

ICBC  工银欧洲

ICBC (EUROPE) S.A.



ANNUAL
REPORT
2021

Chairman's Statement

The Industrial and Commercial Bank of China (Europe) S.A. (hereinafter referred to as “the Bank”) is a wholly-owned subsidiary of the Industrial and Commercial Bank of China Limited (hereinafter referred to as “ICBC”). As the flagship entity of ICBC in Europe and headquartered in Luxembourg, the Bank provides a wide range of banking services to global customers via a network covering major European cities.

2021 was still a challenging year for the Bank, the coronavirus pandemic still had a significant impact on global businesses, the Bank pulled together to help its clients to get through this challenging time. Moreover, the Bank pulled various resources together to help development of social responsibility and environment protection.

The Bank returned to steady growth from the first quarter of 2021 and sustained this throughout the year. It adhered to the targets and tasks set by the Board of Directors, focused on market development, adjusted asset and client structures, improved operational efficiency, and further controlled the risks. By the end of 2021, the Bank reached a total assets of EUR 6.24 billion.

While developing corporate finance business such as all kinds of loans, the Bank endeavors to diversify the service range in money market and foreign exchange operations, international trade settlement, investment banking, cash management, deposit taking and remittance operations and Renminbi (CNY) related business. In 2021, the Bank continued to explore local business opportunities and served the financial demands of entities with Chinese background while continuing the steady expansion of its customer base in banks and non-bank financial institutions in various business lines such as loans, trade refinancing, bond issuance underwriting, money market and FX. As a recognition of its contributions, the Bank received several rewards such as the “2021 the ASSET Best ESG Bond Issuance” and “2021 China Bond Collateral Product Outstanding Contribution Financial Institution” during the year.

The Bank has been continuously enhancing corporate governance, internal control and central administration in 2021. Implementation and adoption of several rules and procedures for corporate governance and regional management optimized a unified and prudent risk culture. The framework for corporate governance and internal management have been enhanced, and the risk-based internal control mechanisms have been strengthened as well. Meanwhile, the Bank has made substantial improvements in compliance and AML that received positive evaluation from the regulators. Internal remediation has reached a milestone and entered an advanced stage featuring high feasibility, order and efficiency.

On behalf of the Board of Directors, I would like to express my sincere thanks to our clients for their unwavering support, and to my fellow directors, the management team and the dedicated staff for their arduous efforts and outstanding contribution in 2021.



TAO Mei
Chairman

**Industrial and Commercial
Bank of China (Europe) S.A.
32, Boulevard Royal
L-2449 Luxembourg**

R.C.S. Luxembourg B 119320

Annual accounts as at 31 December 2021
(with report of the réviseur d'entreprises agréé thereon)

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Management Report

Management Report

For the year ended 31 December 2021

The Authorized Management of Industrial and Commercial Bank of China (Europe) S.A. (the “Bank” or “ICBC (Europe) S.A.”) presents its report and the Annual Accounts for the year ended 31 December 2021.

As of 31 December 2021, the Bank registered in Luxembourg has six Branches in Paris, Amsterdam (with a sub-branch in Rotterdam), Brussels (with a sub-branch in Antwerp), Milan (with a sub-branch in Rome), Madrid (with a sub-branch in Barcelona) and Warsaw (collectively “the Branches”), and has a Representative Office in Athens.

Financial review

The total assets reached EUR 6,246,158,135 as of 31 December 2021, of which an amount of EUR 2,444,521,936 corresponds to Loans and advances to customers, and an amount of EUR 1,457,034,752 corresponds to Loans and advances to credit institutions.

The total liabilities as of 31 December 2021 are EUR 6,246,158,135 of which EUR 2,654,663,126 are Amounts owed to credit institutions and EUR 2,975,414,304 are Amounts owed to customers. The Bank’s total share capital amounts to EUR 437,432,880, which represents 36,452,740 shares at a par value of EUR 12 as of 31 December 2021. During the year 2021 the Bank did not acquire any of its own shares and had no specific activities in the field of research and development.

