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China Everbright Bank (Europe) S.A.

Financial statements as at 31 December 2021, Management Report and Report of the *Réviseur d'Entreprises Agréé*

Ravelin Building
10, Avenue Emile Reuter
L-2420 Luxembourg
R.C.S. Luxembourg B213 668

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General Management who served the Bank during the year ended 31 December 2021

Name	Position	Address
Mr. WANG Dong (until 12 January 2022)	General Manager of China Everbright Bank (Europe) S.A.	10 Avenue Emile Reuter, L-2420, Luxembourg
Mr. LI Baokun (from 30 April 2021 to 12 January 2022)	Deputy General Manager of China Everbright Bank (Europe) S.A.	10 Avenue Emile Reuter, L-2420, Luxembourg
Mr. LI Baokun (From 12 January 2022)	General Manager of China Everbright Bank (Europe) S.A.	10 Avenue Emile Reuter, L-2420, Luxembourg
Mr. BI Tao	Deputy General Manager of China Everbright Bank (Europe) S.A.	10 Avenue Emile Reuter, L-2420, Luxembourg
Mr. LI Qing	Assistant General Manager of China Everbright Bank (Europe) S.A.	10 Avenue Emile Reuter, L-2420, Luxembourg

Board of Directors who served the Bank for the year ended at 31 December 2021

Name	Position	Address
Mr. Zhang Wei (until 12 January 2022)	Chairman of Director of the Board of China Everbright Bank (Europe) S.A.	10 Avenue Emile Reuter, L-2420, Luxembourg
Mr. Wang Dong (until 12 January 2022)	Executive director of the Board of China Everbright Bank (Europe) S.A.	10 Avenue Emile Reuter, L-2420, Luxembourg
Mr. Wang Dong (From 12 January 2022)	Chairman of Director of the Board of China Everbright Bank (Europe) S.A.	10 Avenue Emile Reuter, L-2420, Luxembourg
Mr. Li Baokun (From 12 January 2022)	Executive director of the Board of China Everbright Bank (Europe) S.A.	10 Avenue Emile Reuter, L-2420, Luxembourg
Mr. Norbert Becker	Independent director of the Board of China Everbright Bank (Europe) S.A.	10 Avenue Emile Reuter, L-2420, Luxembourg
Mr. Robert Goebbels	Independent director of the Board of China Everbright Bank (Europe) S.A.	10 Avenue Emile Reuter, L-2420, Luxembourg
Mrs. Yao HongYu	Director of the Board of China Everbright Bank (Europe) S.A.	10 Avenue Emile Reuter, L-2420, Luxembourg
Mr. Zhao Ling (until October 2021)	Director of the Board of China Everbright Bank (Europe) S.A.	10 Avenue Emile Reuter, L-2420, Luxembourg
Mr. SUN Xinhong (from 22 October 2021)	Non-executive director of the Board of China Everbright Bank (Europe) S.A.	10 Avenue Emile Reuter, L-2420, Luxembourg
Mr. YANG Wenhua (from 22 October 2021)	Non-executive director of the Board of China Everbright Bank (Europe) S.A.	10 Avenue Emile Reuter, L-2420, Luxembourg

Authorized Management Report

We are pleased to report on the 2021 financial statements of China Everbright Bank (Europe) S.A. (the "**Bank**").

Executive summary:

The Bank is incorporated in Luxembourg as a wholly owned subsidiary of China Everbright Bank Co Ltd ("**CEB**"), in the form of a Société Anonyme, under the name of China Everbright Bank (Europe) S.A. on March 20, 2017. As of the end of 2021 the Bank employs 6 employees (2020:7).

Activities:

In 2021, the Bank has continued to follow the group strategy to pursue the internationalization of its business activities and provides corporate banking service to Chinese companies developing businesses in Europe, as well as well-known European and global companies doing business with China.

Indeed, as CEB is a well-established bank in China, it can leverage on its significant domestic client base built up over the past decades to provide the necessary gateway for Chinese companies looking to expand their business into Europe. The Bank continued to act as European head-office, interbank and treasury center and is the basis for Pan-European business development.

In 2021, the Bank carried out the following services and activities:

- Deposit taking;
- Overseas loans under domestic guarantee or domestic loans under overseas guarantee;
- Securities dealing for own account;
- Foreign exchange products for own account;
- Interbank referral services;
- Interbank service (placement and deposit with/from banks and other financial institutions, and other inter-bank trade finance service).

The financial year of 2021 was the fourth complete year for the Bank and its operations. The Bank's portfolio is mainly composed of loans and bond. The loan portfolio is mainly risk participation and loan guaranteed by Standby Letter of Credit (SBLC) and the bonds portfolio is composed of government bonds.

At the end of 2021, no branches have been opened abroad.

Financial results:

As of 31 December 2021, the profit/loss for the period amounted to EUR 107,713 (2020: EUR -1,166,354). The main source of income of the Bank are from fees and commission income from referral services and management of loans amounting to EUR 2,369,625.

The interest receivable and similar income amounted to EUR 489,315 (2020: EUR 429,565) whereas, general administrative expenses amounted to EUR 2,415,686 (2020: EUR 2,272,430) which mainly consist of staff expenses and other administrative expenses.

Other operating income was EUR 21,891 (2020: EUR 21,891).

As of 31 December 2021, the total assets amounted to EUR 151, 998,656 (2020: EUR 36,345,737). As of 31 December 2021, the Bank did not acquire any of its own shares.

Overview by product:

The Bank has an existing outstanding loan amounting to equivalent 104.62 million euros .As of 31 December 2021, the outstanding portion of the loans guaranteed by SBLC issued by CEB branch in China was equivalent 94.05 million euros (2020: nil). The outstanding of the loans guaranteed by SBLC issued by other banks in China was equivalent 10.57 million euros (2020: nil). The Bank has invested in treasury bonds for USD 12 million (2020: USD 27 million).

Risk management:

The Bank establishes the risk management framework to fully and timely identify, measure, monitor and control various risks upon the principle of prudence.

The Bank manages the following risk categories:

- Credit risk and counterparty risk;
- Concentration risk;
- Country risk (transfer risk);
- Market risk, including interest rate risk arising from non-trading activities;
- Operational risk, including IT risk, risk linked to outsourced processes as well as risk linked to new activities or products;
- Liquidity risk;
- Reputational risk;
- Compliance and legal risk;

- Business and strategic risk;
- Risks generated by the macroeconomic and regulatory environment in which the Bank operates; and

The Bank performs its activities in accordance with the business development, risk appetite framework and risk management policies. These policies of risk management are established and monitored by the Authorized Management.

Risk Management and Compliance Committee and Credit Review Committee are in place in order to perform specific duties as formulation of policies, credit review, approval of loan and its extension, transaction confirmation, limit monitoring and risk reporting.

In addition, the Asset & Liability Committee meets on a regular basis to examine, control and plan the Liquidity, Asset and Liabilities positions of the Bank.

Market overview:

The COVID-19 pandemic forced most euro areas economies in the repeated lock down during 2020 and early 2021. The euro area economy continues to recover in 2021 after falling 6.5 percent in 2020. According to Eurostat's flash estimate the euro area's GDP rose by 2 percent in Q2 2021 and more member states are expected to reach pre-pandemic level by the end of 2021 while few others are expected to recover in 2022. The economic activity in the EU area is expected to expand by 4.3 percent by 2022 even the pace of the growth varies across the EU countries and sectors.

Following several years of low inflation in Euro area, estimated to peak to 5 percent at the end of 2021. Annual Harmonised Index of Consumer prices (HICAP) was 10 year high of 3.4 percent in September 2021. The increase in the inflation is fueled by increase in energy prices and impact in supply disruption. The core inflation as of September 2021 was 1.9 percent which was the highest rate since 2021. The economic area inflation is set to be at 3.7 percent during the Q4 2021 and continue to increase during the first half of 2022.

China was the first country to be affected by the COVID-19 outbreak. Unprecedented lockdown measures led to significant decline in the economic growth during 2020. In Q3 of 2021, the growth of real gross domestic product ranged 4.9 percent slightly missing the market consensus of 5.2 percent. It was the slowest pace of expansion since Q3 2020 amid several headwinds including power shortages, supply chain bottlenecks, persistent property bubble and variants of COVID outbreaks.

China's fixed assets investment grew by 6.1 percent to CNY 49.41 trillion between January to November 2021. The investment eased in both public and private sector. The public sector rose by 4.1 percent between January to October and the private sector rose by 8.5 percent for the same period.

According to the Morgan Stanley, the overall Chinese economy is bouncing back to upswing as the country ease the policy. During 2021, China managed to cut debt to GDP ratio by 10 percent, and projects that the GDP growth will accelerate to 5.5 percent in 2022.

Based on the World Economic Outlook edition October 2021, the global economy continuous to recover in Q3 2021 and estimated to grow to 5.9 percent in 2021. The gaps between the expected growth has widened since July 2021. Meantime, inflation has increased evidently in the United States and some emerging market economies. Restriction has been eased during the mid of 2021 which led to demand acceleration. The inflation prospect is highly uncertain which has been expected to take a peek by the end of 2021 and expected to return to pre-pandemic level by mid of 2022 for most of the economies. The policy makers are facing challenges due to the increase of inflation, strong policy effort at the multilateral level is needed on vaccine deployment, climate change, international liquidity to implement economic prospects.

Since 2019, the European Commission presented the European Green Deal, with the ambition of becoming the first climate-neutral bloc in the world by 2050. Within the framework of EU Green Deal, the EU Commission published sustainable finance strategy on 6th July 2021 aiming to increase transparency and integrity of green finance. The UK hosted the 26th UN Climate change conference of the Parties (COP26) in Glasgow on 31 October to 13 November 2021 representing almost 200 countries with a mission of emission reduction target, limiting global warming to 1.5 degrees C. By the end of COP26, 151 countries submitted new climate plans to reduce the emission by 2030. Additionally, COP26 countries also made bold collective commitments to curb methane emissions to halt and reverse forest loss, align the finance sector with net -zero by 2050.

