(1,093,633)</u>
At 31 December 2021 and 1 January 2022	<u>6,348,823</u>	<u>22,559,332</u>	<u>28,908,155</u>
Additions	240,185	1,594,268	1,834,453
Disposals	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2022	<u>6,589,008</u>	<u>24,153,600</u>	<u>30,742,608</u>
Accumulated depreciation:			
At 1 January 2021	5,736,294	14,799,997	20,536,291
Additions	470,167	3,275,352	3,745,519
Disposals	<u>(1,093,633)</u>	<u>-</u>	<u>(1,093,633)</u>
At 31 December 2021 and 1 January 2022	<u>5,112,828</u>	<u>18,075,349</u>	<u>23,188,177</u>
Additions	376,457	2,900,437	3,276,894
Disposals	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2022	<u>5,489,285</u>	<u>20,975,786</u>	<u>26,465,071</u>
Net book value:			
At 31 December 2022	<u>1,099,723</u>	<u>3,177,814</u>	<u>4,277,537</u>
At 31 December 2021	<u>1,235,995</u>	<u>4,483,983</u>	<u>5,719,978</u>

5. Notes to financial statements (continued)

(10) Right-of-use assets

	Properties
Cost:	
At 1 January 2021	16,829,077
Additions	47,574,331
Disposals	<u>(2,261,505)</u>
At 31 December 2021 and 1 January 2022	<u>62,141,903</u>
Additions	1,555,717
Disposals	<u>(265,730)</u>
At 31 December 2022	<u>63,431,890</u>
Accumulated depreciation:	
At 1 January 2021	-
Accrual	12,210,109
Reversal	<u>(2,261,505)</u>
At 31 December 2021 and 1 January 2022	<u>9,948,604</u>
Accrual	12,959,541
Reversal	<u>(265,730)</u>
At 31 December 2022	<u>22,642,415</u>
Net book value:	
At 31 December 2022	<u>40,789,475</u>
At 31 December 2021	<u>52,193,299</u>

5. Notes to financial statements (continued)

(11) Intangible assets

	Software	Projects under construction	Total
Cost:			
At 1 January 2021	16,485,810	1,914,811	18,400,621
Additions	563,863	-	563,863
Transfer in	1,914,811	-	1,914,811
Transfer out	-	(1,914,811)	(1,914,811)
At 31 December 2021 and 1 January 2022	<u>18,964,484</u>	<u>-</u>	<u>18,964,484</u>
Additions	320,703	1,537,736	1,858,439
Transfer in	-	-	-
Transfer out	-	-	-
At 31 December 2022	<u>19,285,187</u>	<u>1,537,736</u>	<u>20,822,923</u>
Accumulated amortisation:			
At 1 January 2021	15,032,856	-	15,032,856
Additions	1,260,447	-	1,260,447
Transfer out	-	-	-
At 31 December 2021 and 1 January 2022	<u>16,293,303</u>	<u>-</u>	<u>16,293,303</u>
Additions	1,357,833	-	1,357,833
Transfer out	-	-	-
At 31 December 2022	<u>17,651,136</u>	<u>-</u>	<u>17,651,136</u>
Net book value			
At 31 December 2022	<u><u>1,634,051</u></u>	<u><u>1,537,736</u></u>	<u><u>3,171,787</u></u>
At 31 December 2021	<u><u>2,671,181</u></u>	<u><u>-</u></u>	<u><u>2,671,181</u></u>

5. Notes to financial statements (continued)

(12) Deferred tax assets

Year 2022

Deferred tax assets	31-12-2021	Credited/ (Charged) to profit or loss	31-12-2022
Credit impairment and provisions	11,082,337	88,168,484	99,250,821
Amortization expenses for intangible assets	505,054	(165,883)	339,171
Changes in fair value of derivatives	4,821,128	14,482,837	19,303,965
Changes in fair value of financial investments -financial assets held-for-trading	975,329	(1,464,034)	(488,705)
Accrued expenses	19,371,537	17,731,538	37,103,075
Lease	-	282,141	282,141
Total	36,755,385	119,035,083	155,790,468

Year 2021

Deferred tax assets	31-12-2020	Impact of adopting IFRS9	1-1-2021	Credited/ (Charged) to profit or loss	31-12-2021
Credit impairment and provisions	15,283,563	(7,400,687)	7,882,876	3,199,461	11,082,337
Amortization expenses for intangible assets	(749,873)	-	(749,873)	1,254,927	505,054
Changes in fair value of derivatives	54,229,111	-	54,229,111	(49,407,983)	4,821,128
Changes in fair value of financial investments -financial assets held-for-trading	(2,646,521)	-	(2,646,521)	3,621,850	975,329
Accrued expenses	3,603,039	-	3,603,039	15,768,498	19,371,537
Deferred income	7,600,503	-	7,600,503	(7,600,503)	-
Total	77,319,822	(7,400,687)	69,919,135	(33,163,750)	36,755,385

5. Notes to financial statements (continued)

(13) Other assets

	Notes	31-12-2022	31-12-2021
Other receivables	(13.1)	199,574,549	67,382,949
Operating lease improvements		8,131,845	9,186,531
Prepaid corporate income tax		-	33,362,254
Others		<u>60,860,428</u>	<u>3,683,947</u>
Sub-total		<u>268,566,822</u>	<u>113,615,681</u>
Less: Credit loss provision		<u>(13,937,269)</u>	<u>(179,618)</u>
Total		<u><u>254,629,553</u></u>	<u><u>113,436,063</u></u>

(13.1) Other receivables

	31-12-2022	31-12-2021
Receivable to related parties (Note 11.2)	100,073,127	35,923,516
Option Premium receivables	43,318,163	13,746,018
Market-to-market margin	41,611,262	5,888,189
Fee and commission receivables	4,176,603	627,879
Others	<u>10,395,394</u>	<u>11,197,347</u>
Total	<u><u>199,574,549</u></u>	<u><u>67,382,949</u></u>

(14) Due to financial institutions

	31-12-2022	31-12-2021
Due to overseas financial institutions	22,873,481	101,365,431
Due to domestic financial institutions	<u>11,544,570</u>	<u>3,747,793</u>
Total	<u><u>34,418,051</u></u>	<u><u>105,113,224</u></u>

5. Notes to financial statements (continued)

(15) Placements from financial institutions

	31-12-2022	31-12-2021
Placements from overseas banks	4,000,031,326	7,603,786,816
Interest payable	<u>74,317,197</u>	<u>138,519,569</u>
Total	<u>4,074,348,523</u>	<u>7,742,306,385</u>

(16) Customer deposits

	31-12-2022	31-12-2021
Time deposits	5,806,137,620	10,707,023,558
Demand deposits	3,811,076,279	1,909,024,234
Margin deposits	31,304	441,158
Interest payable	<u>16,187,051</u>	<u>6,856,803</u>
Total	<u>9,633,432,254</u>	<u>12,623,345,753</u>

5. Notes to financial statements (continued)

(17) Payroll payables

	31-12-2022	31-12-2021
Salary, bonus, subsidy and allowance	58,791,968	59,012,278
Social insurance	2,899,012	2,316,446
Defined contribution plan	893,555	686,283
Of which:		
Pension fund	866,452	663,386
Unemployment insurance	27,103	22,897
Labor union expenditure and staff education fee	<u>604</u>	<u>599</u>
Total	<u>62,585,139</u>	<u>62,015,606</u>
Staff costs (Note 5. 32)	31-12-2022	31-12-2021
Salary, bonus, subsidy and allowance	185,861,819	181,890,071
Defined contribution plan	10,438,032	8,521,482
Of which:		
Pension fund	10,114,888	8,248,473
Unemployment insurance	323,144	273,009
Social insurance	7,947,823	6,857,182
Housing fund	4,602,682	3,960,856
Labor union expenditure and staff education fee	<u>3,977,709</u>	<u>3,535,016</u>
Total	<u>212,828,065</u>	<u>204,764,607</u>

5. Notes to financial statements (continued)

(18) Tax payables

	31-12-2022	31-12-2021
Corporate income tax payable	69,708,734	-
Unpaid Value-added tax	14,861,870	8,337,209
Others	<u>15,274,743</u>	<u>20,249,032</u>
Total	<u>99,845,347</u>	<u>28,586,241</u>

(19) Debt securities issued

	31-12-2022	31-12-2021
Negotiable certificates of deposit	<u>-</u>	<u>684,773,080</u>

(20) Accrued liabilities

As of 31 December 2022, all the Bank's accrued liabilities are credit impairment losses of off-balance-sheet assets, and the movements are as follows:

	2022			Total
	Stage I	Stage II	Stage III	
	Expected credit impairment (next 12 months)	Expected credit impairment (entire duration)	Incurred credit impairment (entire duration)	
Opening balance	1,711,480	-	-	1,711,480
Amount on Opening balance				
Transfer to Stage II	(11,704)	11,704	-	-
Transfer to Stage III	-	-	-	-
Transfer back to Stage II	-	-	-	-
Transfer back to Stage I	-	-	-	-
Charge during the year	1,732,120	71,822	-	1,803,942
Exchange losses	<u>82,414</u>	<u>-</u>	<u>-</u>	<u>82,414</u>
Closing balance	<u>3,514,310</u>	<u>83,526</u>	<u>-</u>	<u>3,597,836</u>

5. Notes to financial statements (continued)

(20) Accrued liabilities (continued)

	2021			Total
	Stage I	Stage II	Stage III	
	Expected credit impairment (next 12 months)	Expected credit impairment (entire duration)	Incurred credit impairment (entire duration)	
Opening balance	1,227,067	7,296	84,329,533	85,563,896
Amount on Opening balance				
Transfer to Stage II	-	-	-	-
Transfer to Stage III	-	-	-	-
Transfer back to Stage II	-	-	-	-
Transfer back to Stage I	-	-	-	-
Charge/(Reverse) during the year	512,056	(7,296)	(933,131)	(428,371)
Write-off during the year	-	-	(83,396,402)	(83,396,402)
Exchange gains	(27,643)	-	-	(27,643)
Closing balance	1,711,480	-	-	1,711,480

(21) Other liabilities

	Notes	31-12-2022	31-12-2021
Other payables	(21.1)	559,940,920	194,696,351
Deferred income		12,265,209	9,542,261
Total		572,206,129	204,238,612

(21.1) Other payables

	31-12-2022	31-12-2021
Receivables in suspense	328,902,112	-
Payable to related parties (Note 11.2)	86,745,082	64,875,765
Option Premium Payable	52,041,805	16,025,122
Refundable deposit	22,135,569	79,688,759
Others	70,116,352	34,106,705
Total	559,940,920	194,696,351

5. Notes to financial statements (continued)

(22) Paid-in capital

	31-12-2022		31-12-2021	
	RMB	%	RMB	%
CA-CIB	<u>6,296,000,000</u>	<u>100</u>	<u>6,296,000,000</u>	<u>100</u>

On 31 December 2022 and 31 December 2021, the registered capital and paid-in capital of the Bank is amounted to RMB6,296,000,000. The capital injection has been verified by Ernst & Young Hua Ming LLP shanghai branch (hereinafter referred to as the "EY") and EY has issued the capital verification report of Ernst & Young Hua Ming (2021) Yan Zi No 61114184_B01.

(23) Capital reserve

2022	Opening balance	Additions	Closing balance
Debt waived	62,547,301	-	62,547,301
Other capital reserve	<u>2,881,771</u>	-	<u>2,881,771</u>
Total	<u>65,429,072</u>	-	<u>65,429,072</u>
2021	Opening balance	Additions	Closing balance
Debt waived	-	62,547,301	62,547,301
Other capital reserve	<u>2,881,771</u>	-	<u>2,881,771</u>
Total	<u>2,881,771</u>	<u>62,547,301</u>	<u>65,429,072</u>

(24) Surplus reserve

2022	Opening balance	Increase	Decrease	Closing balance
surplus reserve	<u>144,281,114</u>	-	-	<u>144,281,114</u>
2021	Opening balance	Increase	Decrease	Closing balance
surplus reserve	<u>129,082,128</u>	<u>15,198,986</u>	-	<u>144,281,114</u>

According to the Bank's Articles of Association, the Bank has appropriated 10% of its profit to the statutory surplus reserve. The Bank should appropriate until the reserve balance reaches 50% of its registered capital or above.