The key movement in the balance sheet as at year end 2021 compared to prior year is mainly characterized by the overall increase of the Amounts owed to credit institutions by EUR 1,392,238,568 that is reflected mainly in the increase of Loans and advances to credit institutions by EUR 886,222,027, and the increase of Treasury bills and other bills eligible for refinancing with central banks by EUR 216,498,960.

The Bank generated a profit for the financial year 2021 of EUR 1,178,755 compared to prior year loss of EUR 11,790,859. The return on assets amounts to 0.02% as of end of December 2021 (2020: -0.22%).

Key Business Operations

The principal business activities of the Bank during the year of 2021 are represented by corporate banking, bond underwriting, cash management, fixed-income investment, money markets and foreign exchange operations, deposit taking and remittance operations, and Renminbi (CNY) related business.

Management Report

In 2021, the Bank and its Branches continued to explore local business opportunities and served the financial demands of entities with Chinese background. The Bank has continued the steady expansion of its customer base in banks and non-bank financial institutions during the year 2021 in various business lines such as loans, trade refinancing, bond issuance underwriting, money market and FX. The Bank and its Branches also joined the TLTRO project promoted by BCL through the syndicated way for the first time in Luxembourg market in order to reduce funding costs.

✧ Risk Management System

In 2021, the Bank continued to strengthen centralized management on credit approval, operation management, financial management, IT infrastructure and asset and liability management.

In 2021, the Bank's risk appetite was in line with its strategy and the balance between risk and return. The implementation of risk appetite in 2021 remained at a satisfactory level except for the profitability indicators.

At the end of 2021, the own funds were EUR 807.84 mio, capital adequacy ratio was 19.91%, Liquidity Coverage Ratio (LCR) was 618.49% and the Net Stable Funding Ratio (NSFR) was 115.35%, which were compliant with the regulatory requirements and internal targets. The impact of a 200 bps increase/decrease of the interest rates on the economic value of the Bank would be EUR -39.62 million and EUR 10.96 million respectively. Moreover, the worst result of the additional 6 scenarios (being the Parallel Shock Up) leads to a decrease of the economic value by EUR 39.62 million. The decreases resulting of these tests equal respectively 4.90% and 6.52% of the Bank's own funds / CET1 capital.

For credit risk, the Bank has continuously reinforced the unified credit management mechanism by strengthening credit risk monitoring during the COVID-19 pandemic, optimizing risk appetite and risk limits related to credit risk and country risk, updating internal policies and procedures on credit management. Through the Global Credit Management System, the Bank followed the credit risk management methodology developed by its Parent Company.

As of 31 December 2021, the Bank's Non-performing loans (NPL) ratio was 0.18%. Additional Value adjustments in respect of loans and advances and provisions for contingent liabilities and for commitments of EUR 2,742,461 occurred in 2021 mainly at Amsterdam branch. The Bank's bond investments are in line with the annual bond investment strategy. By 31 December 2021, all credit risk limits were compliant with the risk limits plan.

For market risk, the Bank issued the 2021 Annual Plan for the Market Risk Limit Management in the Trading Book. At the end of 2021, all market risk limits were compliant with the risk limits plan.

For liquidity risk, the Bank has implemented the liquidity risk policy aiming to ensure that the Bank maintains sufficient liquidity and to conform to the regulatory requirements, and implemented in 2021 the internal target management of LCR and NSFR on both aggregated level and branch level.

Management Report

In respect of operational risk, the Bank has updated its limits and warning values of operational risk appetite of 2021, completed the operational risk assessment report and fraud event report on payment services, and improved the management of operational risk events.

Information regarding the Bank's Pillar 3 Disclosure Report for 2021 will be placed on the Bank's website during 2022: <http://www.icbc.eu>.

With regard to legal risk, the Bank has a management system and a reporting and communication mechanism within the Headquarters and Branches in place and established procedures to prevent and control legal risk as well as to handle customer complaints.