In the same direction and in 2021, China made major strides in both environmental policy and implementation of environmental regulations, from ceasing coal production to releasing the foundational policy documents for reaching carbon reduction targets. In the annual Central Work Conference (CEWC) held from December 8th to December 10th 2021, China has set out its overarching economic policies for 2022. According to the official readout of the conference, a proactive fiscal policy means more targeted and sustainable fiscal incentives and support, in particular for micro, small and medium sized enterprises and individuals. Under this global and Chinese context, the Bank will continue the effort to capture the green market and being socially responsible company.

Meantime, upon Moody's Investors Service's report, the credit performance of China's financial institutions will benefit from monetary policy continuing to support adequate system liquidity. China will maintain adequate liquidity and low interest rates, benefiting institutions with high wholesale funding reliance such as some joint-stock commercial banks, city commercial banks, and securities and leasing companies.

Facing uncertainties due to the virus mutation. China's central bank has cut the bank reserve equipment ratio to address the economic pressure of uneven growth and consumer inflation. The Chinese government has released several preferential policies for business to cope with the pandemic. Despite the unbalanced and slow-paced recovery, the Chinese economy is still expected to grow and its strong effort to achieve carbon-neutral target which brings the confidence and positive prospective to the market, encouraging investments.

Outlook

Taking into account the global macroeconomic environment and China economy growth forecast for 2022, the management of the Bank follows a cautious and steady development philosophy, continues to improve the business performance of the Bank, to diversify the service offering and continues to explore the development in European market.

In addition, in line with the Group strategy for international expansion and increase of the market share, the Bank focuses on supporting the business growth and competitive position by developing strong relationships with its target client base and providing high quality services.

Other information

In 2021, the Bank did not undertake any Research and Development activity.

In 2021, the Bank did not acquire its own shares.

No significant event having an impact on the Bank's activity or financial statements as at year-end occurred since 31 December 2021.

China Everbright Bank (Europe) S.A.

Authorized Management

Date: March 29, 2022

Mr. Li Baokun	Mr. Bi Tao	Mr. Li Qing
General Manager	Deputy General Manager	Assistant General Manager

Independent auditor's report

To the Board of Directors
China Everbright Bank (Europe) S.A.
10, Avenue Emile Reuter
L-2420 Luxembourg

Report on the audit of the financial statements

Opinion

We have audited the financial statements of China Everbright Bank (Europe) S.A. (the "Bank"), which comprise the balance sheet as at 31 December 2021, and the profit and loss account for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2021, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements.

Basis for opinion

We conducted our audit in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession (the "Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under the EU Regulation Nº 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the "réviseur d'entreprises agréé" for the audit of the financial statements" section of our report. We are also independent of the Bank in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of the audit of the financial statements as whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each key audit matter, a description of how our audit addressed the matter is set out below:

Impairment of loans and advances to customers

Description

At 31 December 2021, loans to customers amount to EUR 104,6 million against which expected credit losses (ECL) of EUR 925 is recorded (see Note 3 to the financial statements).

We considered impairment of loans and advances to customers as a key audit matter as the determination and measurement of impairment under IFRS 9 requires subjective judgments and estimates by the Bank's management. The Bank uses the following methods to assess the required impairment allowance:
- The ECL is measured based on the principles laid down in IFRS9 and adapted by the Bank in its ECL calculation process and model;
- Although the Bank has historically not recognized individual impairment on any loans of the loan portfolio, in case of default the impairment is assessed individually.

The judgements and estimates applied by Management in determining the impairment for loans include the modelling assumptions used to build the model that serve as basis for the ECL calculation, the identification of events that could possibly result in an individual impairment, an appropriate valuation of the related collateral / guarantee, the assessment of customers or guarantors that are likely to default, and the future cash flows relating to loans to customers.

- *How the matter was addressed in our audit*

We walked through the design and operating effectiveness of key controls across the processes relevant to the origination, booking and monitoring of loans to customers. As part of the control testing procedures, we assessed whether the key controls in the above processes were designed, implemented and operated effectively.

For the expected credit losses calculation, we performed the following substantive audit procedures:

- We verified that the data used as a basis to calculate the ECL are complete and accurate. We also tested, on a sample basis, extractions of data used in the models, including rating of counterparts and movements between various ratings, when applicable;
- With the support of our internal modelling specialists, we tested the assumptions, inputs and formulas used in the ECL model. This included the appropriateness of model design and formulas used and recalculating the Probability of Default, Loss Given Default and Exposure at Default for a sample of loans;

- We tested the entire loans portfolio to form our own assessment as to whether they are classified in the appropriate bucket;

For the individual impairment of loans, we performed the following substantive procedures:

- We tested the entire loans portfolio to critically assess whether there were any indicators that could trigger individual impairment. We tested the loans at the reporting date by examining in a critical manner the financial situation and the creditworthiness of the counterparts and its guarantors and by ensuring timely repayment of principal and interest before and after the reporting date.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the management report but does not include the financial statements and our report of "réviseur d'entreprises agréé" thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and of those charged with governance for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements, and for such internal control as the Board of Directors 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 Board of Directors 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 Board of Directors either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the "réviseur d'entreprises agréé" for the audit of the financial statements

The objectives of our audit 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 a report of the "réviseur d'entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with the ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are 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 annual accounts.

As part of an audit in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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.

- 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 the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of Board of Directors' 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 report of the "réviseur d'entreprises agréé" 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 report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Bank audit. We remain solely responsible for our audit opinion.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

We have been appointed as “réviseur d’entreprises agréé” by the Board of Directors on 10 September 2020 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is five years.

The management report is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

We confirm that the prohibited non-audit services referred to in EU Regulation No 537/2014 were not provided and that we remained independent of the Bank in conducting the audit.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Jean-Michel Pacaud Antoine Le Bars

Luxembourg, March 29, 2022

Balance Sheet (expressed in euros)

Assets	Notes	31/12/2021	31/12/2020
Cash in hand, balances with central banks and post office banks	3,4	**31,009,301**	**6,561,791**
Loans and advances to credit institutions	3, 5, 10	**3,738,273**	**2,604,764**
a) Repayable on demand		3,738,273	2,604,764
Loans and advances to customers	3, 6, 10	**104,624,616**	**2,999,875**
Debt instruments at amortized cost	3, 7, 10	**10,832,487**	**22,293,804**
a) Issued by public bodies		10,832,487	22,293,804
Tangible assets	8	**1,461,941**	**1,722,644**
Prepayments and accrued income	9	**332,039**	**162,859**
Total assets		**151,998,657**	**36,345,737**

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

Balance Sheet (expressed in euros)

Liabilities	Notes	31/12/2021	31/12/2020
Amounts owed to credit institutions	3, 21	**136,018,559**	**20,585,005**
a) with agreed maturity dates or period of notice		136,018,559	20,585,005
Other liabilities	8, 11	**1,940,563**	**1,960,059**
Accruals and deferred income	12	**29,179**	**1,029**
Provisions	13	**421,514**	**318,515**
a) Provisions for taxation	13.1	-	-
b) Other provisions	13.2,13.3	421,514	318,515
Subscribed capital	14	20,000,000	20,000,000
Profit / (loss) brought forward	14	(6,518,871)	(5,352,517)
Profit for the financial year	14	107,713	(1,166,354)
Total shareholders' equity	14	**13,588,842**	**13,481,129**
Total liabilities		**151,998,657**	**36,345,737**

Profit and Loss Account (expressed in euros)

	Note	2021	2020
Interest receivable and similar income		**489,315**	**429,565**
of which showing separately:			
that arising from fixed-income securities		*51,083*	*315,863*
Interest payable and similar charges		**(123,077)**	**(209,839)**
Commissions receivable	20	**2,369,625**	**1,539,591**
Commissions payable		**(16,072)**	**(16,051)**
Net profit/ (loss) on financial operations		**210,337**	**(188,602)**
Other operating income		**21,891**	**21,891**
General administrative expenses		**(2,415,686)**	**(2,272,430)**
a) staff cost	17	(1,416,648)	(1,375,068)
of which:			
- wages and salaries		(1,087,820)	(1,076,721)
- social security costs		(94,572)	(118,586)
of which:			
o *social security costs relating to pensions*		*(63,059)*	*(61,465)*
- other staff cost		(234,256)	(179,761)
b) other administrative expenses	18	(999,038)	(897,362)
Value adjustment in respect of tangible assets	**8**	**(361,940)**	**(350,368)**
Value adjustments in respect of loans and advances and provisions for contingent liabilities and for commitments		**(701)**	**-**
Value re-adjustments in respect of loans and advances and provisions for contingent liabilities and for commitments		**1,426**	**53,124**
Profit/(Loss) on ordinary activities after tax		**175,118**	**(993,119)**
Extraordinary charges	**19**	-	**(100,000)**
Other taxes not shown under the preceding items		**(67,405)**	**(73,235)**
Profit/(Loss) for the year		**107,713**	**(1,166,354)**

Notes to the financial statements
As at 31 December 2021

NOTE 1 – GENERAL INFORMATION

China Everbright Bank (Europe) S.A. ("the Bank") is a bank fully licensed in Luxembourg, incorporated on 20 March 2017.

The Bank is registered with the Trade and Companies Register of Luxembourg with the number B 213 668 and has its register office at 10, avenue Emile Reuter, L-2420 Luxembourg.

The banking license allowing all banking activities was granted to the Bank on 11 July 2017 by the Minister of Finance. The Bank is a wholly owned subsidiary of China Everbright Bank Co.Ltd.

The financial statements of the Bank are fully consolidated in the consolidated accounts of China Everbright Bank Co.Ltd (the "sole shareholder") whose head office is located in China, China Everbright Center No. 25 and 25A Taipingqiao Avenue, Xicheng District, 100033 Beijing.

The Bank is involved in the corporate banking activities. The Bank's main products and services are the following:

- Deposit taking;
- Commercial remittance and international settlement;
- Cross-border RMB settlement and finance;
- Syndicated loans;
- Project financing;
- Overseas investment loans;
- M&A financing and advisory;
- Trade finance (including per aval, forfaiting, discounting of bills of exchange, letters of credit, factoring etc) ;
- Overseas loans under domestic guarantee or domestic loans under overseas guarantee;
- Securities dealing for own account;
- Interbank service (including forfaiting secondary market transactions, refinancing, discounts, placement and deposit with/from banks and other financial institutions, certificates of deposit, and other inter-bank trade finance service).