5. Notes to financial statements (continued)

(25) General reserve

	31-12-2022	31-12-2021
Opening balance	367,414,758	325,618,086
Increase	<u>-</u>	<u>41,796,672</u>
Closing balance	<u>367,414,758</u>	<u>367,414,758</u>

Pursuant to relevant regulations issued by MOF, the Bank has to appropriate a certain amount of its net profit as general reserve to cover potential losses against its assets. In accordance with the “Regulation on Management of Financial Institutions for Reserves” (Cai Jin [2012] No. 20), issued by MOF on 30 March 2012, the general reserve balance for financial institutions should not be lower than 1.5% of their gross risk assets at the year end. As at 31 December 2022, the Bank’s ratio of general reserve to risk-bearing assets was in compliance (up to 2.09%).

(26) Retained earnings

	31-12-2022	31-12-2021
Retained earnings brought forward	255,228,478	138,032,213
The adjustments of		
opening retained earnings	-	22,202,059
Net (loss)/ profit	(26,270,884)	151,989,864
Less: Appropriation to surplus reserve	-	(15,198,986)
Appropriation to general reserve	-	(41,796,672)
Distribution to shareholder	<u>(94,994,206)</u>	<u>-</u>
Closing balance of retained earnings	<u>133,963,388</u>	<u>255,228,478</u>

5. Notes to financial statements (continued)

(27) Net interest income

	2022	2021
Interest income:		
Loans and advances to customers	325,852,113	381,760,399
Placements with banks and other financial institutions	189,018,151	222,061,237
Financial investments	144,770,835	181,698,487
Due from the central bank	15,305,042	18,162,320
Due from financial institutions	9,662,676	1,939,595
Reverse repurchase agreements	<u>9,471,098</u>	<u>300,566</u>
Sub-total	<u>694,079,915</u>	<u>805,922,604</u>
Interest expense:		
Customer deposits	187,993,422	156,414,932
Placements from financial institutions	186,194,897	285,183,781
Negotiable certificates of deposit	21,049,420	10,336,119
Due to financial institutions	6,476,811	22,192,276
Lease liabilities	2,038,947	2,062,682
Repurchase agreements	<u>1,079,758</u>	<u>8,759,319</u>
Sub-total	<u>404,833,255</u>	<u>484,949,109</u>
Net interest income	<u><u>289,246,660</u></u>	<u><u>320,973,495</u></u>

5. Notes to financial statements (continued)

(28) Net fees and commission income

	2022	2021
Fees and commission income:		
Agency brokerage fees	185,305,219	98,112,960
Risk-taking related income	13,066,472	11,839,706
Credit related income	8,362,098	5,176,341
Intermediate business of payment and settlement related income	2,802,368	5,302,506
Others	<u>6,602,838</u>	<u>4,340,596</u>
Sub-total	<u>216,138,995</u>	<u>124,772,109</u>
Fees and commission expense	<u>59,993,816</u>	<u>52,922,866</u>
Net fees and commission income	<u>156,145,179</u>	<u>71,849,243</u>

(29) Investment income

	2022	2021
Investment income of		
financial assets held-for-trading	15,640,979	52,670,585
Net realised loss on derivatives	(57,967,002)	(111,078,440)
Others	<u>(6,281)</u>	<u>-</u>
Total	<u>(42,332,304)</u>	<u>(58,407,855)</u>

5. Notes to financial statements (continued)

(30) Gains / (losses) from changes in fair values

	2022	2021
(Losses)/ gains on derivative financial instruments	(56,323,358)	197,631,931
Gains/ (losses) on financial assets held- for-trading	<u>5,856,137</u>	<u>(14,487,400)</u>
Total	<u>(50,467,221)</u>	<u>183,144,531</u>

(31) Other operating income

	2022	2021
Business support service income		
- offshore	41,688,501	32,671,903
- onshore	<u>76,069</u>	<u>65,072</u>
Total	<u>41,764,570</u>	<u>32,736,975</u>

(32) General and administrative expenses

	2022	2021
Staff costs (Note 5.17)	212,828,065	204,764,607
Operating expenses	131,351,115	105,596,835
Depreciation and amortization of assets	<u>20,457,643</u>	<u>19,650,030</u>
Total	<u>364,636,823</u>	<u>330,011,472</u>

5. Notes to financial statements (continued)

(33) Credit impairment losses

	2022	2021
Loans and advances to customers	281,619,102	18,534,586
Other receivables	13,380,692	(59,274)
Debt instruments	1,935,131	(59,691)
Off-balance sheet commitments	1,803,942	(428,371)
Due from the central bank	30,093	-
Derivative financial assets	(145,436)	814,577
Due from financial institutions	(657,951)	(183,605)
Placements with financial institutions	<u>(7,277,460)</u>	<u>2,672,620</u>
Total	<u><u>290,688,113</u></u>	<u><u>21,290,842</u></u>

(34) Income tax expenses

	2022	2021
Current income tax expenses	90,931,439	(745,191)
Deferred income tax expenses	<u>(119,035,083)</u>	<u>33,163,750</u>
Total	<u><u>(28,103,644)</u></u>	<u><u>32,418,559</u></u>

5. Notes to financial statements (continued)

(34) Income tax expenses (continued)

The reconciliation of income tax expenses to (loss)/profit before tax is as follows:

	2022	2021
(Loss)/profit before tax	(54,374,528)	184,408,423
Tax charge on a tax rate at 25%	(13,593,632)	46,102,106
Tax-free interest income of government bonds	(15,751,006)	(9,686,628)
Non-deductible items	1,660,002	705,290
Deferred income tax adjustments for previous years	-	6,106,784
Adjustment in respect of current income tax expenses of previous periods	<u>(419,008)</u>	<u>(10,808,993)</u>
Total	<u>(28,103,644)</u>	<u>32,418,559</u>

5. Notes to financial statements (continued)

(35) Cash flows from operating activities

From net profit to cash flows from operating activities:

	2022	2021
Net (loss)/ profit:	(26,270,884)	151,989,864
Adjusted by:		
Credit impairment losses	290,688,113	21,290,842
Interest expense of negotiable certificates of deposit and lease liability	23,088,367	12,398,801
Depreciation and amortization	20,457,643	19,650,030
(Gains)/losses from changes in fair value	50,467,221	(183,144,531)
Investment (income)/loss	(86,797,552)	(70,620,047)
Decrease/(increase) in deferred income tax	(119,035,083)	33,163,750
Decrease in operating receivables	3,188,125,747	3,511,812,301
(Decrease)/Increase in operating payables	<u>(6,402,719,242)</u>	<u>1,053,771,439</u>
Net cash inflows from operating activities	<u>(3,061,995,670)</u>	<u>4,550,312,449</u>

5. Notes to financial statements (continued)

(36) Cash and cash equivalent

	31-12-2022	31-12-2021
Cash (Note 5.1)	113,935	156,655
Excess reserves with the central bank (Note 5.1)	927,346,047	230,487,975
Due from financial institutions with maturity less than three months from acquisition date	147,634,661	238,239,129
Placements with financial institutions with maturity less than three months from acquisition date	2,265,478,481	6,146,638,281
Reverse repurchase agreements less than three months from acquisition date	<u>1,549,090,000</u>	<u>-</u>
Closing balance of cash and cash equivalents	<u>4,889,663,124</u>	<u>6,615,522,040</u>

6. Operating lease commitments

The Bank leases certain premises under operating lease arrangements. The total future minimum payments in respect of non-cancellable operating leases at the balance sheet date are as follows:

	31-12-2022	31-12-2021
Within 1 year	1,267,159	1,374,470
1 to 2 years	943,268	368,220
2 to 3 years	<u>85,070</u>	<u>44,900</u>
Total	<u>2,295,497</u>	<u>1,787,590</u>

7. Commitments and Entrusted Business

At any given time, the Bank has outstanding commitments to extend credit. These commitments take the form of approved loans and other facilities. The Bank also provides financial guarantees and letters of credit to guarantee the performance of customers to third parties.

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

Commitments represent the commitment made by the Bank to its customer to grant certain amount of loan in the future. Commitments are normally attached with effective date or termination clause, and it is probable that the Bank may not need to fulfill such commitment on the maturity date. Therefore, the total contracted commitments amount does not necessarily represent the expected cash outflow in future.

	31-12-2022	31-12-2021
Credit commitments		
Non-financing guarantee	4,167,398,459	2,612,004,179
Financing guarantee	542,217,937	501,590,227
Commitments	462,988,701	275,776,398
Bank acceptances	197,209,372	44,129,128
Usance letter of credit	120,587,886	383,875,584
Sight letter of credit	74,404,261	124,985,766
Total	5,564,806,616	3,942,361,282
	31-12-2022	31-12-2021
Entrusted Business		
Entrusted deposits	542,283,214	1,906,041,917
Entrusted loans	542,283,214	1,906,041,917

8. Financial instrument and risk management

The Bank is exposed to different types of risks. The Bank devotes itself to risk management activities which include identification, measurement, monitoring, mitigation, and control of risks and portfolio risks. Risk management has become significantly important to the financial industry. Furthermore, operational risks are also inevitable for business operations. The Bank's risk management processes aim to achieve an appropriate balance between risk and return and to minimize the negative impacts of the underlying financial risks.

The most important types of business risk are credit risk, market risk and liquidity risk. Market risk includes foreign exchange risk and interest rate risk. The Bank's financial risk management aims at the unpredictability of financial market to reduce the potential negative impact of the Bank's financial performance.

(1) Financial risk management

Credit risk

(a) Credit risk management

The Bank is exposed to credit risk. Credit risk is the risk of loss arising from any failure by a borrower or counterparty to meet its financial obligations when such obligations fall due. Credit concentration risk may rise if borrowers or counterparties are closely related with a geographical or industrial perspective. On-balance-sheet credit exposures arise principally from loans, bond investments and interbank contacts. There is also credit risk in off-balance-sheet financial arrangements such as commitments, guarantees, bank acceptances and letters of credit.

Credit risk concentration refers to the situation whereby there is a concentration of customers in the same business activities, geographical location, or industry sector with similar economic characteristics such that their repayment ability would be affected by the same economic fluctuations. Credit risk concentration reflects the sensitivity of the Bank's performance to such customer concentration.

Management cautiously monitors its exposure on credit risk. The Credit Administration & Monitoring is responsible for the overall credit risk of the Bank and regularly communicates and coordinates with the Bank's senior management. The Bank has built relevant policy to set the credit risk limit for individual borrower. Such credit risk limits are monitored on a regular basis and subject to an annual risk analysis and review.

The risk from financial guarantee and commitments is similar with that from loans and advances to customers. Hence, the Bank adopts the same policies and procedures for managing credit contingencies which cover application, follow-up monitoring and collateral requirements, etc.

8. Financial instrument and risk management (continued)

(1) Financial risk management (continued)

Credit risk (continued)

(a) Credit risk management (continued)

ECL management

Depending on whether the credit risk has significantly increased and whether the asset is credit-impaired, the Bank measures the impairment provision for different assets with ECL of 12 months or lifetime, respectively. The key parameters of expected credit loss measurement 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 models for estimating PD, LGD and EAD.

Relative definitions are listed as below:

(i) The probability of default refers to the possibility that the debtor will not be able to fulfil its obligation of repayment in the next 12 months or the whole remaining lifetime. The Bank's PD is adjusted based on the internal rating default rate and forward-looking information to reflect the default probability of the debtor under the current macroeconomic environment.

(ii) The loss given default 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 loss given default is the percentage of risk exposure loss when default occurs, calculated on the basis of the next 12 months or the entire duration.

(iii) The exposure at default is the amount that the Bank should be reimbursed in the next 12 months or throughout the remaining lifetime when the default occurs.

8. Financial instrument and risk management (continued)

(1) Financial risk management (continued)

Credit risk (continued)

(a) Credit risk management (continued)

ECL management (continued)

Financial instruments Risk Segmentation

The credit risk exposure can be segmented according to the credit risk characteristics such as product type, customer type, industry and market distribution. The segmentation shall be reviewed and updated at least on yearly basis. When the credit risk characteristics of the risk exposures in the segment change, the reasonableness of the segmentation should be reviewed in a timely manner, and if necessary, the segmentation should be revised according to the common risk characteristics of the relevant credit risk exposure.

The Bank measures the ECL according to the product type of financial instruments (due from banks and other financial institutions, placements with banks and other financial institutions, reverse repurchase agreements, loans and advances to customers, debt instrument, other financial assets business and off-balance sheet credit business), the credit risk exposure of the related business is shown in Note 8 (1) (b) Maximum credit risk exposure without consideration of any collateral and credit risk mitigation.