For reputation risk, the Bank adheres to the prevention-oriented principle and established a mechanism to monitor negative news and to identify any possible reputation risk.

With regard to compliance risk, in 2021, the Bank achieved to implement a comprehensive AML&CTF compliance framework. The compliance function has maintained its staffing and substance and has continued its training program, risk monitoring, and oversight of Branches by further strengthening compliance tools management, normative documentation designing, management information, project management improvement and compliance risk assessment. In 2022, the Bank and the compliance function will continue the transformation instigated in 2019 to further improve the corporate governance and compliance framework.

The European Chief Compliance Officer (the "ECCO") has continued the compliance function transformation initiated in 2019, reinforcing some areas and dedicating an entire team to improve the consolidated supervision of Headquarters and Branches and the Compliance framework.

✧ **Statement of Authorized Management's responsibilities**

The Bank prepares and presents the legal prudential reports to the CSSF according to the regulations applicable to Luxembourg financial institutions and publishes the annual report and necessary information according to the laws and regulations of the Grand-Duchy of Luxembourg.

The Members of the Authorized Management have examined the 2021 annual accounts and financial reports according to the applicable laws and regulations.

✧ **Allocation of results**

No dividend has been paid during 2021 and the Authorized Management proposes that no dividend will be paid during 2022 for the year ended 31 December 2021. As required by Luxembourg law, the Bank keeps a legal reserve. The Authorized Management suggests to allocate the profit of the financial year 2021 to the Result brought forward and to allocate an amount of EUR 58,938 to legal reserve.

✧ **Significant events**

The following significant events took place during the financial year 2021:

Management Report

On 7 September 2016, the Ministry of Economy and Competitiveness in Spain notified the initiation of administrative proceeding against ICBC (Europe) S.A., Spain Branch on grounds of an alleged failure to meet its anti-money laundering obligations. This proceeding is ongoing.

To comply with requirements, the Headquarters and Branches continued during 2021 the follow-up of prior year's observations raised by local regulatory authorities of Luxembourg authorities as scheduled in agreed action plans. The Bank continued to strengthen control functions and internal management dealt well with the CSSF's offsite credit inspection. Furthermore, the Bank completed the dry run test smoothly by providing data within 6 hours and providing the report within 24 hours after receiving the imminent instructions from the CSSF.

On 17 March 2020, the Government of Luxembourg decided to prepare the declaration of a state of crisis in accordance with Article 32(4) of the Constitution of Luxembourg to respond to the worldwide virus crisis. Following this, the Bank implemented a working arrangement in order to better cope with the changing situation of the COVID-19 pandemic, to protect the health and safety of staff and their relatives, and to maintain the existing working orderliness when the Government of Luxembourg initiated lockdown measures. To persist with the minimum on-site working arrangement, in which case staff only come to the Bank for work when absolutely necessary, the Bank arranged an on-site working plan. Consequently during 2021 the majority of the Bank's employees in Headquarters and the Branches were confined to work from home and several essential activities were centrally carried out in Headquarters. However there were no major disruptions in the activities of the Bank nor its Branches and the Bank took the opportunity to enhance and further develop its digital working environment and to streamline specific processes in order to address challenges from the COVID-19 pandemic. During the year 2021, there were no critical negative effects on the Bank's solvency, liquidity and business or the quality of the credit portfolio from the COVID-19 pandemic.

No matters or events have occurred subsequent to 31 December 2021 that would materially affect the Annual Accounts and related disclosures for the year ended 31 December 2021.

❖ **The forecasts for 2022**

Apart from general challenges from the financial markets, the macroeconomic situation in the European Union and potential development of ECB interest base rates, continuing uncertainty caused by the worldwide virus crisis, the developing conflict in Ukraine in 2022 and related potential price fluctuations and supply of commodities, energy and natural resources could have lasting effects on the economic situation in the European Union for the whole year 2022. On the date of this report the effect of the aforementioned on the Bank's business for the whole year 2022 is still uncertain. In case of on-going uncertainties and potential volatility for the whole year 2022 triggered by the worldwide virus crisis or the Ukraine conflict, the business of the Bank could be affected negatively whereas no critical negative effects on the Bank's solvency and liquidity are expected by the Authorized Management of the Bank. However, in light of the aforementioned uncertainty the Authorized Management of the Bank and its Branches are preparing for potential negative scenarios, managing potential risks, targeting new business opportunities and will continue operating in corporate banking activities and serving our clients, Chinese companies investing in Europe, European companies with business interests in China as well as local companies.