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with the laws and regulations in force in the Grand Duchy of Luxembourg and on basis of accounting principles generally accepted in the banking sector in the Grand Duchy of Luxembourg. The accounting policies and valuation principles are determined and applied by the Board of Directors, except for those that are defined by law and by the "*Commission de Surveillance du Secteur Financier.*"

On 1 January 2019, the Bank elected to draw up its annual financial statements in accordance with the mixed financial reporting framework or "mixed regime " (Generally Accepted Accounting Principles in the Grand Duchy of Luxembourg, "Lux GAAP" with "IAS options"). The Bank adopted IFRS 9 and IFRS 16 in drawing its financial statements in accordance with the mixed regime since 1 January 2019.

The amended Law of 17 June 1992 allows financial institutions to publish their financial statements in accordance with Lux GAAP using certain IAS/IFRS standards as adopted by the European Union ("IAS options"). The Bank is however ensuring compliance with the provisions of Articles 7 and 41 of the amended law of 17 June 1992 regarding the presentation of annual accounts.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Notes to the Financial statements
As at 31 December 2021

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Foreign currency transactions

The Bank maintains its accounts in Euro ("EUR") in which the capital is expressed. Business transactions are entered daily in the original currencies and booked on the trade date. The accounting entries are posted on the valuation date. The conversion of the balances denominated in foreign currencies into the reporting currency takes place daily.

The Bank uses the multi-currency accounting system which records all assets and liabilities in their original currencies.

The accounting for transactions and account balances in a currency other than the Euro is done as follows :

- Monetary assets and liabilities in foreign currencies are revalued at the exchange rate prevailing at the balance sheet date. Exchange gains and losses are recorded in the profit and loss account.

- Income and charges are converted into EUR at the rate of exchange prevailing on the date of the transaction.

- Results on unsettled forward transactions linked to spot transactions and on swap transactions are accrued at the balance sheet date. The revaluation of these transactions does not affect the result of the financial year.

- Uncovered forward transactions are valued individually on the basis of forward exchange rates applicable at the balance sheet date. Unrealized revaluation profits are ignored, whereas a provision is set up in respect of any unrealized revaluation losses. This provision is included on the liabilities side of the balance sheet under "Other Provisions". Uncovered forward foreign exchange transactions have not been contracted during the year.

As at 31 December 2021, the following significant spot exchange rates have been applied : 1 EUR= 1.1315 USD, 1 EUR= 7.2120 CNY(31 December 2020: 1 EUR= 1.22905 USD)

2.3 Financial Instruments

2.3.1. Date of recognition: Financial assets and liabilities, with the exception of loans and advances to customers / credit institutions and balances due to customers / credit institutions, are initially recognized on the trade date, i.e., the date on which the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades, i.e., purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers / credit institutions are recognized when funds are transferred to the customers / credit institutions' accounts. The Bank recognizes balances due to customers / credit institutions when funds are transferred to the Bank.

2.3.2. Initial measurement of financial instruments: The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described in Notes 2.3.4 and 2.3.5. Financial instruments are initially measured at their fair value (as defined in Note 2.11, except in the case of financial assets and financial liabilities recorded at Fair Value Through Profit or Loss ("FVTPL"), transaction costs are added to, or subtracted from, this amount.

Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an Expected Credit Loss ("ECL") allowance is recognized for financial assets measured at Amortized Cost ("AC") and investments in debt instruments measured at Fair Value Through Other Comprehensive Income ("FVOCI"), resulting in an immediate accounting loss.

Notes to the Financial statements
As at 31 December 2021

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Financial Instruments (continued)

2.3.3. Measurement categories of financial assets and liabilities: The Bank measures all of its financial assets at either amortized cost, FVOCI and FVTPL. The classification and subsequent measurement of debt financial assets depends on: (i) the Bank's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

All financial liabilities are measured at amortized cost.

(a) Financial assets at amortized cost: The Bank measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

(b) Financial assets at fair value through other comprehensive income: The Bank measures debt instruments at FVOCI on financial assets when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset meet the SPPI test.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in OCI. Interest income and foreign exchange gains and losses are recognized in profit or loss in the same manner as for financial assets measured at amortized cost (as described in Note 2.10).

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortized cost is recognized in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognized in OCI is recycled to the profit and loss upon derecognition of the assets.

Where the Bank holds more than one investment in the same security, they are deemed to be disposed of on a first–in first–out basis. On derecognition, cumulative gains or losses previously recognized in OCI are reclassified from OCI to profit or loss.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL. As at 31 December 2021 and 2020, the Bank does not hold such financial instruments

(c) Financial assets and liabilities at fair value through profit or loss: Financial assets and financial liabilities in this category are those that are held to sell or have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVTPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- The liabilities are part of a group of financial liabilities, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or

Notes to the Financial statements
As at 31 December 2021

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Financial Instruments (continued)

- The liabilities contain one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited.

Financial assets and financial liabilities at FVTPL are recorded in the Balance sheet at fair value. Changes in fair value are recorded in profit and loss with the exception of movements in fair value of liabilities designated at FVTPL due to changes in the Bank's own credit risk. Such changes in fair value are recorded in the own credit reserve through OCI and do not get recycled to the profit or loss. Interest earned or incurred on instruments designated at FVTPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/ premium and qualifying transaction costs being an integral part of instrument interest earned on assets mandatorily required to be measured at FVTPL is recorded using the contractual interest rate. Dividend income from equity instruments measured at FVTPL is recorded in profit or loss as other operating income when the right to the payment has been established. As at 31 December 2021 and 2020, the Bank does not hold such financial instruments".

2.3.4. Business model assessment: The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective – (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows",) or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL. Factors considered by the Bank in determining the business model include:

- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and
- The expected frequency, value and timing of sales are also important aspects of the Bank's assessment;

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

2.3.5. Contractual cash flow characteristics: As a second step of its classification process the Bank assesses the contractual terms of the financial asset to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Notes to the financial statements (continued)
As at 31 December 2021

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Financial Instruments (continued)

2.3.6. Reclassification of financial assets and liabilities: The Bank does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Bank acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

2.3.7. Expected Credit Losses (ECL): The adoption of IFRS 9 has fundamentally changed the Bank's loan loss impairment method by Lux GAAP's replacing lump-sum provision approach with a forward-looking ECL approach. From 1 January 2020, the Bank has been recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVTPL, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions. It is a significant estimate that involves determination of methodology, models and data inputs.

The ECL is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case the allowance is based on the 12 months' expected credit loss (12mECL)). The Bank's policies for determining if there has been a significant increase in credit risk are outlined below.

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECLs and 12mECLs are calculated on an individual basis.

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Bank groups its loans into Stage 1, Stage 2 and Stage 3, as described below:

- Stage 1: When loans are first recognized, the Bank recognizes an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
- Stage 3: Loans considered credit-impaired (as defined below). The Bank records an allowance for the LTECLs.

For financial assets for which the Bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset. There are no such written off occurred during the year.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Financial Instruments (continued)

The calculation of ECLs

The Bank calculates ECLs based on a three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The components that have a major impact on credit loss allowance include: definition of default, SICR, probability of default ("PD"), exposure at default ("EAD"), and loss given default ("LGD"), as well as models of macro-economic scenarios, as defined below:

- *Probability of Default.* The PD is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio.

  The Bank's independent Credit Risk Department operates its internal rating models. The Bank runs separate models for its key portfolios in which its customers are rated from 1 to 24 using internal grades. The models incorporate both qualitative and quantitative information and, in addition to information specific to the borrower, utilise supplemental external information that could affect the borrower's behaviour. Where practical, they also build on information from external credit rating agencies. These information sources are first used to determine the PDs within the Bank's Basel framework. The internal credit grades are assigned based on these Basel grades. PDs are then adjusted for IFRS 9 ECL calculations to incorporate forward looking information and the IFRS 9 Stage classification of the exposure. This is repeated for each economic scenario as appropriate.

- *Exposure at Default.* EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

- *Loss Given Default.* LGD is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral or credit enhancements that are integral to the loan. It is usually expressed as a percentage of the EAD.

Having started operations in 4Q2017, the Bank's portfolio is not in a sufficiently mature stage of its development to allow reasonable trend to be analyzed for the purpose of producing LGD assumptions. Thus the LGD values are obtained on yearly basis from CEB Head Office. The Bank's portfolio and business line products are in line with those of the Head Office. It considers the Head Office's LGD parameters as appropriate as they are based on similar however, broader and more diverse portfolio than that of the Bank The HO's LGD assessment framework is standardized resulting in a certain LGD rate. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held.

LGD values are assessed at least quarterly by account managers and reviewed and approved by the Bank's specialised credit risk department. The credit risk assessment is based on a standardised LGD assessment framework that results in a certain LGD rate. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held. The Bank segments its retail lending products into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics as well as borrower characteristics.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Financial Instruments (continued)

It is the Bank's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least 12 consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition. Until 31 December 2021, the Bank has historically not experienced this event as all of its financial assets are classified as stage 1.

- *Significant Increase in Credit Risk.* The Bank continuously monitors all assets subject to ECLs on an individual basis. In order to determine whether an instrument is subject to 12mECL or LTECL, the Bank assesses whether there has been a significant increase in credit risk since initial recognition. The Bank considers an exposure to have significantly increased in credit risk when the instrument experiences a "three notch downgrade", subject to the use of low credit risk exemption. The Bank has not applied credit risk exemption.

  The Bank also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility to the watch list, or the account becoming forborne. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

The maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Bank has the legal right to call it earlier. Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

The mechanics of the ECL method are summarized below:

Stage 1:	The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecasted EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the three scenarios, as explained above.
Stage 2:	When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
Stage 3:	For loans considered credit-impaired, the Bank recognizes the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

2.3.8. Derecognition due to substantial modification of terms and conditions:

The Bank derecognizes a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognized loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be credit impaired.

When assessing whether or not to derecognize a loan to a customer, amongst others, the Bank considers the following factors:

- Change in currency of the loan
- Introduction of an equity feature
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Financial Instruments (continued)

2.3.9. Derecognition other than for substantial modification

If the modification does not result in cash flows that are substantially different, as set out below, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded. For financial liabilities, the Bank considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent. For financial assets, this assessment is based on qualitative factors.