Financial instruments Bucket Allocation

The Bank stages credit risk exposures by determining whether there is significant increase in credit risk or credit impairment has occurred since initial recognition.

The bucket allocation uses a combination of qualitative and quantitative analysis to assess the credit status and repayment capability of the counterparty, including but not limited to:

- (i) The internal rating of the counterparty in the Bank.
- (ii) Five-level classification of credit risk exposures, the overdue status and conditions in facility letter and etc.
- (iii) Information on the changes of financing strategy or credit risk management mechanism of the Bank.
- (iv) The credit reporting, external rating, debt and equity changes, credit default swap price, credit spreads, public information and etc.
- (v) The business and financial profile of the counterparty, its shareholders and related parties.
- (vi) Information related to macroeconomics, industry development, technology innovation, climate change, natural disasters, socio-economic and financial policies, government support or etc. that may potentially affect the repayment capability of the counterparty.

8. Financial instrument and risk management (continued)

(1) Financial risk management (continued)

Credit risk (continued)

(a) Credit risk management (continued)

ECL management (continued)

Forward-looking information and Management Add-on

The assessment of significant increases in credit risk and the calculation of ECL both involve forward-looking information. Through the analysis of historical data, the Bank identifies the key macroeconomic indicators that affect the credit risk and ECL of various industries and business types. The Bank assesses and adjusts these economic indicators at least every six months and tests the results of the assessment periodically. At 2022 December 31, the main macroeconomic parameters used to calculate expected credit losses are specified as follows:

	2023
	Forecast Macroeconomic Parameters
GDP (% , compared with last year)	5.3
CPI (% , compared with last year)	2.4

Set up a variety of basic scenarios according to the business profile and macro-political and economic situations, and clarify the weight of different scenarios; If necessary, extreme scenarios should be added in conjunction with stress test results. As of 31 December 2022, the weighting segments for each scenario in the ECL calculation are 5% for the optimistic scenario, 50% for the baseline scenario, 35% for the pessimistic scenario and 10% for the stress scenario.

Considering the current market economic situation, regulatory policy and future economic development trend, when the management believes that the modelled ECL calculation cannot fully reflect the risk or expected loss of recent credit or economic events, the management will make an overlay adjustment to the expected credit loss provision.

8. Financial instrument and risk management (continued)

(1) Financial risk management (continued)

Credit risk (continued)

(b) Maximum credit risk exposure without consideration of any collateral and credit risk mitigation

	31-12-2022	31-12-2021
Credit risk exposure of on-balance-sheet items:		
Due from the central bank	1,683,858,897	1,334,100,840
Due from financial institutions	874,479,257	734,454,230
Placements with financial institutions	4,312,393,697	9,427,806,014
Reverse repurchase agreements	1,549,487,950	-
Derivative financial assets	5,973,160,987	3,189,066,212
Loans and advances to customers	8,028,110,516	9,792,520,100
Financial assets held-for-trading	712,914,953	1,064,492,609
Debt instruments	4,538,685,487	6,042,586,409
Other assets	<u>185,637,280</u>	<u>67,203,331</u>
On-balance-sheet credit risk exposure	<u>27,858,729,024</u>	<u>31,652,229,745</u>
Non-financing guarantee	4,167,398,459	2,612,004,179
Financing guarantee	542,217,937	501,590,227
Commitments	462,988,701	275,776,398
Bank acceptances	197,209,372	44,129,128
Usance letter of credit	120,587,886	383,875,584
Sight letter of credit	<u>74,404,261</u>	<u>124,985,766</u>
Maximum credit risk exposure	<u>33,423,535,640</u>	<u>35,594,591,027</u>

The above table represents the maximum credit risk exposure of the Bank without taking into consideration of collateral and credit risk mitigation. For the on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the balance sheet.

8. Financial instrument and risk management (continued)

(1) Financial risk management (continued)

Credit risk (continued)

(c) Credit quality

The credit quality analysis of the Bank's major financial assets (without deducting loss provision) is as follows:

31-12-2022

	Stage I	Stage II	Stage III	Total
Due from the central bank	1,683,889,033	-	-	1,683,889,033
Due from financial institutions	874,870,344	-	-	874,870,344
Placements with financial institutions	4,319,365,456	-	-	4,319,365,456
Reverse repurchase agreements	1,549,487,950	-	-	1,549,487,950
Loans and advances to customers	8,042,544,149	68,878,460	400,000,000	8,511,422,609
Debt instruments	4,542,513,055	-	-	4,542,513,055
Other financial assets	185,724,040	-	13,850,509	199,574,549
Total	<u>21,198,394,027</u>	<u>68,878,460</u>	<u>413,850,509</u>	<u>21,681,122,996</u>
Off-balance sheet commitments	<u>5,520,400,414</u>	<u>44,406,202</u>	-	<u>5,564,806,616</u>

31-12-2021

	Stage I	Stage II	Stage III	Total
Due from the central bank	1,334,100,840	-	-	1,334,100,840
Due from financial institutions	735,503,268	-	-	735,503,268
Placements with banks and other financial institutions	9,441,964,558	-	-	9,441,964,558
Loans and advances to customers	9,760,019,547	233,594,323	-	9,993,613,870
Debt instruments	6,044,478,846	-	-	6,044,478,846
Other financial assets	67,382,949	-	-	67,382,949
Total	<u>27,383,450,008</u>	<u>233,594,323</u>	-	<u>27,617,044,331</u>
Off-balance sheet commitments	<u>3,942,361,282</u>	-	-	<u>3,942,361,282</u>

8. Financial instrument and risk management (continued)

(1) Financial risk management (continued)

Credit risk (continued)

(d) Loans and advances

(i) Loans and advances which neither overdue nor impaired

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

	2022	2021
Unsecured loans	4,208,420,272	5,164,557,909
Guaranteed loans	2,453,773,731	2,760,360,306
Secured by pledges	1,052,850,966	2,009,679,821
Secured by mortgages	<u>380,436,539</u>	<u>37,500,000</u>
Sub-total	<u>8,095,481,508</u>	<u>9,972,098,036</u>
Interest receivable	<u>15,941,101</u>	<u>21,515,834</u>
Total	<u>8,111,422,609</u>	<u>9,993,613,870</u>

(ii) Restructured loans and advances

Restructured loans are loans for which original contract repayment terms have been modified as a result of the deterioration of borrowers' financial conditions or failure to meet the repayment obligation. The balance of restructured loans as at 31 December 2022 is nil (31 December 2021: Nil).

8. Financial instrument and risk management (continued)

(1) Financial risk management (continued)

Credit risk (continued)

(d) Loans and advances (continued)

(iii) Impaired loans and advances

The loans should be recognised as impaired loans when there are objective evidences that a single or multiple negative events have occurred after the initial recognition of the loans and the impact from the events on the expected future cash flows can be estimated reliably. These loans are classified as “Substandard”, “Doubtful” or “Loss”.

At 31 December 2022, “Substandard”, “Doubtful” and “Loss” loan (without deducting loss provision) are shown below:

	31-12-2022
Substandard loans	-
Doubtful loans	400,000,000
Loss loans	<u>-</u>
Total	<u><u>400,000,000</u></u>

As at 31 December 2021, the Bank does not hold impaired loan.

8. Financial instrument and risk management (continued)

(1) Financial risk management (continued)

Liquidity risk

The Bank is exposed to different types of day-to-day cash withdrawal requirements, including payments of overnight deposits, current deposits, time deposits, loans disbursements, guarantees and other derivative financial instruments settled in cash. Most due deposits would not be withdrawn from the Bank on the expiration day immediately, but still kept in the Bank based on historical experience. However, in order to meet the unanticipated cash requirements, the Bank set the minimum excessive funding storage level and minimum level of funding from other banks and financial institutions to meet these kinds of withdrawal requirements.

Keeping a match between the maturity dates of assets and liabilities and maintaining an effective control over mismatches is of great importance to the Bank. Due to the uncertain periods and varies types of businesses, it is difficult for the Bank to keep a perfect match. Unmatched positions may increase revenues, but it also exposes the Bank to greater risks of losses.

The match between maturity dates of assets and liabilities as well as a bank's ability to replace due liabilities with acceptable costs are all key factors when evaluating its exposure to liquidity, interest rate and foreign exchange rate risks.

The Bank provides guarantees and letters of credit to customers based on their credit ratings and amount of cash collaterals. Usually, customers will not withdraw the amount committed by the Bank in the guarantees or letters of credit in full, and therefore, funds required for guarantees and letters of credit are not so much as required for other commitments of the Bank. Meanwhile, the Bank may be discharged of its obligations due to overdue or termination of the commitments. As a result, the contractual amount for credit commitment cannot represent the actual funds required.

8. Financial instrument and risk management (continued)

(1) Financial risk management (continued)

Liquidity risk (continued)

(a) Cash flows of financial assets and liabilities

The analysis of undiscounted cash flows of financial assets and liabilities at the balance sheet day classified by residual contract period as follow:

	31-12-2022							Total
	Overdue / On demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	5 years above	undated	
Financial assets:								
Cash and due from the central bank	927,459,982	-	-	42,106,642	-	-	714,406,208	1,683,972,832
Due from financial institutions	147,243,574	-	-	-	-	-	727,235,683	874,479,257
Placements with financial institutions	-	2,400,735,183	210,440,083	1,502,277,540	204,281,372	-	-	4,317,734,178
Reverse repurchase agreements	-	1,549,779,122	-	-	-	-	-	1,549,779,122
Derivative financial assets	5,973,160,987	-	-	-	-	-	-	5,973,160,987
Loans and advances to customers	12,000,000	2,466,604,729	3,359,299,986	828,419,062	1,554,958,614	-	-	8,221,282,391
Financial assets held-for-trading	-	-	30,560,923	653,437,999	49,064,871	-	-	733,063,793
Debt instruments	-	462,724,118	631,668,916	3,184,578,248	322,213,857	-	-	4,601,185,139
Other financial assets	38,604,184	101,492,394	6,019,363	19,853,800	21,670	-	19,645,869	185,637,280
Total financial assets	7,098,468,727	6,981,335,546	4,237,989,271	6,230,673,291	2,130,540,384	-	1,461,287,760	28,140,294,979

8. Financial instrument and risk management (continued)

(1) Financial risk management (continued)

Liquidity risk (continued)

(a) Cash flows of financial assets and liabilities (continued)

The analysis of undiscounted cash flows of financial assets and liabilities at the balance sheet day classified by residual contract period as follow (continued):

	31-12-2022							Total
	Overdue / On demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	5 years above	undated	
Financial liabilities:								
Due to financial institutions	34,418,051	-	-	-	-	-	-	34,418,051
Placements from financial institutions	-	31,354	-	1,036,538,405	3,204,033,361	-	-	4,240,603,120
Derivative financial liabilities	6,602,424,847	-	-	-	-	-	-	6,602,424,847
Customer deposits	3,811,107,583	5,153,697,217	318,911,131	330,555,455	24,349,644	-	-	9,638,621,030
Other financial liabilities	-	533,766,251	-	26,174,669	-	-	-	559,940,920
Total financial liabilities	10,447,950,481	5,687,494,822	318,911,131	1,393,268,529	3,228,383,005	-	-	21,076,007,968
Net liquidity	(3,349,481,754)	1,293,840,724	3,919,078,140	4,837,404,762	(1,097,842,621)	-	1,461,287,760	7,064,287,011
Off-balance sheet commitments	131,102,776	585,271,380	1,263,041,303	1,578,631,786	2,006,759,371	-	-	5,564,806,616

8. Financial instrument and risk management (continued)

(1) Financial risk management (continued)

Liquidity risk (continued)

(a) Cash flows of financial assets and liabilities (continued)

The analysis of undiscounted cash flows of financial assets and liabilities at the balance sheet day classified by residual contract period as follow (continued):