Industrial and Commercial Bank
of China (Europe) S.A.

Management Report

The Authorized Management of Industrial and Commercial Bank of China (Europe) S.A.



LI Li
General Manager

Luxembourg, March 2022

To the Board of Directors of
Industrial and Commercial Bank of China (Europe) S.A.
32, Boulevard Royal
L-2449 Luxembourg

REPORT OF THE *RÉVISEUR D'ENTREPRISES AGRÉÉ*

Report on the Audit of the Annual Accounts

Opinion

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

In our opinion, the accompanying annual accounts give a true and fair view of the financial position of the Bank as at December 31, 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 annual accounts.

Basis for Opinion

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession (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 N° 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 Annual Accounts" 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 annual accounts, 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 Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of the audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of loans and advances to customers and related disclosure

a) Why the matter was considered to be one of most significance in our audit of the annual accounts for the year ended 31 December 2021

The loans and advances to customers at year-end amounted to EUR 2,444,521,936. These loans are recorded at acquisition cost and the Bank establishes specific provisions for doubtful loans (EUR 8.2 million as at 31 December 2021). Certain aspects of the accounting for loan losses require significant judgement of management, such as the identification of loans that are deteriorating, the assessment of objective evidence for impairment, the value of collateral and the estimation of the recoverable amount.

The portfolios which give rise to valuation uncertainty are those where loans and advances to customers were unsecured or subject to potential collateral shortfalls.

Due to the significance of loans and advances to customers and the related estimation uncertainty, we consider the valuation of loans as a key audit matter. Please refer to the Bank's accounting policies in note 2 "Summary of significant accounting policies" and note 3 "Financial instrument disclosures" relating to credit risk paragraphs of the annual accounts.

b) How the matter was addressed in the audit?

Our audit approach included testing the design, implementation and operating effectiveness of internal controls around determining loan loss provisions as well as substantive audit procedures.

Our evaluation of the design, implementation and operating effectiveness of key controls relating to the lending process, included the following:

- the credit analysis and approval by an appropriate authority prior to granting the loan;
- the recording of correct loan parameters in the systems based on approved loan contract documentation;
- the regular monitoring of the collaterals value, including regular pricing of financial instruments and monitoring of the shortfall of collaterals and required level of additional collateral buffer.

Our substantive audit procedures included the following:

- reading the minutes of the Bank's Credit Committee meetings up to the date of the audit report in order to identify impairment indicators at the year end;
- for the loan portfolio which is fully collateralized:
 - with financial guarantees, we challenged the Bank's internal assessment of the guarantors to identify any potential trigger that could affect the recoverability of the exposure;
 - in cases where the collateral was not financial guarantee, we considered the most recent valuation reports available.
- for the loan portfolio which is not fully collateralized, we challenged the Bank's internal assessment of the creditworthiness of the customers based on the external credit ratings, latest financial statements and publicly available information to identify any trigger that could indicate potential issues in the recoverability of the exposure. Besides this, we confirmed whether any overdue payments occurred during the financial year and subsequently;
- assessing the impairment allowances for individually impaired loans and advances to customers;

Finally, we assessed whether the disclosures in the annual accounts appropriately reflect the Bank's exposure to credit risk.

Other Information

The Board of Directors of the Bank is responsible for the other information. The other information comprises the information stated in the management report but does not include the annual accounts and our report of the "*réviseur d'entreprises agréé*" thereon.