Financial assets - A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when the rights to receive cash flows from the financial asset have expired. The Bank also derecognizes the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition. The Bank has transferred the financial asset if, and only if, either:

- The Bank has transferred its contractual rights to receive cash flows from the financial asset; or
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement.

Pass-through arrangements are transactions whereby the Bank retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Bank has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates;
- The Bank cannot sell or pledge the original asset other than as security to the eventual recipients;
- The Bank has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Bank is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents, including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Bank has transferred substantially all the risks and rewards of the asset; or
- The Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Bank considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Bank has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognized only to the extent of the Bank's continuing involvement, in which case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Bank could be required to pay.

Notes to the financial statements (continued)
As at 31 December 2021

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Financial Instruments (continued)

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Bank would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities - A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where 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 the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in profit or loss.

2.4 Cash in hand, balances with central banks and post office banks

Cash in hand, balances with central banks and post office banks are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. They comprise of cash on hand, non–restricted current accounts or mandatory reserve deposits with central banks and amounts from post office banks. These financial assets are carried at amortized cost because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

2.5 Taxes

The Bank is subject to all taxes applicable in Luxembourg.

Taxes are charged to the profit and loss account on an accrual basis and not in the year in which payment occurs. Accordingly, provisions for taxation are recorded for the financial years for which no final assessments have been issued by the tax authorities.

2.6 Intangible and tangible fixed assets

China Everbright Bank (Europe) S.A. and China Everbright Bank Co.Ltd, Luxembourg Branch (the "Branch") operate within the same premises, use the same furniture, fixtures, equipment and other fixed assets. These fixed assets are recorded in the balance sheet of the Branch, while amortization charges are shared between the Bank and the Branch. As at 31 December 2021, the caption tangible assets is essentially composed of the right-of-use assets as detailed in section 2.8 of the financial statements.
The amortization charges related to the fixed assets shared with the Branch are presented under other administrative expenses.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7. Credit enhancements: collateral valuation and financial guarantees

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, and letters of credit/guarantees. Collateral, unless repossessed, is not recorded on the Bank's balance sheet. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a quarterly basis.

To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, or based on housing price indices.

If a loan, as part of its contractual terms, is guaranteed by a third party the Bank estimates the corresponding ECLs based on the combined credit risk of the guarantor and the guaranteed party, by reflecting the guarantee in the measurement of the LGD. The Bank considers the financial guarantee integral to the contractual terms' of the guaranteed loan, when the guarantee was entered into at the same time, or within a short time, after the loan is advanced.

Disclosure of the maximum exposure for credit risk by class of financial asset are disclosed in Note 10. They also show the total fair value of collateral, any surplus collateral (the extent to which the fair value of collateral held is greater than the exposure to which it relates), and the net exposure to credit risk.

2.8 Leases (IFRS 16)

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

Bank as a lessee: The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets
The Bank recognizes right-of-use (ROU) assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. ROU assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Office space 7 years from date of initial application of IFRS 16

If ownership of the leased asset transfers to the Bank at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The ROU assets are also subject to impairment.

The ROU are presented under tangible assets in the financial statements (Note 8).

Notes to the financial statements (continued)
As at 31 December 2021

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Leases (continued)

ii) Lease liabilities
At the commencement date of the lease, the Bank recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating the lease, if the lease term reflects the Bank exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Bank used its incremental borrowing rate ("IBR") at the lease commencement date because the interest rate implicit in the lease is not readily determinable. The IBR is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The Bank estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments (such as the subsidiary's stand-alone credit rating, or to reflect the terms and conditions of the lease).

After the commencement date, the amount of lease liability is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is premeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Bank's lease liability is included in Other liabilities (refer to Note 11).

2.9 Provisions

Provisions intend to cover losses or debt, the nature of which is clearly defined and which at the date of Balance Sheet are either likely to be incurred or certain to be incurred but uncertain as their amount or as to the date on which they will arise.

Provisions may also be created to cover charges which have their origin in the financial year under review or in a previous financial year, the nature of which is clearly defined and which at the Balance Sheet date are either likely to be incurred, or certain to be incurred but uncertain as to their amount or as to the date on which they will arise. Provisions may not be used to adjust the value of assets.

2.10 Recognition of interest income and expense

Under IFRS 9, interest income is recorded using the EIR method for all financial assets measured at amortized cost, interest rate derivatives for which hedge accounting is applied and the related amortization / recycling effect of hedge accounting. Interest income on interest bearing financial assets measured at FVOCI under IFRS 9 is also recorded using the EIR method. Interest expense is also calculated using the EIR method for all financial liabilities held at amortized cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability or, when appropriate, a shorter period, to the gross carrying amount of the financial asset.

Notes to the financial statements (continued)
As at 31 December 2021

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
2.10 Recognition of interest income and expense (continued)

The EIR (and therefore, the amortized cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The Bank recognizes interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan.

The Bank calculates interest income on financial assets, other than those considered credit-impaired, by applying the EIR to the gross carrying amount of the financial asset. When a financial asset becomes credit-impaired and is therefore regarded as 'Stage 3', the Bank calculates interest income by applying the EIR to the net amortized cost of the financial asset. If the financial asset is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

2.11 Determination of fair value

The Bank considers fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price), regardless of whether that price is directly observable or estimated using a valuation technique.

For each class of the financial instrument, the fair value is determined by the following methods:

- A market value, for those financial instruments for which a reliable market can readily be identified as at measurement date. Where a market value is not readily identifiable for an instrument but can be identified for its components or for a similar instrument, the market value may be derived from that of its components or of the similar instrument; or
- A value resulting from generally accepted valuation models and techniques, for those instruments for which a reliable market cannot be readily identified. Such valuation models and techniques shall ensure a reasonable approximation of the market value.

The Bank periodically reviews its valuation techniques on an instrument-by-instrument basis and remeasures when necessary, based on the facts at the end of the reporting period.

Notes to the financial statements (continued)
As at 31 December 2021

NOTE 3 – ANALYSIS OF PRIMARY FINANCIAL INSTRUMENTS

As of 31 December 2021, the analysis of primary non-trading financial instruments by class and residual maturity is the following (net of ECL):

2021 **In EUR**	**Less than 3 months**	**3 - 12 months**	**1 - 5 years**	**More than 5 years**	**Total**
Cash in hand, balance with central Banks and post office Banks	31,009,301	-	-	-	**31,009,301**
Loans and advances to credit institutions	3,738,273	-	-	-	**3,738,273**
Loans and advances to customers	-	104,624,616	-	-	**104,624,616**
Debt instruments at amortized cost	-	-	10,832,487	-	**10,832,487**
	34,747,574	**104,624,616**	**10,832,487**	**-**	**150,204,677**
Amounts owed to credit institutions	89,505,081	-	46,513,478	-	136,018,559
Total	**89,505,081**	**-**	**46,513,478**	**-**	**136,018,559**

Notes to the financial statements (continued)
As at 31 December 2021

NOTE 3 – ANALYSIS OF PRIMARY FINANCIAL INSTRUMENTS (CONTINUED)

As of 31 December 2020, the analysis of primary non-trading financial instruments by class and residual maturity is the following (net of ECL):

2020 **In EUR**	**Less than 3 months**	**3 - 12 months**	**1 - 5 years**	**More than 5 years**	**Total**
Cash in hand, balance with central Banks and post office Banks	6,561,791	-	-	-	**6,561,791**
Loans and advances to credit institutions	2,604,764	-	-	-	**2,604,764**
Loans and advances to customers	-	2,999,875	-	-	**2,999,875**
Debt instruments at amortized cost	12,202,167	-	10,091,637	-	**22,293,804**
	21,368,722	**2,999,875**	**10,091,637**	**-**	**34,460,234**
Amounts owed to credit institutions	20,585,005	-	-	-	20,585,005
Total	**20,585,005**	-	-	**-**	**20,585,005**

In light of the CSSF Circular 09/403, the Bank has established a sound liquidity risk management framework. The Board of Directors has set a vigorous liquidity risk management standard including Liquidity risk tolerance, risk indicators system and limits management. Complying with the liquidity supervision requirements of the CSSF and BCL is the first priority for the General Management of the Bank.

The liquidity risk management objectives of the Bank are to manage the liquidity of the Bank pursuant to the principle of prudence based on changes in the economic and financial situation as well as changes in the market. It will coordinate the relation between profitability and liquidity and ensure compliance with various liquidity regulatory indicators.

Liquidity risk management also aims at maintaining appropriate high-quality liquidity assets through the management of asset and liability portfolios to keep stable funding sources and satisfy the Bank's liquidity demand under daily operation and stress scenarios. Specifically including:

- Establish an adequate intraday fund management system;
- Establish and maintain a good asset-liability structure, and control the long-term structural liquidity risk;
- When necessary, combine the adjustment of business plan, fund transfer pricing and instructive control to exert comprehensive risk control over various asset and liability businesses as well as at the consolidated level.

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As at 31 December 2021

NOTE 3 – ANALYSIS OF PRIMARY FINANCIAL INSTRUMENTS (CONTINUED)

The liquidity risk management framework relies on different principles:

- The principle of security: The Bank optimize the liquidity asset portfolio, and ensure adequate funds to respond to asset growth and payment of mature debts under normal business scenarios or stress scenarios;
- The principle of prudence: The Bank perform a complete identification of various liquidity risk sources, prudentially assess the conversion and transmission between liquidity risk and other risks, including but not limited to credit risk, market risk, operational risk and reputational risk. The Bank regularly assess and demonstrate the rationality of various liquidity risk measurement methods, models, parameters and hypotheses. In addition, the Bank perform regular comprehensive audit inspection over policies and procedures pertaining to liquidity risk measurement, monitoring and control, in order to ensure their suitability and effectiveness;
- The principle of diversification: The Bank establish a moderately diversified liability portfolio to reduce the dependence on liabilities with significant fluctuation and prevent the liquidity risk arising out of excessive concentration of single customer;
- The principle of comprehensiveness: The liquidity risk management strategies, policies and procedures cover various on and off balance sheet activities in all currencies. It relates to business departments that have a material impact on liquidity risk.