	31-12-2021							Total
	Overdue / On demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	5 years above	undated	
Financial assets:								
Cash and due from the central bank	230,644,630	-	-	-	-	-	1,103,612,865	1,334,257,495
Due from financial institutions	260,670,090	-	-	-	-	-	473,784,140	734,454,230
Placements with financial institutions	-	5,242,280,205	2,869,078,860	1,123,135,123	203,147,612	-	-	9,437,641,800
Derivative financial assets	3,189,066,212	-	-	-	-	-	-	3,189,066,212
Loans and advances to customers	-	3,032,611,793	2,488,933,585	2,956,266,542	1,560,202,138	-	-	10,038,014,058
Financial assets held-for-trading	-	-	-	341,095,764	598,041,128	218,428,717	-	1,157,565,609
Debt instruments	-	259,171,006	424,428,147	3,054,178,685	2,487,446,339	-	-	6,225,224,177
Other financial assets	3,581,433	48,361,087	1,082,806	5,796,118	1,622,833	-	6,759,054	67,203,331
Total financial assets	3,683,962,365	8,582,424,091	5,783,523,398	7,480,472,232	4,850,460,050	218,428,717	1,584,156,059	32,183,426,912

8. Financial instrument and risk management (continued)

(1) Financial risk management (continued)

Liquidity risk (continued)

(a) Cash flows of financial assets and liabilities (continued)

The analysis of undiscounted cash flows of financial assets and liabilities at the balance sheet day classified by residual contract period as follow (continued):

	31-12-2021							Total
	Overdue / On demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	5 years above	undated	
Financial liabilities:								
Due to financial institutions	105,113,224	-	-	-	-	-	-	105,113,224
Placements from banks and other financial institutions	-	905,257,084	1,205,417,500	1,538,758,771	4,305,066,111	-	-	7,954,499,466
Derivative financial liabilities	3,160,942,447	-	-	-	-	-	-	3,160,942,447
Customer deposits	1,909,465,392	10,386,312,928	244,894,602	899,671,718	34,945,981	-	-	13,475,290,621
Debt securities issued	-	-	119,488,555	565,284,525	-	-	-	684,773,080
Other financial liabilities	-	167,098,357	-	27,597,994	-	-	-	194,696,351
Total financial liabilities	5,175,521,063	11,458,668,369	1,569,800,657	3,031,313,008	4,340,012,092	-	-	25,575,315,189
Net liquidity	(1,491,558,698)	(2,876,244,278)	4,213,722,741	4,449,159,224	510,447,958	218,428,717	1,584,156,059	6,608,111,723
Off-balance sheet commitments	52,869,811	249,011,483	596,329,047	1,097,299,103	1,944,408,444	2,443,394	-	3,942,361,282

8. Financial instrument and risk management (continued)

(1) Financial risk management (continued)

Market risk

The Bank is exposed to market risk, which refers to the risk of the fair value or future cash flow volatility caused by the volatility of the market price. Market risk comes from market interest rate, the general or specific changes in foreign exchange rates to the interest rate products, and the open position of the currency products.

The Bank's exposure to market risk is divided into a portfolio of trading and non-trading. Trading portfolio includes the position of the Bank and the customer or market transactions, namely the market maker trading. The non-transaction portfolio mainly includes the interest rate risk management of a commercial bank's assets and liabilities.

The Bank's independent market risk management department is responsible for monitoring and controlling the market risk of trading and non-trading accounts in the whole line. The Bank also established a market risk daily reporting system, to monitor and analyze the market risk changes and implementation limits by risk management departments with regular reporting to senior management.

Market risk measurement technique

The Bank evaluates its exposed market risk of investment portfolio by VaR and Non-VaR indexes. The Bank uses historical simulation method to calculate the 1 day holding period, and the VaR value of the 99% confidence interval is used as the index of internal management. Non-VaR refers to the market risk management indicators the Bank used other than VaR, mainly PV01 and foreign exchange positions, over warning, the nominal amount of the principal and maturity date.

Foreign exchange risk

The Bank takes on exposure to the effects of fluctuations in the prevailing levels of exchange rate on its financial position and cash flows.

The Bank's principle in controlling exchange rate risk is to match its assets and liabilities in each currency and to maintain exchange rate risk within established limits. The Bank has set risk limits according to the guidelines established by the Risk Management Committee, the relevant regulatory requirements, and management's assessment of the current market condition. The Bank also manages its foreign capital sources and usage of foreign currencies to minimize potential currency mismatches. The foreign exchange risk exposure is authorized to manage by products and trader's right.

8. Financial instrument and risk management (continued)

(1) Financial risk management (continued)

Market risk (continued)

Foreign exchange risk (continued)

The following table below summarizes the Bank's exposure to foreign exchange rate risk at the end of each reporting period. Included in the table are the Bank's assets and liabilities at carrying amounts in RMB, categorized by the original currency.

31-12-2022

	RMB	USD RMB equivalent	Others RMB equivalent	Total RMB equivalent
Assets:				
Cash and due from the central bank	1,600,353,050	82,948,312	671,470	1,683,972,832
Due from financial institutions	796,525,107	46,304,637	31,649,513	874,479,257
Placements with financial institutions	2,130,830,422	1,900,872,242	280,691,033	4,312,393,697
Reverse repurchase agreements	1,549,487,950	-	-	1,549,487,950
Derivative financial assets	2,100,366,684	2,210,924,240	1,661,870,063	5,973,160,987
Loans and advances to customers	7,741,242,379	285,103,248	1,764,889	8,028,110,516
Financial assets held-for-trading	712,914,953	-	-	712,914,953
Debt instruments	4,538,685,487	-	-	4,538,685,487
Other financial assets	<u>68,263,018</u>	<u>73,476,299</u>	<u>43,897,963</u>	<u>185,637,280</u>
Total financial assets	<u>21,238,669,050</u>	<u>4,599,628,978</u>	<u>2,020,544,931</u>	<u>27,858,842,959</u>
Liabilities:				
Due to financial institutions	34,418,051	-	-	34,418,051
Placements from financial institutions	4,074,317,182	-	31,341	4,074,348,523
Derivative financial liabilities	1,895,529,489	3,041,696,547	1,665,198,811	6,602,424,847
Customer deposits	9,112,815,962	278,722,967	241,893,325	9,633,432,254
Other financial liabilities	<u>394,486,189</u>	<u>90,942,858</u>	<u>74,511,873</u>	<u>559,940,920</u>
Total financial liabilities	<u>15,511,566,873</u>	<u>3,411,362,372</u>	<u>1,981,635,350</u>	<u>20,904,564,595</u>
Net position	<u>5,727,102,177</u>	<u>1,188,266,606</u>	<u>38,909,581</u>	<u>6,954,278,364</u>
Off-balance sheet commitments	<u>2,029,209,409</u>	<u>2,615,150,799</u>	<u>920,446,408</u>	<u>5,564,806,616</u>

8. Financial instrument and risk management (continued)

(1) Financial risk management (continued)

Market risk (continued)

Foreign exchange risk (continued)

31-12-2021

	RMB	USD RMB equivalent	Others RMB equivalent	Total RMB equivalent
Assets:				
Cash and due from the central bank	1,192,470,452	141,103,851	683,192	1,334,257,495
Due from financial institutions	77,991,794	483,385,748	173,076,688	734,454,230
Placements with financial institutions	6,989,708,105	1,734,104,962	703,992,947	9,427,806,014
Derivative financial assets	76,570,669,558	(71,320,162,282)	(2,061,441,064)	3,189,066,212
Loans and advances to customers	8,916,210,480	875,583,352	726,268	9,792,520,100
Financial assets held-for-trading	1,064,492,609	-	-	1,064,492,609
Debt instruments	6,042,586,409	-	-	6,042,586,409
Other financial assets	30,758,552	5,107,056	31,337,723	67,203,331
Total financial assets	100,884,887,959	(68,080,877,313)	(1,151,624,246)	31,652,386,400
Liabilities:				
Due to financial institutions	105,113,224	-	-	105,113,224
Placements from financial institutions	7,738,509,681	-	3,796,704	7,742,306,385
Derivative financial liabilities	71,247,319,570	(66,137,171,752)	(1,949,205,371)	3,160,942,447
Customer deposits	10,918,143,344	945,144,563	760,057,846	12,623,345,753
Debt securities issued	684,773,080	-	-	684,773,080
Other financial liabilities	126,550,969	26,949,349	41,196,033	194,696,351
Total financial liabilities	90,820,409,868	(65,165,077,840)	(1,144,154,788)	24,511,177,240
Net position	10,064,478,091	(2,915,799,473)	(7,469,458)	7,141,209,160
Off-balance sheet commitments	1,740,393,338	1,720,063,012	481,904,932	3,942,361,282

8. Financial instrument and risk management (continued)

(1) Financial risk management (continued)

Market risk (continued)

Foreign exchange risk (continued)

The table below illustrates the potential impact of an appreciation or depreciation of foreign currencies against RMB by 1% on the profit before tax of the Bank.

	2022	2021
1% appreciation against RMB	<u>(12,271,762)</u>	<u>29,232,689</u>
1% depreciation against RMB	<u>12,271,762</u>	<u>(29,232,689)</u>

During the sensitivity analysis, the Bank makes the following assumptions when determining business conditions and financial index, except:

- (i) Analysis is based on static gap on balance sheet date, regardless of subsequent changes;
- (ii) No consideration of impact on the customers' behavior resulting from interest rate changes;
- (iii) No consideration of impact on market price resulting from interest rate changes;
- (iv) No consideration of actions taken by the Bank.

Due to these inherent limitations of the Bank's approach, actual impact on the Bank's profit before tax from exchange rate fluctuation may vary from the analysis above.

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

The table below summarizes the Bank's exposures to interest rate risks. The table presents the Bank's assets and liabilities at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates.

8. Financial instrument and risk management (continued)

(1) Financial risk management (continued)

Market risk (continued)

Interest rate risk (continued)

	31-12-2022					Total
	Within 1 months	1-3 months	3-12 months	1-5 years	Over 5 years	
Financial liability:						
Due to financial institutions	34,418,051	-	-	-	-	-
Placements from financial institutions	31,341	-	1,011,104,877	3,063,212,305	-	-
Derivative financial liabilities	-	-	-	-	-	6,602,424,847
Customer deposits	8,961,708,893	317,848,038	330,054,312	23,821,011	-	-
Other financial liabilities	-	-	-	-	-	559,940,920
Total financial liabilities	8,996,158,285	317,848,038	1,341,159,189	3,087,033,316	-	7,162,365,767
Net position	51,326,595	5,361,857,551	4,472,550,026	(2,057,685,454)	-	(873,770,354)
						20,904,564,595
						6,954,278,364

8. Financial instrument and risk management (continued)

(1) Financial risk management (continued)

Market risk (continued)

Interest rate risk (continued)

	31-12-2021						Total
	Within 1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	
Financial assets:							
Cash and Due from the central bank	1,191,862,304	-	-	-	-	142,395,191	1,334,257,495
Due from financial institutions	260,670,090	473,784,140	-	-	-	-	734,454,230
Placements with financial institutions	5,215,828,618	2,860,088,412	1,119,365,869	199,564,563	-	32,958,552	9,427,806,014
Derivative financial assets	-	-	-	-	-	3,189,066,212	3,189,066,212
Loans and advances to customers	21,515,834	3,014,110,771	2,432,311,461	2,863,092,019	1,461,490,015	-	9,792,520,100
Financial assets held-for-trading	-	-	312,433,764	560,031,128	192,027,717	-	1,064,492,609
Debt instruments	239,937,220	394,987,240	2,952,040,793	2,419,137,458	-	36,483,698	6,042,586,409
Other financial assets	5,888,189	-	-	-	-	61,315,142	67,203,331
	<u>6,935,702,255</u>	<u>6,742,970,563</u>	<u>6,816,151,887</u>	<u>6,041,825,168</u>	<u>1,653,517,732</u>	<u>3,462,218,795</u>	<u>31,652,386,400</u>

8. Financial instrument and risk management (continued)

(1) Financial risk management (continued)

Market risk (continued)

Interest rate risk (continued)

	31-12-2021						Total
	Within 1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	
Financial liability:							
Due to financial institutions	105,113,224	-	-	-	-	-	105,113,224
Placements from financial institutions	925,650,649	1,230,436,500	1,511,902,054	4,074,317,182	-	-	7,742,306,385
Derivative financial liabilities	-	-	-	-	-	3,160,942,447	3,160,942,447
Customer deposits	11,445,524,792	244,915,245	899,224,484	33,681,232	-	-	12,623,345,753
Debt securities issued	-	-	119,488,555	565,284,525	-	-	684,773,080
Other financial liabilities	-	-	-	-	-	194,696,351	194,696,351
Total financial liabilities	12,476,288,665	1,475,351,745	2,530,615,093	4,673,282,939	-	3,355,638,798	24,511,177,240
Net position	(5,540,586,410)	5,267,618,818	4,285,536,794	1,368,542,229	1,653,517,732	106,579,997	7,141,209,160

8. Financial instrument and risk management (continued)

(1) Financial risk management (continued)

Market risk (continued)

Interest rate risk (continued)

Change in interest rate	31-12-2022		31-12-2021	
	Impact on profit before tax	Impact on equity	Impact on profit before tax	Impact on equity
+100 basis points	61,946,089	-	6,870,300	-
-100 basis points	(61,946,089)	-	(6,870,300)	-

The sensitivity analysis above is on the basis that assets and liabilities have static interest rate risk structure. In the relevant analysis, the fluctuation is only measured during one year, which reflects the effect on the annualized interest income given re-pricing the assets and liabilities within the year. The assumptions are shown as below:

- (i) All the assets and liabilities which are re-priced or matured within one month, one to three months, or three months to one year are assumed to be re-priced or matured in the middle of the period;
- (ii) The yield curve is under parallel shifts with interest rate changes; and
- (iii) No other change in the portfolio of assets and liabilities.