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

In connection with our audit of the annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual accounts 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 Those Charged with Governance for the Annual Accounts

The Board of Directors of the Bank is responsible for the preparation and fair presentation of the annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts, and for such internal control as the Board of Directors of the Bank determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, 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 Annual Accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts 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 the EU Regulation N° 537/2014, the Law of 23 July 2016 and with 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 the 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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, 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 the 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 annual accounts 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 annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

We have been appointed as "*réviseur d'entreprises agréé*" by the General Meeting of the Board of Directors on September 24, 2021 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is one year.

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

We confirm that the prohibited non-audit services referred to in the EU Regulation N° 537/2014, on the audit profession were not provided and that we remain independent of the Bank in conducting the audit.

For Deloitte Audit, *Cabinet de révision agréé*

Ekaterina Volotovskaya, *Réviseur d'entreprises agréé*
Partner

Luxembourg, March 30, 2022

Industrial and Commercial Bank
of China (Europe) S.A.

Balance Sheet
As of 31 December 2021
(expressed in EUR)

<u>Assets</u>	Notes	<u>31.12.2021</u>	<u>31.12.2020</u>
Cash, balances with central banks and post office banks	3	544,626,415	713,479,091
Treasury bills and other bills eligible for refinancing with central banks	3, 4	507,724,568	291,225,608
- Treasury bills		418,744,583	246,028,034
- Other bills eligible for refinancing with central banks		88,979,985	45,197,574
Loans and advances to credit institutions	3, 6	1,457,034,752	570,812,725
a) repayable on demand		239,439,210	119,217,354
b) other loans and advances		1,217,595,542	451,595,371
Loans and advances to customers	3	2,444,521,936	2,590,137,483
Debt securities and other fixed-income securities	3, 4	1,219,641,571	1,144,388,848
- issued by public bodies		264,148,826	99,173,638
- issued by other borrowers		955,492,745	1,045,215,210
Shares and other variable-yield securities	3, 4	15,932,478	15,856,616
Intangible assets	5	49,821	79,683
Tangible assets	5	26,321,314	26,612,051
Other assets	7	15,659,594	19,162,113
Prepayments and accrued income	6, 8	14,645,686	88,512,718
Total assets	9	<u>6,246,158,135</u>	<u>5,460,266,936</u>

The accompanying notes form an integral part of the annual accounts.

Industrial and Commercial Bank
of China (Europe) S.A.

Balance Sheet (continued)
As of 31 December 2021
(expressed in EUR)

<u>Liabilities</u>	Notes	<u>31.12.2021</u>	<u>31.12.2020</u>
Amounts owed to credit institutions	3, 6	2,654,663,126	1,262,424,558
a) repayable on demand		213,792,851	352,847,801
b) with agreed maturity dates or periods of notice		2,440,870,275	909,576,757
Amounts owed to customers	3	2,975,414,304	3,579,624,695
Other debts			
a) repayable on demand		1,875,179,304	979,889,370
b) with agreed maturity dates or periods of notice		1,100,235,000	2,599,735,325
Other liabilities	7	12,890,080	10,405,899
Accruals and deferred income	6, 8	25,987,052	37,524,692
Provisions	12	20,390,982	14,653,256
a) provisions for taxation		2,107,114	3,061,987
b) other provisions		18,283,868	11,591,269
Subscribed capital	10	437,432,880	437,432,880
Reserves	11	7,884,416	7,884,416
Profit/(Loss) brought forward	11	110,316,540	122,107,399
Profit/(Loss) for the financial year	11	1,178,755	(11,790,859)
Total liabilities	9	<u>6,246,158,135</u>	<u>5,460,266,936</u>

The accompanying notes form an integral part of the annual accounts.

Industrial and Commercial Bank
of China (Europe) S.A.

Off balance sheet
As of 31 December 2021
(expressed in EUR)

<u>Off balance sheet</u>	Notes	31.12.2021	31.12.2020
Contingent liabilities	3, 22	356,630,861	230,920,988
Commitments			
Undrawn credit facilities	3, 22	1,804,755,846	1,371,689,663

The accompanying notes form an integral part of the annual accounts.