Based on the liquidity risk management policy, the Bank has developed the liquidity risk monitoring procedure. The liquidity risk metric LCR is monitored on daily basis. The Bank sets an internal tolerance threshold of 110%. When the liquidity coverage ratio falls below internal trigger and hit the limitation of tolerance, the authorized management will be informed and immediate action will be taken to bring it above internal trigger.

The liquidity stress testing framework is adapted to the liquidity risks profile and include market, idiosyncratic and reverse scenarios. The testing is formed on quarterly basis. The assumptions and the stress testing scenarios are reviewed annually. Furthermore, the Bank also monitor the liquidity risk metrics NSFR on quarterly basis and perform assets and liability maturity analysis and document the internal assessment of liquidity risk practices in the ILAAP report.

NOTE 4 - CASH IN HAND, BALANCES WITH CENTRAL BANKS AND POST OFFICE BANKS

As at 31 December 2021, cash in hand, balances with central banks and post office banks are composed of the deposit held with the Central Bank of Luxembourg for EUR 31,009,301 compared to EUR 6,561,791 at 31 December 2020. The ECL for these balances represents an insignificant amount, therefore the Bank did not recognize any credit loss allowance for deposit held with the Central Bank of Luxembourg.

NOTE 5 – LOANS AND ADVANCES TO CREDIT INSTITUTIONS

The geographical distribution of loans and advances to credit institutions, including those repayable on demand, is as follows:

	2021 EUR	2020 EUR
Europe (EU member countries)	3,462,981	2,575,420
Other	275,292	29,344
Total	**3,738,273**	**2,604,764**

The ECL on loans and advances to credit institutions amounted to EUR 10 for the year ended 31 December 2021 (2020 : EUR 21).

Notes to the financial statements (continued)
As at 31 December 2021

NOTE 6 – LOANS AND ADVANCES TO CUSTOMERS

The geographical breakdown of loans and advances to customers is as follows:

	2021 EUR	2020 EUR
Europe (EU member countries)	-	3,000,000
Asia	104,625,541	-
Gross amount		3,000,000
Less : Allowance for impairment	(925)	(125)
Total	**104,624,616**	**2,999,875**

The breakdown of loans and advances to customers per economic sector may be presented as follows:

	2021 EUR	2020 EUR
Manufacturing	57,601,237	3,000,000
Financial Service	15,024,304	-
Construction	32,000,000	-
Gross amount	104,625,541	3,000,000
Less : Allowance for impairment	(925)	(125)
Total	**104,624,616**	**2,999,875**

The movement of allowance for impairment for loans and advances to customers is as follows:

	2021 EUR	2020 EUR
As at 1 January	125	25,719
ECL (reversal) / charge for the year	701	(25,594)
Foreign exchange (gain) / loss	99	-
As at 31 December	**925**	**125**

Notes to the financial statements (continued)
As at 31 December 2021

NOTE 7 –DEBT INSTRUMENTS AT AMORTISED COST

	2021 EUR	2020 EUR
Government securities (Gross amount)	10,833,560	22,296,108
Less: Allowance for impairment	(1,073)	(2,304)
Total	**10,832,487**	**22,293,804**

The geographical distribution of debt instruments at amortised cost is as follows:

	2021 EUR	2020 EUR
Asia	-	-
Europe (EU member countries)	-	-
Other	10,832,487	22,293,804
Total	**10,832,487**	**22,293,804**

All debt securities are invested in government securities.

The movement of allowance for impairment for debt instruments at amortized cost is as follows:

	2021 EUR	2020 EUR
As at 1 January	2,304	32,412
ECL (release) / charge for the year	(1,415)	(27,499)
Foreign exchange (gain) loss	184	(2,609)
As at 31 December	**1,073**	**2,304**

NOTE 8 – LEASES

The Bank leases an office building used in its operations. Its lease generally has a lease term of 9 years starting December 1, 2016. The Bank's obligations under its lease is secured by the lessor's title to the leased assets. Generally, the Bank is restricted from assigning and subleasing the leased assets and some contracts require the Bank to maintain certain financial ratios.

Set out below are the carrying amounts of tangible assets ("right-of-use assets") recognized and the movements during the period:

	2021 EUR	2020 EUR
As at 1 January	1,722,644	2,094,800
Remeasurement	58,036	(21,788)
Depreciation expense	(361,940)	(350,368)
As at 31 December	**1,418,740**	**1,722,644**

NOTE 8 – LEASES (CONTINUED)

Set out below are the carrying amounts of lease liability (included under Note 11 : Other liabilities) and the movements during the period:

	2021 EUR	2020 EUR
As at 1 January	1,732,793	2,106,699
Accretion of interest	18,132	19,748
Remeasurement	58,036	(22,226)
Payments	(374,510)	(371,428)
As at 31 December	**1,434,451**	**1,732,793**

The following are the amounts recognized in profit or loss:

	2021 EUR	2020 EUR
Value adjustment in respect of right of use assets	361,940	350,368
Interest expense on lease liabilities	18,132	19,748
Total amount recognized in profit or loss	**380,072**	**370,116**

The Bank had total cash outflows for leases of EUR 374,510 in 2021 compared to EUR 371,428 in 2020.

NOTE 9 – PREPAYMENT AND ACCRUED INCOME

As at 31 December 2021, the following amounts are included in the prepayments and accrued income:

	2021 EUR	2020 EUR
Accrued interest income	281,227	144,829
Prepayment	50,812	18,030
Total	**332,039**	**162,859**

Notes to the financial statements (continued)
As at 31 December 2021

NOTE 10 – RISK MANAGEMENT

Risk management is of fundamental importance to the business operation of the Bank. The major types of risk inherent in the business are credit risk, liquidity risk, interest rate risk and currency risk.

The Bank's risk management objectives are to maximise shareholders' value and to reduce volatility in earnings while maintaining risk exposures within acceptable limits. The Bank's work in the area of risk management is led by the Chief Risk Officer and is executed by the Risk Management & Compliance Department. This functional structure can assess, identify and document the Bank's risk profile to ensure that the business units focus, control and systematically avoid potential risks in various business area. The following is a brief description of the Bank's approach in managing these risks.

10.1 Credit risk
Credit risk management framework

According to Circular CSSF 12/552 (as amended) and the new circular CSSF 20/759 (hereinafter the "Circulars"), risk management is one of the internal control functions (together with internal audit and compliance).

The Bank has formulated a comprehensive set of credit risk management policies and procedures, and appropriate credit risk limits to manage and control credit risk that may arise. These policies, procedures and credit risk limits are regularly reviewed and updated to cope with the changes in market conditions and business strategies.

The Bank's organisational structure establishes a clear set of authority and responsibility for monitoring compliance with policies, procedures and limits. The Chief Risk Officer, who reports directly to the Authorized Management and has a direct access to the Board of Directors and CSSF, takes charge of credit risk management and is also responsible for the control of credit risk exposures of the Bank in line with the credit risk management principles and requirements set by the Bank.

Credit risk management is embedded within all business units of the Bank. The first line of defense against undesirable outcomes is the business function and the respective line managers. Department heads of their own business areas take the lead role with respect to implementing and maintaining appropriate credit risk controls. Risk Management & Compliance Department, which is independent from the business units, is responsible for the management of credit risks and it is an ongoing process for identifying, measuring, monitoring and controlling credit risk to ensure effective checks and balances, as well as drafting, reviewing and updating credit risk management policies and procedures. It is also responsible for the design, development and maintenance of the Bank's internal rating system and it ensures that the system complies with the relevant regulatory requirements. Credit risk and internal control reviews are approved by the Chief Risk Officer and reported to Risk Management and compliance Committee monthly. The Bank has Risk Management and Compliance Committee. The RMCC convenes on a monthly basis.

For loans and advances to customers, the Bank may require collateral from customers before advances are granted. The amount of advances permitted depends on the quality and value of collateral provided by the customer. Any subsequent change in value as well as quality of collateral is closely monitored in order to determine whether any corrective action is required.

Investments in debt instruments are governed by whether the issuers and the trade counterparties respectively have sound credit ratings.
The Bank has well-defined policies in place on the setting and approval of trading, credit and investment position limits in order to manage its credit risk exposure and concentration. The Bank's concentrations of risk are managed by client/counterparty, geographical region and industry sector. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location. In order to avoid excessive concentrations of risk, the Bank's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. As at the end of the reporting period, the Bank did not have a significant concentration of credit risk.

Notes to the financial statements (continued)
As at 31 December 2021

NOTE 10 – RISK MANAGEMENT (CONTINUED)

10.1 Credit Risk (continued)

Maximum exposure to credit risk
Credit risk is the risk that the Bank will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Bank's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the balance sheet. For commitments to extend credit, undrawn credit lines and export/import letters of credit, the maximum exposure to credit risk is the amount of the commitment. Credit risk is the single largest risk for the Bank's business; management therefore carefully manages its exposure to credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

2021 (In EUR)	**Maximum exposure to credit risk***	**Guarantee & collateral**	**Surplus collateral**	**Net Risk Exposure**
Cash in hand, balances with central banks and post office banks	31,009,301	-	-	31,009,301
Loans and advances to credit institutions	3,738,273	-	-	3,738,273
Loans and advances to customers	104,624,616	104,624,616	-	-
Debt securities at amortised cost	10,832,487	-	-	10,832,487
Debt securities at FVOCI	-	-	-	-
Accrued interest income	281,227	281,227	-	-
Loan commitments	-	-	-	-
Total	**150,485,904**	**104,905,843**	**-**	**45,580,061**

2020 (In EUR)	**Maximum exposure to credit risk***	**Guarantee & collateral**	**Surplus collateral**	**Net Risk Exposure**
Cash in hand, balances with central banks and post office banks	6,561,791	-	-	**6,561,791**
Loans and advances to credit institutions	2,604,764	-	-	**2,604,764**
Loans and advances to customers	2,999,875	-	-	**2,999,875**
Debt securities at amortised cost	22,293,804	-	-	**22,293,804**
Debt securities at FVOCI	-	-	-	-
Accrued interest income	144,829	144,829	-	-
Loan commitments	-	-	-	-
Total	**34,605,063**	**144,829**	**-**	**34,460,234**

** Amounts after deduction of the ECL provision.*

NOTE 10 – RISK MANAGEMENT (CONTINUED)

10.1 Credit Risk (continued)

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's credit rating system and year-end stage classification. The amounts presented are gross of allowance for ECL.