Based on the assumptions above, the actual change of net interest income of the Bank caused by the increase or decrease of interest rate may be different from the result of such sensitivity analysis.

9. Fair value of financial instruments

(1) Fair value hierarchy

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Valuation technique using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Valuation technique using inputs for the asset or liability that is not based on observable market data (unobservable inputs).

9. Fair value of financial instruments (continued)

(1) Fair value hierarchy (continued)

31-12-2022

	Level 1	Level 2	Level 3	Total
Financial assets				
- Derivative financial assets	-	5,973,160,987	-	5,973,160,987
- Financial investments: financial assets held-for- trading	<u>712,914,953</u>	<u>-</u>	<u>-</u>	<u>712,914,953</u>
Total	<u><u>712,914,953</u></u>	<u><u>5,973,160,987</u></u>	<u><u>-</u></u>	<u><u>6,686,075,940</u></u>
Financial liabilities				
- Derivative financial Liabilities	<u>-</u>	<u>6,602,424,847</u>	<u>-</u>	<u>6,602,424,847</u>
Total	<u><u>-</u></u>	<u><u>6,602,424,847</u></u>	<u><u>-</u></u>	<u><u>6,602,424,847</u></u>

31-12-2021

	Level 1	Level 2	Level 3	Total
Financial assets				
- Derivative financial assets	-	3,189,066,212	-	3,189,066,212
- Financial investments: financial assets held-for- trading	<u>1,064,492,609</u>	<u>-</u>	<u>-</u>	<u>1,064,492,609</u>
Total	<u><u>1,064,492,609</u></u>	<u><u>3,189,066,212</u></u>	<u><u>-</u></u>	<u><u>4,253,558,821</u></u>
Financial liabilities				
- Derivative financial Liabilities	<u>-</u>	<u>3,160,942,447</u>	<u>-</u>	<u>3,160,942,447</u>
Total	<u><u>-</u></u>	<u><u>3,160,942,447</u></u>	<u><u>-</u></u>	<u><u>3,160,942,447</u></u>

The Bank has no financial instruments for which the fair value hierarchy are categorized in Level 3. There is no transfer in or out from Level 3 for current year.

9. Fair value of financial instruments (continued)

(2) Financial instruments not measured at fair value

Fair values estimation is made in accordance with information of market and financial instruments in some specific point. Estimation is based on following methods and supposition:

- (i) Cash and due from other banks and financial institutions, Deposits with the central bank, Deposits with other banks, Due to other banks and financial institutions, Reverse repurchase agreements, Other assets and Other liabilities.

Given that maturities of these financial assets and liabilities are in one year or they all have floating interest rates, the carrying amount approximates the fair value.

- (ii) Loans and advances

Since the RMB loans interest rates change with the fluctuation of PBOC benchmark interest rates, and interest rates for loans denominated in foreign exchange are generally floating, fair value of loans is approximate to the carrying value.

- (iii) Customer deposits

The carrying value of fixed interest-bearing deposits approximates to its fair value because their maturities are within one year.

- (iv) Debt instruments

The fair value of debt instruments is the discounted value of the cash flow expected to be received in the future according to the current market interest rate, and its fair value is approximate to its carrying value.

10. Capital Management

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

The Bank insists on positive capital management policy as to achieve goals as follow:

- (1) To ensure the Bank's continuous compliance with the regulatory CAR requirements and have sufficient capital to support the internally assessed capital demand;
- (2) To ensure the Bank's capital is adequate to support the business strategy and growth;
- (3) To optimize the return to shareholders while maintaining a prudent level of capital in relation to the underlying risks of the business.

Since 1 January 2013, the Bank has calculated and disclosed Capital Adequacy Ratio in accordance with "Capital Rules for Commercial Banks (Provisional)" and other regulatory requirements issued by the CBIRC. The on-balance-sheet risk weighted assets are calculated using different risk weights, which are determined by the risk of specific assets, counterparties, markets and other relevant aspects, as well as qualified collateral and guarantees. The off-balance-sheet exposures are calculated using similar methodology and adjusted according to the nature of the contingent losses. The risk-weighted assets for market risks are calculated using Standardized Approach. The risk-weighted assets for operational risks are calculated using the Basic Indicator Approach.

During the year, the Bank has complied with the regulatory capital requirements.

10. Capital Management (continued)

The Core tier-one capital adequacy ratios, tier-one capital adequacy ratios and capital adequacy ratios calculated by the Bank in accordance with “Regulations Governing Capital of Commercial Banks (Provisional)” are as follows:

	31-12-2022	31-12-2021
Core Tier-one capital		
Paid-in capital	6,296,000,000	6,296,000,000
Qualified capital reserve	65,429,072	65,429,072
Surplus reserve	144,281,114	144,281,114
General reserve	367,414,758	367,414,758
Retained earnings	<u>133,963,388</u>	<u>255,228,478</u>
Core Tier-one capital	<u>7,007,088,332</u>	<u>7,128,353,422</u>
Core Tier-one capital deduction		
Intangible assets	3,171,787	2,671,181
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	<u>4,435</u>	<u>1,189</u>
Net core tier-one capital	<u>7,003,912,110</u>	<u>7,125,681,052</u>
Other core tier-one capital	<u>-</u>	<u>-</u>
Net tier-one capital	<u>7,003,912,110</u>	<u>7,125,681,052</u>
Tier-two capital		
Net Tier-two capital		
Surplus provisions for loans impairment	<u>83,312,093</u>	<u>200,662,589</u>
Net capital	<u>7,087,224,203</u>	<u>7,326,343,641</u>
Risk-weighted assets	<u>26,169,356,558</u>	<u>27,881,549,246</u>
Core Tier-one capital adequacy ratio	26.7%	25.6%
Tier-one capital adequacy ratio	26.7%	25.6%
Capital adequacy ratio	<u>27.1%</u>	<u>26.3%</u>

11. Related party transactions

(1) Criteria of identifying related parties

The following parties constitute the related parties of an enterprise :

- (i) Parent of the Bank;
- (ii) Other enterprises controlled by the same parent of the Bank;
- (iii) Key management personnel of the Bank and close family members of such individuals;
- (iv) Other entities controlled or jointly controlled by the key management personnel or close family members of such individuals;
- (v) Associates or joint ventures of an entity of other members of the same parent of the Bank.

(2) Transactions between the Bank and the parent company and other related parties

- (i) Transactions with the parent company of the Bank and other related parties were as follows:

	<u>2022</u>	<u>Percentage</u>	<u>2021</u>	<u>Percentage</u>
	Amount	%	Amount	%
Interest income	33,546,497	4.83	15,895,234	1.97
Interest expense	(187,233,490)	46.25	(297,758,559)	61.40
Fees and commission income	197,367,558	91.32	105,811,711	84.80
Fees and commission expense	(19,139,279)	31.90	(18,343,907)	34.21
Investment income and gains/(losses) from changes in fair value	(153,982,670)	165.94	64,046,610	51.35
Other operating income	41,764,570	100.00	32,736,975	100.00
General and administrative expenses	(75,935,742)	20.83	(61,618,223)	18.67

- (ii) The balances with the parent company of the Bank and other related parties as at the balance sheet date were as follows:

	<u>2022</u>	<u>Percentage</u>	<u>2021</u>	<u>Percentage</u>
	Amount	%	Amount	%
Due from financial institutions	20,641,484	2.36	145,764,957	19.85
Placements with financial institutions	922,999,587	21.40	2,055,238,341	21.81
Derivative financial assets	459,124,756	7.69	545,743,340	17.11
Financial investments:				
Debt instruments	209,500,000	4.62	374,147,011	6.19
Other assets	100,073,127	39.30	35,923,516	31.67
Due to financial institutions	11,549,833	33.56	3,025,552	2.89
Placements from financial institutions	4,074,348,523	100.00	7,742,306,385	100.00
Derivative financial liabilities	218,636,076	3.31	29,565,737	0.94
Other liabilities	86,745,082	15.16	64,875,765	31.76

11. Related party transactions (continued)

(2) Transactions between the Bank and the parent company and other related parties (continued)

(iii) The notional amount of derivative instruments with the parent company and other related parties as at balance sheet date was as follows:

	<u>2022</u>	<u>Percentage</u>	<u>2021</u>	<u>Percentage</u>
	Amount	%	Amount	%
Interest rate derivatives	1,528,959,280	1.22	2,649,175,701	2.95
Exchange rate derivatives	10,250,723,016	1.65	5,629,732,962	1.09
Other derivatives	3,054,152,933	35.02	2,365,882,190	50.04

(iv) There was no commitment granted to other related parties as at balance sheet date of 2022 and 2021.

(v) Related-party transactions are at arm's length with no preferential treatments, comparing to transaction with third parties.

(3) Parent company of the Bank

<u>Name</u>	<u>Registered location</u>	<u>Main business</u>	<u>Shareholding</u>	<u>Proportion of voting rights</u>	<u>Share Capital</u>
CA-CIB	Paris, France	Banking	100.00%	100.00%	EUR7,851,636,342

CRÉDIT AGRICOLE S.A. registered in France is the ultimate holding company of the Bank.

11. Related party transactions (continued)

(4) Other related parties

Names of related parties	Relationship with the Bank
CRÉDIT AGRICOLE CIB (SINGAPOUR)	Subsidiary/Branch of Parent Bank
CRÉDIT AGRICOLE CIB (ALLEMAGNE)	Subsidiary/Branch of Parent Bank
CRÉDIT AGRICOLE CIB (INDE)	Subsidiary/Branch of Parent Bank
CRÉDIT AGRICOLE CIB (CORÉE DU SUD)	Subsidiary/Branch of Parent Bank
CRÉDIT AGRICOLE CIB (NEW-YORK)	Subsidiary/Branch of Parent Bank
CRÉDIT AGRICOLE CIB (JAPON)	Subsidiary/Branch of Parent Bank
CRÉDIT AGRICOLE CIB (ROYAUME-UNI)	Subsidiary/Branch of Parent Bank
CRÉDIT AGRICOLE CIB (HONG-KONG)	Subsidiary/Branch of Parent Bank
CRÉDIT AGRICOLE CIB (ALGÉRIE)	Subsidiary/Branch of Parent Bank
CA-CIB MILANCRÉDIT AGRICOLE CIB (ITALIE)	Subsidiary/Branch of Parent Bank
CRÉDIT AGRICOLE CIB SERVICES PRIVATE LTD.	Subsidiary/Branch of Parent Bank
CA INDOSUEZ (SWITZERLAND) S.A.	Subsidiary/Branch of Parent Bank
CA INDOSUEZ WEALTH (EUROPE)	Subsidiary/Branch of Parent Bank
GAC-SOFINCO AUTOMOBILE FINANCE CO., LTD	Joint ownership enterprise of the group
LCL	Subsidiary of the group
CA-CIB POLANDCRÉDIT AGRICOLE BANK POLSKA S.A. (EX-LUKAS BANK S.A.)	Subsidiary of the group
CRÉDIT AGRICOLE EGYPT S.A.E.	Subsidiary of the group
CAISSE RÉGIONALE DES SAVOIE	Subsidiary of the group
CAISSE RÉGIONALE GUADELOUPE	Subsidiary of the group
CAISSE RÉGIONALE CENTRE EST	Subsidiary of the group