Industrial and Commercial Bank
of China (Europe) S.A.

Profit and loss account

As of 31 December 2021

(expressed in EUR)

	Notes	31.12.2021	31.12.2020
Interest receivable and similar income	14	65,010,978	78,702,254
<i>of which:</i>			
<i>- arising from fixed-income transferable securities</i>		<i>13,657,173</i>	<i>19,547,217</i>
Interest payable and similar charges	14	(20,806,543)	(27,414,669)
Commission receivable		19,584,220	18,122,792
Commission payable	15	(3,882,820)	(5,879,293)
Net profit or net loss on financial operations	16	15,406,231	2,001,454
Other operating income	18	12,331,415	10,402,250
General administrative expenses		(75,727,038)	(71,602,888)
a) staff costs	19	(57,544,521)	(53,328,224)
<i>of which:</i>			
<i>- wages and salaries</i>		<i>(40,115,126)</i>	<i>(37,098,427)</i>
<i>- social security costs</i>		<i>(11,436,498)</i>	<i>(10,040,355)</i>
b) other administrative expenses		(18,210,125)	(18,274,664)
Value adjustments in respect of tangible and intangible assets	5	(810,041)	(1,038,861)
Other operating charges	18	(5,029,078)	(6,308,908)
Value adjustments in respect of loans and advances and provisions for contingent liabilities and for commitments	3	(2,742,461)	(5,708,513)
Tax on profit on ordinary activities		(2,128,500)	(3,066,477)
Profit/(Loss) on ordinary activities after tax		1,178,755	(11,790,859)
Profit/(Loss) for the financial year		1,178,755	(11,790,859)

The accompanying notes form an integral part of the annual accounts.

Industrial and Commercial Bank
of China (Europe) S.A.

Notes to the annual accounts

As of 31 December 2021

Note 1 – General

Corporate matters

Industrial and Commercial Bank of China (Europe) S.A. (the “Bank”) was established on 5 September 2006 under the legal form of “Société Anonyme” in accordance with Luxembourg law and formed for an unlimited duration.

The head office of the Bank is located 32, Boulevard Royal at L-2449 Luxembourg. The Bank is registered at the Trade Register of Luxembourg (RSCL) under the number B 119320.

On 3 December 2010, an Extraordinary General Meeting of the Shareholders resolved unanimously to change the name of the Bank from Industrial and Commercial Bank of China, Luxembourg S.A. into Industrial and Commercial Bank of China (Europe) S.A..

The Bank’s accounts are consolidated into the accounts of Industrial and Commercial Bank of China Ltd., Beijing, China (“ICBC Ltd.”). These accounts may be obtained from the parent company at 55, Fuxingmennei Avenue, Xicheng District, 100140 Beijing - China.

Nature of the Bank's business

The Bank operates all kinds of banking activities for its own account and for its clients. It will also operate as a central development platform for marketing its services in Europe via a network of branches.

As of 31 December 2021, the Bank registered in Luxembourg has six Branches located in Paris, Amsterdam (with a sub-branch in Rotterdam), Brussels (with a sub-branch in Antwerp), Milan (with a sub-branch in Rome), Madrid (with a sub-branch in Barcelona) and Warsaw (collectively “the Branches”) and a Representative Office in Athens.

Annual accounts

The Bank’s accounting year coincides with the calendar year.

Notes to the annual accounts (continued)

As of 31 December 2021

Note 2 – Summary of significant accounting policies

The annual accounts have been prepared in accordance with the laws and regulations in force in the Grand-Duchy of Luxembourg and on the basis of accounting principles generally accepted in the banking sector in the Grand-Duchy of Luxembourg.

The accounting policies and the valuation principles are, besides the ones laid down by the law and regulations, determined and applied by the Board of Directors.

The business policy and valuation principles, unless prescribed by the Luxembourg rules and regulations, are determined and monitored by the Board in accordance with those applied in the ICBC Ltd. Group.