31 December 2021 *(in EUR)*	**12 month** **PD Range**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and advances to Credit institutions					
Internal rating grade					
Performing					
AAA	0.001%-0.002%	-	-	-	-
AA-A	0.003%-0.046%	3,738,273	-	-	**3,738,273**
BBB-B	0.081%-6.235%	-	-	-	-
CCC-C	9.907%-60.080%	-	-	-	-
Non-performing		-	-	-	-
D	100%	-	-	-	-
Total		**3,738,273**	-	-	**3,738,273**
Loans and advances to Customers					
Internal rating grade					
Performing					
AAA	0.001%-0.002%	-	-	-	-
AA-A	0.003%-0.046%	-	-	-	-
BBB-B	0.081%-6.235%	104,624,616	-	-	**104,624,616**
CCC-C	9.907%-60.080%	-	-	-	-
Non-performing		-	-	-	-
D	100%	-	-	-	-
Total		**104,624,616**	-	-	**104,624,616**
Debt securities at amortised cost					
External rating grade					
Performing					
AAA	0.001%-0.002%	-	-	-	-
AA-A	0.003%-0.046%	**10,832,487**	-	-	**10,832,487**
BBB-B	0.081%-6.235%	-	-	-	-
CCC-C	9.907%-60.080%	-	-	-	-
Non-performing		-	-	-	-
D	100%	-	-	-	-
Total		**10,832,487**	-	-	**10,832,487**

Notes to the financial statements (continued)
As at 31 December 2021

NOTE 10 – RISK MANAGEMENT (CONTINUED)

10.1 Credit Risk (continued)

31 December 2020 *(in EUR)*	**12 month PD Range**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and advances to Credit institutions					
Internal rating grade					
Performing					
AAA	0.01% to 0.03%	-	-	-	-
AA-A	0.05% to 0.46%	2,604,764	-	-	**2,604,764**
BBB-B	0.71% to 14.72%	-	-	-	-
CCC-C	21.02% to 76.91%	-	-	-	-
Non-performing		-	-	-	-
D		-	-	-	-
Total		**2,604,764**	**-**	**-**	**2,604,764**
Loans and advances to Customers					
Internal rating grade					
Performing					
AAA	0.01% to 0.03%	-	-	-	-
AA-A	0.05% to 0.46%	-	-	-	-
BBB-B	0.71% to 14.72%	2,999,875	-	-	**2,999,875**
CCC-C	21.02% to 76.91%	-	-	-	-
Non-performing		-	-	-	-
D		-	-	-	-
Total		**2,999,875**			**2,999,875**
Debt securities at amortised cost					
External rating grade					
Performing		-	-	-	-
AAA	0.01% to 0.03%	-	-	-	-
AA-A	0.05% to 0.46%	22,293,804	-	-	**22,293,804**
BBB-B	0.71% to 14.72%	-	-	-	-
CCC-C	21.02% to 76.91%	-	-	-	-
Non-performing		-	-	-	-
D		-	-	-	-
Total		**22,293,804**	**-**	**-**	**22,293,804**

Notes to the financial statements (continued)
As at 31 December 2021

NOTE 10 – RISK MANAGEMENT (CONTINUED)

10.1 Credit Risk (continued)

The tables below present an analysis of financial assets at amortised cost by gross exposure and impairment allowance by stage allocation as at 31 December 2021 and 2020. The Bank does not hold any material purchased or originated credit-impaired assets as at year-end.

31 December 2021	**Gross exposure**				**Impairment allowance**				**Net**
(in EUR)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Exposure**
Cash in hand, balances with central banks and post office banks (Note 4)	31,009,301	-	-	**31,009,301**	-	-	-	-	**31,009,301**
Loans and advances to credit institutions (Note 5)	3,738,283	-	-	**3,738,283**	(10)	-	-	**(10)**	**3,738,273**
Loans and advances to customers (Note 6)	104,625,541	-	-	**104,625,541**	(925)	-	-	**(925)**	**104,624,616**
Debt securities at amortised cost (Note 7)	10,833,560	-	-	**10,833,560**	(1,073)	-	-	**(1,073)**	**10,832,487**
Accrued interest income (Note 11)	281,227	-	-	**281,227**	-	-	-	-	**281,227**
Loan commitments (Note 21)	-	-	-	-	-	-	-	-	
Total	**150,487,912**	**-**	**-**	**150,487,912**	**(2,008)**	**-**	**-**	**(2,008)**	**150,485,904**

31 December 2020	**Gross exposure**				**Impairment allowance**				**Net**
(in EUR)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Exposure**
Cash in hand, balances with central banks and post office banks (Note 4)	6,561,791	-	-	**6,561,791**	-	-	-	-	**6,561,791**
Loans and advances to credit institutions (Note 5)	2,604,785	-	-	**2,604,785**	(21)	-	-	**(21)**	**2,604,764**
Loans and advances to customers (Note 6)	3,000,000	-	-	**3,000,000**	(125)	-	-	**(125)**	**2,999,875**
Debt securities at amortised cost (Note 7)	22,296,108	-	-	**22,296,108**	(2,304)	-	-	**(2,304)**	**22,293,804**
Accrued interest income (Note 11)	144,829	-	-	**144,829**	-	-	-	-	**144,829**
Loan commitments (Note 21)	-	-	-	-	-	-	-	-	
Total	**34,607,513**	**-**	**-**	**-**	**(2,450)**	**-**	**-**	**(2,450)**	**34,605,063**

NOTE 10 – RISK MANAGEMENT (CONTINUED)

10.1 Credit Risk (continued)

A reconciliation of changes in gross carrying amount and corresponding ECL allowances by stage is as follows:

31 December 2021	**Stage 1**		**Stage 2**		**Stage 3**		**Total**	
(in EUR)	**Gross carrying amount**	**ECL**	**Gross carrying amount**	**ECL**	**Gross carrying amount**	**ECL**	**Gross carrying amount**	**ECL**
Loans and advances to credit institutions								
1 January 2021	2,604,785	(21)	-	-	-	-	**2,604,785**	**(21)**
Movements of the period[1]	1,133,498	11					**1,133,498**	**11**
At 31 December 2021	**3,738,283**	**(10)**	-	-	-	-	**3,738,283**	**(10)**
Loans and advances to customers								
1 January 2021	3,000,000	(125)	-	-	-	-	**3,000,000**	**(125)**
Movements of the period[2]	101,625,541	(800)	-	-	-	-	**101,625,541**	**(800)**
At 31 December 2021	**104,625,541**	**(925)**	-	-	-	-	**104,625,541**	**(925)**
Debt securities at amortised cost								
1 January 2021	22,296,108	(2,304)	-	-	-	-	**22,296,108**	**(2,304)**
Movements of the period[3]	(11,462,548)	1,231	-	-	-	-	**(11,462,548)**	**1,231**
At 31 December 2021	**10,833,560**	**(1,073)**	-	-	-	-	**10,833,560**	**(1,073)**

[1] composed of deposit, money market transactions with credit institutions: the increase of net amount is due to growth on money market deals done with credit institutions.
[2] composed of loans to customers: the increase of the loans and advances results from the net movement of new loans disbursed and one loan fully repaid by customers.
[3] composed of bond investment: the decrease of the amount is caused by two bonds matured in 2021.

Notes to the financial statements (continued)
As at 31 December 2021

NOTE 10 – RISK MANAGEMENT (CONTINUED)

10.1 Credit Risk *(continued)*

31 December 2020	**Stage 1**		**Stage 2**		**Stage 3**		**Total**	
(in EUR)	**Gross carrying amount**	**ECL**	**Gross carrying amount**	**ECL**	**Gross carrying amount**	**ECL**	**Gross carrying amount**	**ECL**
Loans and advances to credit institutions								
1 January 2020	2,463,814	(52)	-	-	-	-	**2,463,814**	**(52)**
Movements of the period[1]	140,971	31					**140,971**	**31**
At 31 December 2020	**2,604,785**	**(21)**	-	-	-	-	**2,604,785**	**(21)**
Loans and advances to customers								
1 January 2020	11,944,982	(25,719)	-	-	-	-	**11,944,982**	**(25,719)**
Movements of the period[2]	(8,944,982)	25,594					**(8,944,982)**	**25,594**
At 31 December 2020	**3,000,000**	**(125)**	-	-	-	-	**3,000,000**	**(125)**
Debt securities at amortised cost								
1 January 2020	**13,366,334**	**(32,412)**	-	-	-	-	**13,366,334**	**(32,412)**
Movements of the period[3]	8,929,774	30,108					**8,929,774**	**30,108**
At 31 December 2020	**22,296,108**	**(2,304)**	-	-	-	-	**22,296,108**	**(2,304)**

Notes to the financial statements (continued)
As at 31 December 2021

NOTE 10 – RISK MANAGEMENT (CONTINUED)

10.1 Credit Risk *(continued)*

The total income statement credit for allowance for ECL for the year for loans and advances to customers was a release of EUR 701 (2020: release of EUR 0).

The value re-adjustments in respect of loans and advances and provisions for contingent liabilities and for commitments also includes value adjustment related to commitments amounting to EUR 1426 (2020 : EUR 53,124) not disclosed in the above movement.

10.2 Liquidity Risk

Liquidity risk is defined in the Note 3.

The Bank regularly assess the current and expected liquidity requirements and to ensure that it maintains reserves of cash, readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The table below summarises the maturity profile of the Bank’s financial assets and the undiscounted cash flows of its financial liabilities as at 31 December.

Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request repayment on the earliest date it could be required to pay and the table does not reflect the expected cash flows indicated by its deposit retention history.