11. Related party transactions (continued)

(5) Main transactions between the Bank and related parties

(i) Provide funding

	2022		2021	
	Amount	%	Amount	%
<u>Interest income from financial institutions</u>				
CA-CIB	19,659,279	58.59	329,573	2.07
CA INDOSUEZ (SWITZERLAND) S.A.	6,817,251	20.32	360,537	2.27
GAC-SOFINCO AUTOMOBILIE FINANCE CO., LTD.	4,545,065	13.55	12,153,206	76.44
CRÉDIT AGRICOLE CIB (SINGAPOUR)	1,112,098	3.32	177	0.01
CA INDOSUEZ WEALTH (EUROPE)	907,649	2.71	13,267	0.08
CRÉDIT AGRICOLE S.A.	422,592	1.26	31	0.01
CRÉDIT AGRICOLE CIB (HONG-KONG)	82,563	0.25	3,037,349	19.11
CRÉDIT AGRICOLE CIB (JAPON)	-	-	1,094	0.01
Total	<u>33,546,497</u>	<u>100.00</u>	<u>15,895,234</u>	<u>100.00</u>
<u>Interest expense to financial institutions</u>				
CA-CIB	150,027,431	80.10	256,628,688	86.19
CRÉDIT AGRICOLE S.A.	36,020,014	19.24	37,113,283	12.46
CA INDOSUEZ WEALTH (EUROPE)	1,143,227	0.61	1,796,840	0.60
CRÉDIT AGRICOLE CIB (HONG-KONG)	29,770	0.02	2,156,690	0.72
CA INDOSUEZ (SWITZERLAND) S.A.	7,462	0.01	63,018	0.02
CRÉDIT AGRICOLE CIB (SINGAPOUR)	5,565	0.01	-	-
GAC-SOFINCO AUTOMOBILE FINANCE CO., LTD	21	0.01	40	0.01
Total	<u>187,233,490</u>	<u>100.00</u>	<u>297,758,559</u>	<u>100.00</u>

11. Related party transactions (continued)

(5) Main transactions between the Bank and related parties (continued)

(ii) Receive service

	2022		2021	
	Amount	%	Amount	%
<u>Fees and commission expense and general and administrative expenses</u>				
Technology maintenance expenses to parent bank	33,067,817	34.78	16,384,135	20.49
Service fee to parent bank	20,454,678	21.51	21,722,225	27.17
Guarantee fee to parent bank	18,258,801	19.20	17,247,601	21.57
CRÉDIT AGRICOLE CIB (HONG-KONG)	12,455,348	13.10	13,882,259	17.36
CRÉDIT AGRICOLE CIB (SINGAPOUR)	6,166,590	6.49	5,547,572	6.94
CRÉDIT AGRICOLE CIB (ROYAUME-UNI)	2,541,336	2.67	3,369,719	4.21
CRÉDIT AGRICOLE CIB SERVICES PRIVATE LTD.	1,328,840	1.40	903,093	1.13
CA-CIB	282,001	0.29	8,614	0.01
Foreign exchange trading fee to group	187,721	0.20	394,203	0.49
CRÉDIT AGRICOLE EGYPT S.A.E.	173,942	0.18	158,023	0.20
CRÉDIT AGRICOLE CIB (NEW-YORK)	107,450	0.11	-	-
CRÉDIT AGRICOLE CIB (ALLEMAGNE)	36,649	0.04	315,194	0.39
CRÉDIT AGRICOLE BANK POLSKA S.A. (EX-LUKAS BANK S.A.)	6,687	0.01	-	-
CRÉDIT AGRICOLE CIB (ITALIE)	3,891	0.01	23,066	0.03
CRÉDIT AGRICOLE CIB (INDE)	3,270	0.01	-	-
CRÉDIT AGRICOLE CIB (ALGÉRIE)	-	-	6,426	0.01
Total	<u>95,075,021</u>	<u>100.00</u>	<u>79,962,130</u>	<u>100.00</u>

11. Related party transactions (continued)

(5) Main transactions between the Bank and related parties (continued)

(iii) Investment and provide service

	2022		2021	
	Amount	%	Amount	%
<u>Fees and commission income and other operating income</u>				
CA-CIB	103,410,998	43.18	60,731,641	43.78
CRÉDIT AGRICOLE CIB (ROYAUME-UNI)	78,439,647	32.80	47,994,802	34.64
CRÉDIT AGRICOLE CIB (HONG-KONG)	55,232,958	23.10	27,902,279	20.14
CRÉDIT AGRICOLE CIB (SINGAPOUR)	1,970,731	0.82	353,068	0.25
CRÉDIT AGRICOLE CIB (NEW-YORK)	(140,118)	(0.06)	195,288	0.14
GAC-SOFINCO AUTOMOBILE FINANCE CO., LTD	109,438	0.05	-	-
CRÉDIT AGRICOLE EGYPT S.A.E.	50,911	0.02	872,537	0.63
CRÉDIT AGRICOLE CIB (ALLEMAGNE)	36,206	0.02	518	0.01
CRÉDIT AGRICOLE BANK POLSKA S.A. (EX-LUKAS BANK S.A.)	8,986	0.01	15,759	0.01
LCL	6,842	0.01	454	0.01
CAISSE RÉGIONALE DES SAVOIE	3,934	0.01	3,508	0.01
CAISSE RÉGIONALE GUADELOUPE	637	0.01	425	0.01
CRÉDIT AGRICOLE CIB (CORÉE DU SUD)	392	0.01	5,718	0.01
CRÉDIT AGRICOLE CIB (INDE)	354	0.01	142	0.01
CAISSE RÉGIONALE CENTRE EST	212	0.01	-	-
CRÉDIT AGRICOLE S.A.	-	-	472,547	0.35
Total	<u>239,132,128</u>	<u>100.00</u>	<u>138,548,686</u>	<u>100.00</u>

(iv) Other major related party transactions

	2022	2021
Compensation of key management personnel	<u>37,110,524</u>	<u>30,163,693</u>

In accordance with the requirements of Article 56 of the Measures for the Administrative Measures on Related-party Transactions of Banking and Insurance Institutions (Decree [2022] No. 1 of the China Banking and Insurance Regulatory Commission), the Bank is required to disclose credit transactions with the close associates. There were no credit transactions with close associates in 2022 for the Bank (2021: none).

11. Related party transactions (continued)

(6) Balance with related parties

(i) Due from and placements with banks

	31-12-2022		31-12-2021	
	Amount	%	Amount	%
<u>Due from banks</u>				
CRÉDIT AGRICOLE S.A.	20,641,484	100.00	145,764,957	100.00
Total	20,641,484	100.00	145,764,957	100.00
<u>Placements with banks</u>				
CA-CIB	922,999,587	100.00	666,103,108	32.41
CA INDOSUEZ WEALTH (EUROPE)	-	-	703,992,947	34.25
CA INDOSUEZ (SWITZERLAND) S.A.	-	-	685,142,286	33.34
Total	922,999,587	100.00	2,055,238,341	100.00

(ii) Due to and placements from banks

	31-12-2022		31-12-2021	
	Amount	%	Amount	%
<u>Due to banks</u>				
CRÉDIT AGRICOLE S.A.	8,336,732	72.18	2,937,965	97.10
CA-CIB	3,167,838	27.43	42,617	1.41
CRÉDIT AGRICOLE CIB (HONG-KONG)	34,989	0.30	34,724	1.15
GAC-SOFINCO AUTOMOBILE FINANCE CO., LTD.	5,263	0.05	10,246	0.34
CRÉDIT AGRICOLE CIB (SINGAPOUR)	5,011	0.04	-	-
Total	11,549,833	100.00	3,025,552	100.00
<u>Placements from banks</u>				
CA-CIB	4,074,317,182	99.99	6,735,906,585	86.99
CRÉDIT AGRICOLE CIB (HONG-KONG)	31,341	0.01	3,786,877	0.05
CRÉDIT AGRICOLE S.A.	-	-	1,002,603,096	12.95
CA INDOSUEZ WEALTH (EUROPE)	-	-	9,827	0.01
Total	4,074,348,523	100.00	7,742,306,385	100.00

11. Related party transactions (continued)

(6) Balance with related parties (continued)

(iii) Asset-backed security

	31-12-2022		31-12-2021	
	Amount	%	Amount	%
GAC-SOFINCO AUTOMOBILE FINANCE CO., LTD. (Note i)	<u>209,500,000</u>	<u>100.00</u>	<u>374,147,011</u>	<u>100.00</u>

Note i: The related party is an asset-backed securities issuer, and the underlying assets under the securitization trust are personal automobile mortgage loans.

(iv) Derivative financial instruments

31-12-2022

	Notional amount	%	Fair value	
			Assets	Liabilities
CA-CIB	8,001,567,317	53.94	58,455,359	(126,384,450)
CRÉDIT AGRICOLE CIB (HONG-KONG)	4,061,904,345	27.38	35,434,027	(41,501,421)
CRÉDIT AGRICOLE CIB (ROYAUME-UNI)	<u>2,770,363,567</u>	<u>18.68</u>	<u>365,235,370</u>	<u>(50,750,205)</u>
Total	<u>14,833,835,229</u>	<u>100.00</u>	<u>459,124,756</u>	<u>(218,636,076)</u>

31-12-2021

	Notional amount	%	Fair value	
			Assets	Liabilities
CA-CIB	7,664,146,126	72.00	70,331,173	(23,542,279)
CRÉDIT AGRICOLE CIB (HONG-KONG)	495,628,013	4.66	3,804,006	(2,546,849)
CRÉDIT AGRICOLE CIB (ROYAUME-UNI)	<u>2,485,016,714</u>	<u>23.34</u>	<u>471,608,161</u>	<u>(3,476,609)</u>
Total	<u>10,644,790,853</u>	<u>100.00</u>	<u>545,743,340</u>	<u>(29,565,737)</u>

11. Related party transactions (continued)

(6) Balance with related parties (continued)

(v) Commitments and Entrusted Business

Guarantees:

	31-12-2022		31-12-2021	
	Amount	%	Amount	%
CA-CIB CRÉDIT AGRICOLE CIB (ALLEMAGNE)	849,394,852	96.01	1,036,735,930	87.83
CAISSE RÉGIONALE DES SAVOIE	30,537,703	3.45	28,956,829	2.45
CRÉDIT AGRICOLE CIB (NEW-YORK)	2,443,394	0.28	2,443,394	0.21
CRÉDIT AGRICOLE EGYPT S.A.E.	2,298,318	0.26	2,103,981	0.18
	-	-	110,129,295	9.33
Total	<u>884,674,267</u>	<u>100.00</u>	<u>1,180,369,429</u>	<u>100.00</u>

12. Post balance sheet events

As at the date on which the financial statements are approved, there is no material post balance sheet event that needs to be disclosed or adjusted by the Bank.

13. Segment reporting

The Bank is organized into six segments based on geographical region, which is the Head Office Business Department, Shanghai Branch, Beijing Branch, Guangzhou Branch, Tianjin Branch and Xiamen Branch. Segment profit or loss and assets and liabilities are presented based on the location of the booking entities. The management periodically reviews the financial information of the segments to determine resource allocation and performance assessment.

14. Comparative amounts

Certain comparative amounts have been adjusted to conform with the current year's presentation and the accounting treatment requirements.

15. Approval of the financial statements

The financial statements were approved for issue by the Board of Directors on Mar 21st, 2023.