The significant accounting policies are as follows:

The date of recording transactions in the balance sheet

Assets and liabilities are stated in the balance sheet according to when the amounts concerned become cleared funds, that is, their date of effective transfer.

Foreign currencies

The annual accounts are expressed in Euro (EUR).

The Bank uses the multi-currency accounting system which records all assets and liabilities in their original currencies. For the preparation of the annual accounts which are expressed into Euro, amounts in foreign currencies are translated as follows:

- All assets and liabilities items denominated in foreign currencies are translated into Euro at the spot rate of exchange prevailing at the balance sheet date. However, tangible and intangible assets, subscribed capital, profit brought forward and reserves are translated into Euro at their historical exchange rates. Both realized and unrealized profits and losses arising on revaluation are accounted for in the profit and loss account;
- Revenues and expenses in foreign currencies are recorded in their original currencies and translated into Euro at the rate of exchange prevailing at transaction dates.

Notes to the annual accounts (continued)

As of 31 December 2021

Note 2 – Summary of significant accounting policies (continued)

Terms of assets and liabilities

Assets and liabilities described as repayable on demand comprise amounts which can be drawn without notice or for which a notice of 24 hours or one working day has been agreed. The expression “with agreed maturity dates” in the various captions refers to a final maturity in excess of one working day, including period of notice exceeding one working day. Assets and liabilities are always classified on the basis of their remaining term as at the balance sheet date.

Loans and advances

Loans and advances are stated at their acquisition price. The policy of the Bank is to establish specific provisions for doubtful loans in accordance with the circumstances and for amounts specified by the Board of Directors. These provisions are deducted from the appropriate asset account balances and shall not be maintained if the reasons for which they were recorded no longer exist. Accrued interest is recorded in balance sheet caption “Prepayments and accrued income”.

Amounts payable

Amounts payables are recorded under liabilities at their reimbursement amount.

Transferable securities

Fixed income transferable securities

The Bank has divided its portfolio of debt securities and other fixed-income securities, and treasury bills and other bills eligible for refinancing with central banks into two categories, whose principal characteristics are the following:

- A structural portfolio of financial fixed assets, which are intended to be used on a continuing basis in the Bank’s activities;
- An investment portfolio of securities which are held for their investment return.

These securities are initially recorded in the balance sheet at acquisition cost. The acquisition cost includes the costs to purchase the asset.

The Bank values the securities included in the investment and structural portfolio at the lower of cost (or amortised cost when applied) or market value or net realisable value determined by the Board of Directors in good faith in the absence of a market value. If no official quotation is available, valuation is made at the probable realizable value or at a price which most closely corresponds to the intrinsic value of the securities.

Notes to the annual accounts (continued)

As of 31 December 2021

Note 2 – Summary of significant accounting policies (continued)

Transferable securities (continued)

Securities issued on a discounted basis (such as zero-coupon bonds)

The difference between the acquisition cost (or disposal) and the face value, is spread over the period that the securities issued on a discounted basis remain in the Bank's portfolio.

The accrued interest is calculated in this manner on a prorata temporis basis and is added to the book value of the security.

Securities not issued on a discounted basis

Accrued interest since the last coupon date or since issuance is recorded in the transitory account until the next coupon date.

Fixed income transferable securities

For the investment portfolio:

In cases where fixed-income transferable securities classified in the investment portfolio are acquired at a premium or discount, the difference between acquisition cost and redemption value is recorded in instalments in the profit and loss account as "interest payable and similar charges" or "interest receivable and similar income" respectively. Instalments are charged prorata temporis over the life of the security. The cumulative amortisation of the premium from the date of acquisition is included in "Accruals and deferred income" on the liability side of the balance sheet, and the cumulative amortisation of the discount from the date of acquisition is included in "Prepayments and accrued income" on the assets side of the balance sheet.