2021 In EUR	Less than 3 months	3 - 12 months	1 - 5 years	More than 5 years	Total
Cash in hand, balance with central banks and post office banks	31,009,301	-	-	-	31,009,301
Loans and advances to credit institutions	3,738,273	-	-	-	3,738,273
Loans and advances to customers	87,105,088	17,519,528	-	-	104,624,616
Debt instruments at amortized cost	-	-	10,832,487	-	10,832,487
Debt instruments at FVOCI	-	-	-	-	-
Accrued interest income	242,850	38,378	-	-	281,228
Total undiscounted financial assets	**122,095,512**	**17,557,906**	**10,832,487**	**-**	**150,485,905**
Amounts owed to credit institutions	89,505,082	-	46,513,477	-	136,018,559
Amounts owed to customers	-	-	-	-	-
Debts evidenced by certificates	-	-	-	-	-
Other liabilities	567,586	277,001	1,095,976	-	1,940,563
Accrued interest expense	(25,873)	-	55,052	-	29,179
Total undiscounted financial liabilities	**90,077,570**	**277,001**	**47,664,505**	**-**	**137,988,301**
Net liquidity position	**32,048,716**	**17,280,904**	**(36,832,019)**	**-**	**12,497,604**

Notes to the financial statements (continued)
As at 31 December 2021

NOTE 10 – RISK MANAGEMENT (CONTINUED)

10.2 Liquidity Risk (continued)

2020 In EUR	**Less than 3 months**	**3 - 12 months**	**1 - 5 years**	**More than 5 years**	**Total**
Cash in hand, balance with central banks and post office banks	6,561,791	-	-	-	6,561,791
Loans and advances to credit institutions	2,604,763	-	-	-	2,604,763
Loans and advances to customers	-	2,999,875	-	-	2,999,875
Debt instruments at amortized cost	12,202,167	-	10,091,637	-	22,293,804
Debt instruments at FVOCI	-	-	-	-	-
Accrued interest income	144,829	-	-	-	144,829
Total undiscounted financial assets	**21,513,550**	**2,999,875**	**10,091,637**	**-**	**34,605,062**
Amounts owed to credit institutions	20,585,005	-	-	-	20,585,005
Amounts owed to customers	-	-	-	-	-
Debts evidenced by certificates	-	-	-	-	-
Other liabilities	286,895	299,953	1,373,210	-	1,960,059
Accrued interest expense	1,029	-	-	-	1,029
Total undiscounted financial liabilities	**20,872,929**	**299,953**	**1,373,210**	**-**	**22,546,093**
Net liquidity position	**640,622**	**2,699,921**	**8,718,427**	**-**	**12,058,969**

10.3 Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates and foreign exchange rates. The Bank's risk management strategy for its Banking book is different for each of the categories of market risk.

Market risk limits are set and continuously reviewed by the market risk team of the Bank's independent Risk Management and Compliance Department. As a part of its established market risk management process, the market risk team also monitors early signs of possible changes in market conditions such as: anticipated and actual changes to interest rates and economic and geopolitical factors driving currency movements.

Market risk limits are ultimately approved by the Board. At an operational level, market risk is primarily managed by the Bank's treasury department, which is responsible for ensuring that the Banks exposures are in compliance with market risk limits approved by the Board and to take adequate actions when necessary.

The Bank's risk management strategies in relation to market risks are explained under the corresponding subheadings on the following pages.

Notes to the financial statements (continued)
As at 31 December 2021

NOTE 10 – RISK MANAGEMENT (CONTINUED)

10.3 Market Risk *(continued)*

10.3.1 Interest rate risk

The following table provides an analysis of the Bank's interest rate risk exposure on non-trading financial assets and liabilities. The Bank's assets and liabilities are included at carrying amount and categorised by the earlier of contractual repricing or maturity dates.

31 December 2021 **In EUR**	Carrying amount	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing
Assets	**150,204,677**	**121,852,662**	**17,519,528**	**10,832,487**	**-**	**-**
Cash in hand, balance with central banks and post office banks* (Note 4)	31,009,301	31,009,301	-	-	-	-
Loans and advances to credit institutions* (Note 5)	3,738,273	3,738,273	-	-	-	-
Loans and advances to customers* (Note 6)	104,624,616	87,105,088	17,519,528	-	-	-
Debt instruments at amortized cost* (Note 7)	10,832,487	-	-	10,832,487	-	-
Debt instruments at FVOCI (Note 8)	-	-	-	-	-	-
Liabilities	**137,959,122**	**90,072,668**	**277,001**	**47,609,453**	**-**	**1,940,563**
Amounts owed to credit institutions (Note 13)	136,018,559	89,505,082	-	46,513,477	-	-
Amounts owed to customers (Note 14)	-	-	-	-	-	-
Debts evidenced by certificates (Note 15)	-	-	-	-	-	-
Other liabilities	1,940,563	567,586	277,001	1,095,976	-	1,940,563
Total interest sensitivity gap	**12,245,555**	**31,779,993**	**17,242,526**	**(36,776,966)**	**-**	**(1,940,564)**
Derivatives used for risk management	-	-	-	-	-	-
Total interest sensitivity gap after risk management	**12,245,555**	**31,779,993**	**17,242,526**	**(36,776,966)**	**-**	**(1,940,564)**

Notes to the financial statements (continued)
As at 31 December 2021

NOTE 10 – RISK MANAGEMENT (CONTINUED)

10.3 Market Risk *(continued)*

10.3.1 Interest rate risk

31 December 2020 *In EUR*	Carrying amount	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing
Assets	**34,460,233**	**21,368,722**	**2,999,875**	**10,091,637**	**-**	**-**
Cash in hand, balance with central banks and post office banks* (Note 4)	6,561,791	6,561,791	-	-	-	-
Loans and advances to credit institutions* (Note 5)	2,604,763	2,604,763	-	-	-	-
Loans and advances to customers* (Note 6)	2,999,875	-	2,999,875	-	-	-
Debt instruments at amortized cost* (Note 7)	22,293,804	12,202,167	-	10,091,637	-	-
Debt instruments at FVOCI (Note 8)	-	-	-	-	-	-
Liabilities	**22,545,064**	**20,901,754**	**299,953**	**1,373,210**	**-**	**1,960,059**
Amounts owed to credit institutions (Note 13)	20,585,005	20,585,005	-	-	-	-
Amounts owed to customers (Note 14)	-	-	-	-	-	-
Debts evidenced by certificates (Note 15)	-	-	-	-	-	-
Other liabilities	1,960,059	286,895	299,953	1,373,210	-	1,960,059
Total interest sensitivity gap	**11,915,169**	**496,822**	**2,699,921**	**8,718,427**	**-**	**(1,818,334)**
Derivatives used for risk management	-	-	-	-	-	-
Total interest sensitivity gap after risk management	**11,915,169**	**496,822**	**2,699,921**	**8,718,427**	**-**	**(1,818,334)**

NOTE 10 – RISK MANAGEMENT (CONTINUED)

10.3 Market Risk *(continued)*

10.3.1 Interest rate risk (continued)

Interest rate sensitivity analysis

The Bank's profit and loss sensitivity to changes in interest rates is a measure of the sensitivities of its asset and liability mismatches to longer-term interest rate changes. The sensitivities include assumptions for product maturities and renewals along with certain customer behaviours (including prepayments and redemptions). The Bank calculates these measures as the change in the present value of its asset and liability portfolios, including off-balance sheet instruments, resulting from an immediate and sustained interest rate shocks.

The following table demonstrates the sensitivity to a reasonably possible parallel changes in interest rates (all other variables being constant) of the Bank's income statement by currency for those currencies where the Bank has a material exposure:

2021 *In EUR*	**Increase/(decrease) in basis points**	**Sensitivity of profit or loss**	**Risk limit set for profit or loss**
Currency of borrowing/advance			-
USD	+10	-909	-
CNY	-	-	
2020 *In EUR*			
Currency of borrowing/advance			
USD	+10	-717	-
CNY	-	-	-

IBOR reform

IBOR reform is organized by CEB HO. The Bank puts in place and operates the system developed by CEB HO.

IBOR reform exposes the Bank to various risks, which the project is managing and monitoring closely. These risks include but are not limited to the following:

- Conduct risk arising from discussions with clients and market counterparties due to the amendments required to existing contracts necessary to effect IBOR reform
- Financial risk to the Bank and its clients that markets are disrupted due to IBOR reform giving rise to financial losses
- Pricing risk from the potential lack of market information if liquidity in IBORs reduces and RFRs are illiquid and unobservable
- Operational risk arising from changes to the Bank's IT systems and processes, also the risk of payments being disrupted if an IBOR ceases to be available

As at the year-end December 2021, the Bank does not have such exposure.

Notes to the financial statements (continued)
As at 31 December 2021

NOTE 10 – RISK MANAGEMENT (CONTINUED)

10.3 Market Risk *(continued)*

10.3.2 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank's exposure to currency risk primarily stems from holding of monetary assets and liabilities denominated in foreign currencies other than Euro. As most of the Bank's monetary assets and liabilities are denominated in Euro, United States dollars, Hong Kong dollars, and Renminbi, management is aware of the likely increase in volatility in these currencies and takes a balanced view when considering the management of currency risk.

As at the end of the reporting period, the Bank's exposure to currency risk arising from recognised assets and liabilities denominated in a currency other than the functional currency of the entity to which they relate is shown in the table below:

	2021		2020	
In EUR'000	**In USD**	**In CNY**	**In USD**	**In CNY**
Assets				
Cash in hand, balance with central banks and post office banks	-	-	-	-
Loans and advances to credit institutions	348,556	-	122,237	-
Loans and advances to customers	55,105,151	-	-	-
Debt instruments at amortized cost	10,832,487	-	22,293,804	-
Debt instruments at FVOCI	-	-	-	-
	66,286,194	**-**	**22,416,041**	-
Liabilities				
Amounts owed to credit institutions	66,018,559	-	20,585,005	-
Amounts owed to customers	-	-	-	-
Debts evidenced by certificates	-	-	-	-
Other liabilities	-	-	-	-
	66,018,559	**-**	**20,585,005**	**-**
Net exposure arising from recognised assets and liabilities	267,635	-	1,831,036	-

The tables below indicate a sensitivity analysis of exchange rate changes of the currencies to which the Bank had significant exposure. The analysis calculates the effect of a reasonably possible movement in the currency rates against Euro, with all other variables held constant, on profit before tax and equity. A negative amount in the table reflects a potential net reduction in profit before tax or equity, while a positive amount reflects a potential net increase. Such analysis does not take into account the correlation effect of changes in different foreign currencies, any further actions that may have been or could be taken by management after the financial reporting date to mitigate the effect of exchange differences, nor any consequential changes in the foreign currency positions.