The following parts are not the components of the audited financial statements

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Appendix I
Attachment (1)
CREDIT AGRICOLE CIB (CHINA) LIMITED
Balance Sheet of Head office
Expressed in RMB Yuan

<u>ASSETS</u>	<u>2022-12-31</u>	<u>2021-12-31</u>
Cash and due from the central bank	40,956,540	141,246,810
Due from financial institutions	58,915,445	13,845,053
Placements with financial institutions	4,312,393,697	9,438,133,844
Due from inter-bank	1,571,399,262	-
Loans and advances to customers	(3,116,018)	(17,292,569)
Financial investments:		
Debt instruments	4,538,685,487	6,043,691,642
Derivative financial assets	5,623,924	18,182,256
Reverse repurchase agreements	1,549,487,950	-
Fixed assets	2,057,865	2,057,866
Intangible assets	73,578	73,579
Deferred tax assets	155,790,468	36,755,385
Other assets	911,317	34,349,408
TOTAL ASSETS	<u>12,233,179,515</u>	<u>15,711,043,274</u>

Appendix I
Attachment (1)
CREDIT AGRICOLE CIB (CHINA) LIMITED
Balance Sheet of Head office (continued)
Expressed in RMB Yuan

<u>LIABILITIES AND EQUITY</u>	<u>2022-12-31</u>	<u>2021-12-31</u>
LIABILITIES:		
Due to financial institutions	22,873,481	101,365,431
Placements from banks and other financial institutions	4,074,348,523	7,742,306,385
Due to inter-bank	2,190,587,374	1,330,652,146
Derivative financial liabilities	11,385,864	26,759,940
Interest payable to inter-bank	13,072,837	39,716,658
Tax payables	76,335,175	5,167,111
Accrued liabilities	1,779,347	1,400,339
Payroll payables	1,501,207	1,290,263
Debt securities issued	-	684,773,080
Other liabilities	20,953,322	18,079,908
TOTAL LIABILITIES	<u>6,412,837,130</u>	<u>9,951,511,261</u>
SHAREHOLDERS' EQUITY:		
Paid-in capital	5,796,000,000	5,796,000,000
Capital reserve	65,429,072	65,429,072
Surplus reserve	144,281,114	144,281,114
General reserve	367,414,758	367,414,758
Retained earnings	(552,782,559)	(613,592,931)
TOTAL SHAREHOLDERS' EQUITY	<u>5,820,342,385</u>	<u>5,759,532,013</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>12,233,179,515</u>	<u>15,711,043,274</u>

Appendix I
Attachment (1)
CREDIT AGRICOLE CIB (CHINA) LIMITED
Income statement of Head office
Expressed in RMB Yuan

	<u>Year 2022</u>	<u>Year 2021</u>
OPERATING INCOME		
Interest income	343,483,720	404,066,873
Inter-bank interest income	103,944,838	157,843,492
Interest expense	(208,832,524)	(316,048,603)
Inter-bank interest expense	(186,426,384)	(167,095,874)
Net interest income	<u>52,169,650</u>	<u>78,765,888</u>
Fee and commission income	9,196,093	6,361,279
Fee and commission expense	(18,644,712)	(17,606,153)
Net fee and commission expense	<u>(9,448,619)</u>	<u>(11,244,874)</u>
Gains / (losses) from changes in fair value	5,966,147	(3,942,126)
Investment income	(8,390,028)	(3,166,681)
Foreign exchange (losses)	<u>(2,492,460)</u>	<u>(2,731,813)</u>
TOTAL OPERATING INCOME	<u>37,804,690</u>	<u>57,680,394</u>
OPERATING EXPENSE		
Business tax and surcharges	(137,466)	(704,377)
Credit impairment losses	3,663,043	(1,4951,642)
General and administrative expense	<u>(8,003,101)</u>	<u>(4,946,816)</u>
TOTAL OPERATING EXPENSE	<u>(4,477,524)</u>	<u>(20,602,835)</u>
OPERATING PROFIT	<u>33,327,166</u>	<u>37,077,559</u>
Add: Non-operating income	-	44,956
Less: Non-operating expense	-	<u>(33,834)</u>
PROFIT BEFORE TAX	33,327,166	37,088,681
Less: Income tax expense	<u>27,483,206</u>	<u>(4,039,078)</u>
PROFIT	<u>60,810,372</u>	<u>33,049,603</u>

Appendix I
Attachment (2)
CREDIT AGRICOLE CIB (CHINA) LIMITED
Balance sheet of Shanghai Branch
Expressed in RMB Yuan

<u>ASSETS</u>	<u>2022-12-31</u>	<u>2021-12-31</u>
Cash and due from the central bank	1,642,516,676	1,192,553,392
Due from financial institutions	814,262,330	718,731,393
Placements with financial institutions	-	(10,327,830)
Due from inter-bank	2,105,471,940	-
Derivative financial assets	5,967,537,063	3,170,883,956
Interest receivable from inter-bank	12,500,215	35,550,981
Loans and advances to customers	6,677,738,071	8,577,129,938
Financial investments:		
Financial assets held-for-trading	712,914,953	1,064,492,609
Debt instruments	-	(1,105,233)
Fixed assets	1,766,173	3,138,255
Right-of-use assets	32,508,189	40,353,420
Intangible assets	3,098,209	2,597,602
Other assets	248,677,731	75,327,305
TOTAL ASSETS	<u>18,218,991,550</u>	<u>14,869,325,788</u>

Appendix I
Attachment (2)
CREDIT AGRICOLE CIB (CHINA) LIMITED
Balance sheet of Shanghai Branch (continued)
Expressed in RMB Yuan

<u>LIABILITIES AND EQUITY</u>	<u>2022-12-31</u>	<u>2021-12-31</u>
LIABILITIES:		
Due to institutions	11,544,570	3,747,793
Derivative financial liabilities	6,591,038,983	3,134,182,507
Due to inter-bank	2,666,197,206	1,220,290,917
Customers deposits	8,271,534,482	9,598,705,336
Payroll payables	48,854,456	47,890,817
Tax payables	20,615,859	21,500,262
Accrued liabilities	1,646,149	250,654
Lease liabilities	33,946,095	42,082,759
Other liabilities	<u>221,510,753</u>	<u>185,344,155</u>
TOTAL LIABILITIES	<u>17,866,888,553</u>	<u>14,253,995,200</u>
SHAREHOLDERS' EQUITY:		
Paid-in capital	100,000,000	100,000,000
Retained earnings	<u>252,102,997</u>	<u>515,330,588</u>
TOTAL SHAREHOLDERS' EQUITY	<u>352,102,997</u>	<u>615,330,588</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>18,218,991,550</u></u>	<u><u>14,869,325,788</u></u>

Appendix I
Attachment (2)
CREDIT AGRICOLE CIB (CHINA) LIMITED
Income statement of Shanghai Branch
Expressed in RMB Yuan

	<u>Year 2022</u>	<u>Year 2021</u>
OPERATING INCOME		
Interest income	313,845,526	342,829,607
Inter-bank interest income	217,185,232	229,174,675
Interest expense	(147,231,977)	(137,662,562)
Inter-bank interest expense	(222,921,149)	(271,286,835)
Net interest income	<u>160,877,632</u>	<u>163,054,885</u>
Fee and commission income	133,792,966	114,436,473
Fee and commission expense	(40,869,925)	(86,130,697)
Net fee and commission income	<u>92,923,041</u>	<u>28,305,776</u>
Investment income	(33,935,995)	(55,241,174)
(Losses) /gains from changes in fair value	(56,433,368)	187,086,657
Foreign exchange gains/ (losses)	219,725,786	(7,887,701)
Other operating income	<u>41,764,570</u>	<u>32,736,975</u>
TOTAL OPERATING INCOME	<u>424,921,666</u>	<u>348,055,418</u>
OPERATING EXPENSE		
Business tax and surcharges	(4,748,194)	(2,992,685)
General and administrative expense	(295,063,150)	(260,034,392)
Credit impairment losses	<u>(291,868,684)</u>	<u>(15,319,992)</u>
TOTAL OPERATING EXPENSE	<u>(591,680,028)</u>	<u>(278,347,069)</u>
OPERATING (LOSS)/PROFIT	(166,758,362)	69,708,349
Add: Non-operating income	-	126,288
Less: Non-operating expense	<u>(1,967,340)</u>	<u>(259,882)</u>
(LOSS)/PROFIT BEFORE TAX	(168,725,702)	69,574,755
Less: Income tax expense	<u>492,317</u>	<u>(22,592,229)</u>
NET (LOSS) /PROFIT	<u>(168,233,385)</u>	<u>46,982,526</u>

Appendix I
Attachment (3)
CREDIT AGRICOLE CIB (CHINA) LIMITED
Balance sheet of Beijing Branch
Expressed in RMB Yuan

<u>ASSETS</u>	<u>2022-12-31</u>	<u>2021-12-31</u>
Due from financial institutions	520,791	566,812
Due from inter-bank	82,931,706	2,088,151,724
Loans and advances to customers	1,126,763,227	393,375,743
Interest receivable from inter-bank	907,347	60,690
Fixed assets	150,912	324,287
Right-of-use assets	4,982,948	8,996,381
Other assets	<u>2,753,643</u>	<u>2,510,630</u>
TOTAL ASSETS	<u>1,219,010,574</u>	<u>2,493,986,267</u>
<u>LIABILITIES AND EQUITY:</u>		
LIABILITIES:		
Customers deposits	681,681,287	2,286,235,445
Payroll payables	9,179,464	10,239,523
Tax payables	1,811,710	840,439
Accrued liabilities	88,782	60,487
Lease liabilities	4,657,200	9,401,762
Other liabilities	<u>328,632,887</u>	<u>658,817</u>
TOTAL LIABILITIES	<u>1,026,051,330</u>	<u>2,307,436,473</u>
SHAREHOLDERS' EQUITY:		
Paid-in capital	100,000,000	100,000,000
Retained earnings	<u>92,959,244</u>	<u>86,549,794</u>
TOTAL SHAREHOLDERS' EQUITY	<u>192,959,244</u>	<u>186,549,794</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>1,219,010,574</u>	<u>2,493,986,267</u>

Appendix I
Attachment (3)
CREDIT AGRICOLE CIB (CHINA) LIMITED
Income Statement of Beijing Branch
Expressed in RMB Yuan

	<u>Year 2022</u>	<u>Year 2021</u>
OPERATING INCOME		
Interest income	22,403,963	38,511,679
Inter-bank interest income	76,286,566	73,895,633
Interest expense	(36,438,291)	(24,815,244)
Inter-bank interest expense	(16,010,534)	(45,548,175)
Net interest income	<u>46,241,704</u>	<u>42,043,893</u>
Fee and commission income	22,969,382	23,508,700
Fee and commission expense	(402,728)	(502,007)
Net fee and commission income	<u>22,566,654</u>	<u>23,006,693</u>
Foreign exchange (losses)/ gains	(2,960,294)	820,526
Investment income	<u>(6,281)</u>	<u>-</u>
TOTAL OPERATING INCOME	<u>65,841,783</u>	<u>65,871,112</u>
OPERATING EXPENSE		
Business tax and surcharges	(380,891)	(538,957)
General and administrative expense	(44,103,914)	(49,281,869)
Credit impairment losses	<u>(15,022,828)</u>	<u>13,752,853</u>
TOTAL OPERATING EXPENSE	<u>(59,507,633)</u>	<u>(36,067,973)</u>
OPERATING PROFIT	6,334,150	29,803,139
Add: Non-operating income	1	19
Less: Non-operating expense	<u>-</u>	<u>(2,721)</u>
PROFIT BEFORE TAX	6,334,151	29,800,437
Less: Income tax expense	<u>75,299</u>	<u>(3,409,682)</u>
NET PROFIT	<u>6,409,450</u>	<u>26,390,755</u>

Appendix I
Attachment (4)
CREDIT AGRICOLE CIB (CHINA) LIMITED
Balance sheet of Guangzhou Branch
Expressed in RMB Yuan

<u>ASSETS</u>	<u>2022-12-31</u>	<u>2021-12-31</u>
Cash and due from the central bank	499,616	457,293
Due from financial institutions	169,339	79,125
Due from inter-bank	517,574,490	427,873,406
Loans and advances to customers	-	95,884,815
Fixed assets	111,701	164,350
Interest payable to inter-bank	15,003	-
Right-of-use assets	1,952,822	2,451,415
Other assets	931,269	1,115,259
TOTAL ASSETS	<u>521,254,240</u>	<u>528,025,663</u>
<u>LIABILITIES AND EQUITY:</u>		
LIABILITIES:		
Customer deposits	365,003,154	387,015,213
Payroll payables	1,930,334	1,596,000
Tax payables	185,342	223,636
Lease liabilities	1,953,952	2,684,833
Interest payable to inter-bank	-	85,535
Other liabilities	1,038,279	90,838
Accrued liabilities	83,558	-
TOTAL LIABILITIES	<u>370,194,619</u>	<u>391,696,055</u>
SHAREHOLDERS' EQUITY:		
Paid-in capital	100,000,000	100,000,000
Retained earnings	51,059,621	36,329,608
TOTAL SHAREHOLDERS' EQUITY	<u>151,059,621</u>	<u>136,329,608</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>521,254,240</u>	<u>528,025,663</u>

Appendix I
Attachment (4)
CREDIT AGRICOLE CIB (CHINA) LIMITED
Income statement of Guangzhou Branch
Expressed in RMB Yuan

	<u>Year 2022</u>	<u>Year 2021</u>
OPERATING INCOME		
Interest income	2,968,558	4,558,902
Inter-bank interest income	16,803,898	12,900,271
Interest expense	(7,375,563)	(1,304,640)
Inter-bank interest expense	(4,319,293)	(11,206,162)
Net interest income	<u>8,077,600</u>	<u>4,948,371</u>
Fee and commission income	13,949,649	6,595,280
Fee and commission expense	(69,849)	(436)
Net fee and commission income	<u>13,879,800</u>	<u>6,594,844</u>
Foreign exchange (losses)	<u>(26,439)</u>	<u>(208)</u>
TOTAL OPERATING INCOME	<u>21,930,961</u>	<u>11,543,007</u>
OPERATING EXPENSE		
Business tax and surcharges	(139,295)	(66,285)
General and administrative expense	(8,951,624)	(8,253,034)
Credit impairment losses	<u>1,870,356</u>	<u>100,023</u>
TOTAL OPERATING EXPENSE	<u>(7,220,563)</u>	<u>(8,219,296)</u>
OPERATING PROFIT	14,710,398	3,323,711
Add: Non-operating income	755	755
Less: Non-operating expense	<u>-</u>	<u>(682)</u>
PROFIT BEFORE TAX	14,711,153	3,323,784
Less: Income tax expense	<u>18,860</u>	<u>(854,611)</u>
NET PROFIT	<u>14,730,013</u>	<u>2,469,173</u>

Appendix I
Attachment (5)
CREDIT AGRICOLE CIB (CHINA) LIMITED
Balance sheet of Tianjin Branch
Expressed in RMB Yuan

<u>ASSETS</u>	<u>2022-12-31</u>	<u>2021-12-31</u>
Due from financial institutions	167,597	224,968
Due from inter-bank	245,047,888	-
Interest receivable from inter-bank	-	4,174,521
Loans and advances to customers	226,725,236	743,422,173
Fixed assets	4,894	25,521
Right-of-use assets	24,205	314,667
Other assets	7,085	71,905
TOTAL ASSETS	<u>471,976,905</u>	<u>748,233,755</u>
<u>LIABILITIES AND EQUITY:</u>		
LIABILITIES:		
Customer deposits	161,359,272	161,010,401
Due to inter-bank	-	299,929,856
Interest payable to inter-bank	368,198	-
Payroll payables	616,643	513,404
Tax payables	167,192	690,929
Lease liabilities	26,431	336,050
Other liabilities	70,888	64,894
TOTAL LIABILITIES	<u>162,608,624</u>	<u>462,545,534</u>
SHAREHOLDERS' EQUITY:		
Paid-in capital	100,000,000	100,000,000
Retained earnings	209,368,281	185,688,221
TOTAL SHAREHOLDERS' EQUITY	<u>309,368,281</u>	<u>285,688,221</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>471,976,905</u>	<u>748,233,755</u>

Appendix I
Attachment (5)
CREDIT AGRICOLE CIB (CHINA) LIMITED
Income statement of Tianjin Branch
Expressed in RMB Yuan

	<u>Year 2022</u>	<u>Year 2021</u>
OPERATING INCOME		
Interest income	11,375,518	15,952,690
Inter-bank interest income	14,645,340	20,066,797
Interest expense	(2,816,160)	(2,783,754)
Inter-bank interest expense	(10,384,764)	(10,430,883)
Net interest income	<u>12,819,934</u>	<u>22,804,850</u>
Fee and commission income	4,475,299	4,140,272
Fee and commission expense	(6,073)	(7,086)
Net fee and commission income	<u>4,469,226</u>	<u>4,133,186</u>
Foreign exchange (losses)/ gains	<u>(107)</u>	<u>1,991</u>
TOTAL OPERATING INCOME	<u>17,289,053</u>	<u>26,940,027</u>
OPERATING EXPENSE		
Business tax and surcharges	(66,553)	(212,376)
General and administrative Expense	(4,234,467)	(4,026,008)
Credit impairment losses	<u>10,670,000</u>	<u>(4,872,084)</u>
TOTAL OPERATING EXPENSE	<u>6,368,980</u>	<u>(9,110,468)</u>
OPERATING PROFIT	23,658,033	17,829,559
Less: Non-operating expense	<u>-</u>	<u>(796)</u>
PROFIT BEFORE TAX	23,658,033	17,828,763
Less: Income tax expense	<u>22,027</u>	<u>(1,029,089)</u>
NET PROFIT	<u><u>23,680,060</u></u>	<u><u>16,799,674</u></u>

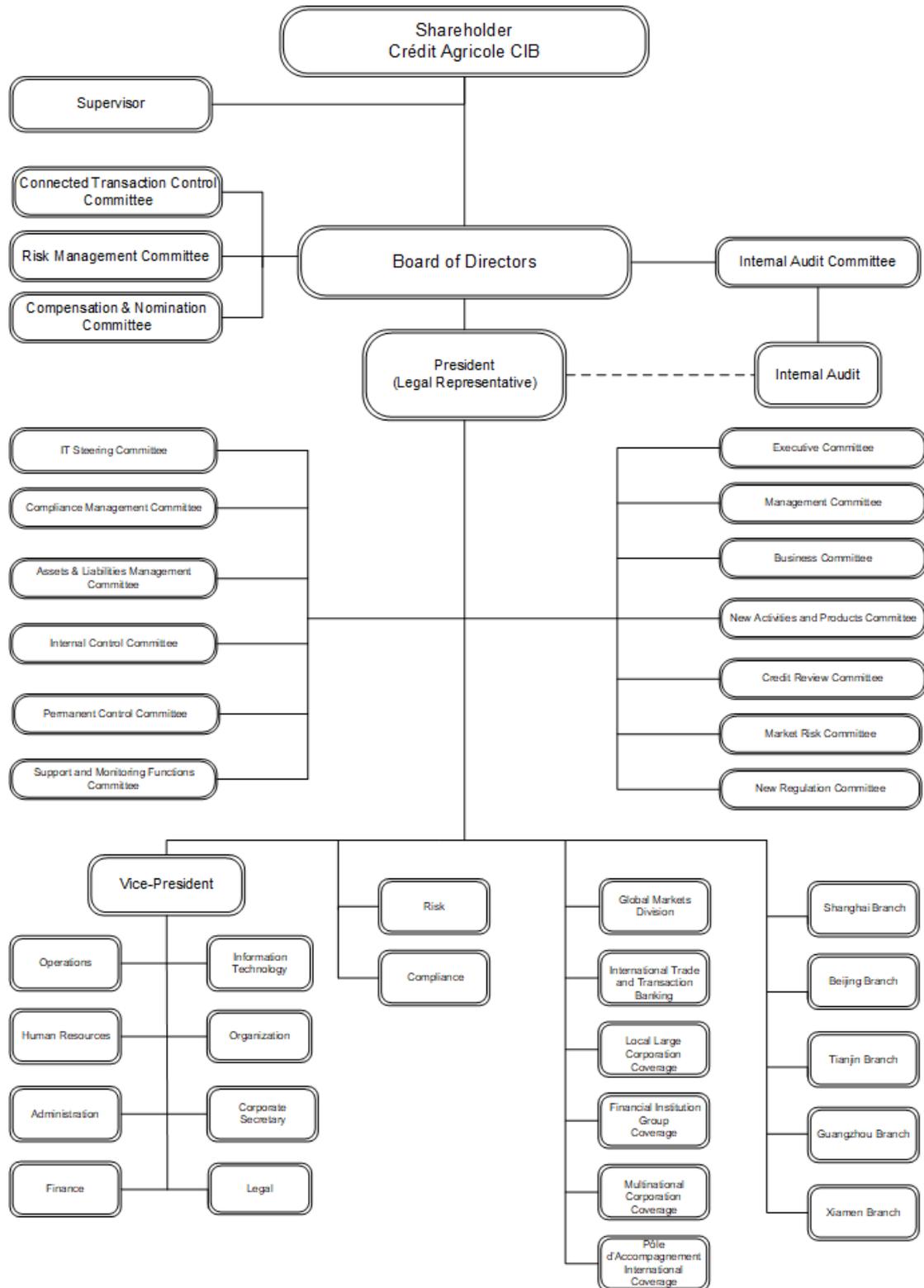
Appendix I
Attachment (6)
CREDIT AGRICOLE CIB (CHINA) LIMITED
Balance sheet of Xiamen Branch
Expressed in RMB Yuan

<u>ASSETS</u>	<u>2022-12-31</u>	<u>2021-12-31</u>
Due from financial institutions	443,755	1,006,879
Due from inter-bank	334,359,294	334,847,789
Interest receivable from inter-bank	18,470	16,001
Fixed assets	185,992	9,699
Right-of-use assets	1,321,311	77,416
Other assets	<u>1,348,508</u>	<u>61,556</u>
TOTAL ASSETS	<u><u>337,677,330</u></u>	<u><u>336,019,340</u></u>
<u>LIABILITIES AND EQUITY:</u>		
LIABILITIES:		
Customer deposits	153,854,059	190,379,358
Payroll payables	503,035	485,599
Tax payable	730,069	163,864
Lease liabilities	<u>1,334,363</u>	<u>67,321</u>
TOTAL LIABILITIES	<u><u>156,421,526</u></u>	<u><u>191,096,142</u></u>
SHAREHOLDERS' EQUITY:		
Paid-in capital	100,000,000	100,000,000
Retained earnings	<u>81,255,804</u>	<u>44,923,198</u>
TOTAL SHAREHOLDERS' EQUITY	<u><u>181,255,804</u></u>	<u><u>144,923,198</u></u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>337,677,330</u></u>	<u><u>336,019,340</u></u>

Appendix I
Attachment (6)
CREDIT AGRICOLE CIB (CHINA) LIMITED
Income statement of Xiamen Branch
Expressed in RMB Yuan

	<u>Year 2022</u>	<u>Year 2021</u>
OPERATING INCOME		
Interest income	2,630	2,853
Inter-bank interest income	13,045,501	12,017,531
Interest expense	(2,138,740)	(2,334,306)
Inter-bank interest expense	(1,849,251)	(330,470)
Net interest income	<u>9,060,140</u>	<u>9,355,608</u>
Fee and commission income	31,755,606	21,054,373
Fee and commission expense	(529)	(755)
Net fee and commission income	<u>31,755,077</u>	<u>21,053,618</u>
Foreign exchange gains	<u>1,199</u>	<u>1,570</u>
TOTAL OPERATING INCOME	<u>40,816,416</u>	<u>30,410,796</u>
OPERATING EXPENSE		
Business tax and surcharges	(215,178)	(149,009)
General and administrative expense	<u>(4,280,567)</u>	<u>(3,469,353)</u>
TOTAL OPERATING EXPENSE	<u>(4,495,745)</u>	<u>(3,618,362)</u>
OPERATING PROFIT	36,320,671	26,792,434
Less: Non-operating expense	<u>-</u>	<u>(431)</u>
PROFIT BEFORE TAX	36,320,671	26,792,003
Less: Income tax expense	<u>11,935</u>	<u>(493,870)</u>
NET PROFIT	<u><u>36,332,606</u></u>	<u><u>26,298,133</u></u>

ORGANIZATION CHART



LIST OF DOMESTIC OPERATIONS

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GLOSSARY

In this Annual Report, unless the context otherwise requires, the following terms shall have the meanings set out below:

The Group / Crédit Agricole Group	Crédit Agricole S.A., Caisses Régionales (Regional Banks), and its subsidiaries
Crédit Agricole CIB / CACIB	Crédit Agricole Corporate and Investment Bank and all of its subsidiaries and branches
Parent Bank / Shareholder	Crédit Agricole Corporate and Investment Bank
CACIB (China) / Our Bank / the Bank / we / us	Credit Agricole Corporate and Investment Bank (China) Limited, its predecessors and all of its branches
Articles of Association / AOA	The performing Articles of Association of the Bank
PRC	People's Republic of China
CNY / RMB / Renminbi	The lawful currency of PRC
CBIRC	China Banking and Insurance Regulatory Commission
SAFE	State Administration of Foreign Exchange
PBOC	People's Bank of China

Note: Photos in this Annual Report are provided by CACIB employees.

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