		Effect on profit before tax	
Currency	**Change in currency rate**	**As at 31 December 2021**	**As at 31 December 2020**
USD	+10%	-3,249	86,272
CNY	+10%	-	-

Notes to the financial statements (continued)
As at 31 December 2021

NOTE 11–OTHER LIABILITIES

As at 31 December 2021 the following amounts are included in the other liabilities:

	2021	2020
	EUR	**EUR**
Lease liability	1,434,451	1,732,793
Consulting fee payable	150,782	160,927
Audit fee payable	68,183	66,339
Other Payables	287,147	-
Total	**1,940,563**	**1,960,059**

NOTE 12– ACCRUALS AND DEFERRED INCOME

As at 31 December 2021 the following amounts are included in the accruals and deferred income:

	2021	2020
	EUR	**EUR**
Accrued interest expense	29,179	1,029
Total	**29,179**	**1,029**

NOTE 13 – PROVISIONS

13.1. Provisions for taxation

	2021	2020
	EUR	**EUR**
NWT provision	-	-
Total	**-**	**-**

As the Bank has a loss carried forward position for the year ended 31 December 2021 the Bank is not liable to Corporate Income Tax or Municipal Business Tax for the year-end 2021.

13.2. Deposit guarantee and investor compensation schemes

On 18 December 2015 the new law regarding the resolution, recovery and liquidation measures of credit institutions on deposit guarantee schemes and indemnification of investors (hereafter the "Law") was approved. This Law transposed to Luxembourg two European directives: the directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms and the directive 2014/49/EU related to deposit guarantee and investor compensation schemes.

The law replaced the old deposit guarantee and investor compensation scheme ("Association pour la Garantie des Dépôts Luxembourg" - AGDL) by introducing a new contribution based system of deposit guarantee and investor compensation. This new system will cover eligible deposits of each depositor up to an amount of EUR 100,000 and investments up to an amount of EUR 20,000.

Notes to the financial statements (continued)
As at 31 December 2021

NOTE 13 – PROVISIONS (CONTINUED)

Note 13.2 (continued)

The scheme is based on two different contributions: the Luxembourg Branching resolution fund "Fonds de resolution Luxembourg" (FRL) and the Luxembourg deposit guarantee fund "Fonds de garantie des dépôts Luxembourg" (FDGL).

The funded amount of the FRL shall reach by the end of 2024 at least 1% of covered deposits, as defined in article 1 number 36 of the Law, of all authorized credit institutions in all participating Member States. This amount will be collected from the credit institutions through annual contributions during the years 2015 to 2024.

The target level of funding of the FGDL is set at 0.8% of covered deposits, as defined in article 163 number 8 of the Law, of the relevant credit institutions and is to be reached by the end of 2018 through annual contributions.

As at 31 December 2021, the Bank's provision for the contribution to the FRL and FGDL amounted to EUR 1,500. The amount is included on the liabilities side of the balance sheet under "Other provisions". In 2021, the Bank has paid EUR 1,000 for FRL contributions and EUR 500 for FGDL.

13.3. Other provisions

As at 31 December 2021 other provisions may be presented as follows:

	2021	2020
	EUR	EUR
Bonus & welfare provisions	420,014	317,015
FRL and FGDL provision	1,500	1,500
Total	**421,514**	**318,515**

NOTE 14–CAPITAL, RESERVE, PROFIT AND LOSS BROUGHT FORWARD

	Subscribed capital	Loss brought forward	Profit / (Loss) for the financial year	Total
Balance as at 31 December 2020	20,000,000	(5,352,517)	(1,166,354)	13,481,129
Allocation of the result from previous year	--	(1,166,354)	1,166,354	--
Profit for the financial year 2021	--	--	107,713	107,713
Balance As at 31 December 2021	**20,000,000**	**(6,518,871)**	**107,713**	**13,588,842**

14.1 Subscribed capital

As at 31 December 2021 and 2020, the Bank's authorized and fully paid-up capital amounted to EUR 20,000,000 represented by 20,000,000 shares with a nominal value of EUR 1 each.

Notes to the financial statements (continued)
As at 31 December 2021

NOTE 14–CAPITAL, RESERVE, PROFIT AND LOSS BROUGHT FORWARD (CONTINUED)

14.2 Legal reserve

Under Luxembourg Law, the Bank must appropriate to legal reserve an amount equivalent to at least 5% of the annual net profit until such reserve is equal to 10% of the share capital. The legal reserve is not distributable.

NOTE 15 – ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCY

As at 31 December 2021, the aggregate amount of the Bank's assets denominated in foreign currencies, translated into EUR is equivalent to EUR 66,460,007. (2020: EUR 22,554,054)

As at 31 December 2021, the aggregate amount of the Bank's liabilities denominated in foreign currencies, translated into EUR, is equivalent to EUR 69,109,584. (2020: EUR 20,586,034)

NOTE 16– COMMITMENTS

16.1. Contingent liabilities

The Bank has no contingent liabilities as at 31 December 2021. (2020:Nil).

16.2. Commitments

The Bank has no credit commitments as at 31 December 2021. (2020:Nil).

NOTE 17 – STAFF COSTS

17.1. Staff numbers
The average number of persons employed (FTE) by the Bank was:

	2021 EUR	2020 EUR
Management	1.5	1.2
Employees	4.3	5.5
Total	**5.8**	**6.7**

5 persons from the Management and 11 of employees are under Global Employment Contract. They work 30% for the Bank and 70% for China Everbright Bank Luxembourg Branch. As at 31 December 2021, 1 employee is fully employed by the Bank.

17.2. Management remuneration

The Bank has granted the following compensation to the members of the administrative and managerial bodies (30% for the Bank and 70% for China Everbright Bank Luxembourg Branch):

	2021 EUR	2020 EUR
Board of Directors and managerial body	596,419	523,200

Total	**596,419**	**523,200**

NOTE 17 – STAFF COSTS (CONTINUED)

17.2. Management remuneration (continued)

During the period ended at 31 December 2021, no pension contribution was paid to any director or member of Management. No loans, advances or guarantees have been granted to the directors or members of Management and/or to the members of their families.

There are no guarantees issued in favor of local Management. There are no pension commitments existing in favor of the Management.

NOTE 18 – OTHER ADMINISTRATIVE EXPENSES

18.1. Other administrative expenses

Other administrative expenses consist of:

	2021 EUR	2020 EUR
Amortization	212,230	312,971
IT costs	178,317	171,481
Supervision fees	142,052	139,795
Audit and advisory fees	269,332	138,443
Other	197,106	134,672
Total	**999,038**	**897,362**

As of 31 December 2021, the IT and other expenses contain shared costs with the Branch for a total amount of EUR 317,763 (2020: EUR 278,698).

18.2. Remuneration of the independent auditor

The fees paid by the Bank to its independent auditor including VAT were as follows:

	2021 EUR	2020 EUR
Statutory audit of the annual accounts	124,605	100,522
Other advisory services	36,325	16,512
Total	**160,930**	**117,034**

Notes to the financial statements (continued)
As at 31 December 2021

NOTE 19 – EXTRAORDINARY CHARGES

Extraordinary charges consist of:

	2021 EUR	2020 EUR
Donation	--	100,000
Total	**--**	**100,000**

No Donation has been made in 2021. In 2020, the Bank decided to make an exceptional donation to fight against the COVID-19 pandemic.

NOTE 20 – COMMISSIONS RECEIVABLE

Commission receivables amounting to EUR 2,369,625 (2020: 1,539,591) relates to services to originate business opportunities provided to China Everbright Bank, Luxembourg Branch ("CEB Branch") in accordance with the Master Inter-Bank business origination service agreement entered into between the Bank and CEB Branch in 2020. The commissions recorded in the year ended 31 December 2021 relates to upfront fees and management fees earned upon the origination of 14 loans on behalf and for the benefit of CEB Branch.

NOTE 21 – BALANCE AND TRANSACTIONS WITH RELATED PARTIES

21.1. Assets

As at 31 December 2021, the balance with related parties included on the assets side of the balance sheet consist of tangible assets of EUR 1,418,740 (2020: EUR 1,722,644).

21.2. Liabilities

As at 31 December 2021, the following balances with related parties are included on the liabilities side of the balance sheet:

	2021 EUR	2020 EUR
Amounts owed to credit institutions	136,018,559	20,585,005
Lease liability (note 11)	1,434,451	1,732,793
Accruals and deferred income	29,179	1,029
Total	**137 482 189**	**22 318 827**

These balances with related parties are held with China Everbright Bank Co. Ltd, Luxembourg Branch.

Notes to the financial statements (continued)
As at 31 December 2021

NOTE 21 – BALANCE AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

21.3. Related party transactions

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

	2021 EUR	2020 EUR
China Everbright Bank Co. Ltd, Luxembourg Branch (Entity under common control):		
Commissions receivable (note 20)	2,369,625	1,539,591
Interest payable and similar charges	34,958	9,004
China Everbright Bank Co. Ltd, Beijing (Entity with significant influence over the Bank):		
Interest payable and similar charges	--	138,477

NOTE 22– RETURN ON ASSETS ("ROA")

The Bank's return on assets is as follows:

	2021 EUR	2020 EUR
Total assets	151,998,657	36,345,737
Profit/Loss for the period	107,713	(1,166,354)
Return On Assets	**0.07%**	**-3.21%**

NOTE 23– SUBSEQUENT EVENTS

In February 2022, a number of countries (including the US, UK and EU) imposed new sanctions against certain entities (of which financial institutions) and individuals in Russia as a result of the official recognition of the Donetsk People Republic and Lugansk People Republic by the Russian Federation. Additional sanctions have been made following military operations initiated by Russia on 24 February 2022 against Ukraine including the restriction of the access of already sanctioned Russian banks to the international payments system SWIFT.

Such sanctions can impact not only the sanctioned entities and individuals including entities under their control but also Business Counterparties of these sanctioned entities.

The results of the sanctions and the geopolitical instability have created an important volatility in the financial markets with a potential to adversely impact global economies and increase instability across markets.

The Board of Directors has performed an analysis towards the Bank's potential exposure to the above. The Board of Directors regards these events as non-adjusting events after the reporting period. At the date of this report, the Bank including its going concern is not impacted (directly or indirectly) by the above and the situation including the possible impact of changing micro- and macroeconomic conditions will be continued to be monitored.