Unrealised losses are recorded as value adjustments under "Value adjustments in respect of transferable securities held as financial fixed assets, participating interests and shares in affiliated undertakings". They are not maintained if the reasons for which they were recorded no longer exist. Amounts released to income following the writing back of such value adjustments are recorded in "Value re-adjustments in respect of transferable securities held as financial fixed assets, participating interests and shares in affiliated undertakings".

Notes to the annual accounts (continued)

As of 31 December 2021

Note 2 – Summary of significant accounting policies (continued)

Transferable securities (continued)

Fixed income transferable securities (continued)

For the structural portfolio:

In cases where fixed-income securities classified in the structural portfolio are acquired at a premium, the difference between acquisition cost and redemption value is written off in instalments to the profit and loss account and recorded as “interest payable and similar charges”. Instalments are charged prorata temporis over the life of the security. The cumulative amortisation from the date of acquisition is included in “Accruals and deferred income” on the liability side of the balance sheet.

In cases where fixed-income securities are acquired at a discount and cost is used as the basis of valuation, the difference between acquisition cost and redemption value is taken to the profit and loss account at the date of maturity or date of disposal, if earlier.

Unrealised losses are recorded in the profit and loss account under “Net profit or net loss on financial operations”. They are not maintained if the reasons for which they were recorded no longer exist.

Sale and repurchase agreements

In compliance with Luxembourg law, securities sold on the basis of sale and repurchase agreements with a firm repurchase obligation are maintained in the securities portfolio.

Shares and other variable-yield securities

Shares and other variable-yield securities are recorded in the balance sheet at their acquisition cost.

At the balance sheet date, shares and other variable-yield securities are stated at the lower of cost or market value. If the valuation is lower than the purchase price, value adjustments are recorded to account for the unrealised loss. They are not maintained if the reasons for which they were recorded no longer exist.

Notes to the annual accounts (continued)

As of 31 December 2021

Note 2 – Summary of significant accounting policies (continued)

Intangible and tangible assets

Fixtures and fittings costing less than EUR 1,000 or whose expected useful lives are not expected to exceed the current year are charged directly to the profit and loss account.

Intangible and tangible assets are stated at their purchase price less value adjustments. Value adjustment is calculated on a straight-line basis over the estimated useful service life of the assets concerned. For the years 2021 and 2020, the per annum rate used is as follows:

- Building	2.00%
- Computer equipment	33.33%
- Other fixtures and fittings, tools and equipment	8.33% – 16.67%
- Intangible assets	33.33%

Provisions

Provisions are intended to cover losses which are certain or likely to be incurred based on past history and are clearly defined in nature, but are, at the balance sheet date, uncertain as to the amount or as to the date on which they will arise. They are recorded in the currency of the assets to which they relate.

Judgement is involved in determining whether a present obligation exists and in estimating the probability, timing and amount of any outflows. Professional expert advice may be taken on the assessment of litigation. Provisions for legal proceedings and regulatory matters typically require a higher degree of judgement than other types of provisions. When matters are at an early stage, accounting judgements can be difficult because of the high degree of uncertainty associated with determining whether a present obligation exists and estimating the probability and amount of any outflows that may arise. As matters progress, management evaluates on an ongoing basis whether provisions should be recognised, revising previous judgements and estimates as appropriate. At more advanced stages, it is typically easier to make judgements and estimates around a better defined set of possible outcomes. However, the amount provisioned can remain very sensitive to the assumptions used. There could be a wide range of possible outcomes for any pending legal proceedings, investigations or inquiries. As a result, it is often not practicable to quantify a range of possible outcomes for individual matters. It is also not practicable to meaningfully quantify ranges of potential outcomes in aggregate for these types of provisions because of the diverse nature and circumstances of such matters and the wide range of uncertainties involved.

According to the Luxembourg tax legislation, the Bank establishes a lump sum provision for risk exposures, as defined in the legislation governing prudential supervision of banks. The purpose of the provision is to take account of risks which are likely to crystallize but which have not yet been identified as at the date of preparation of the annual accounts.

Notes to the annual accounts (continued)

As of 31 December 2021

Note 2 – Summary of significant accounting policies (continued)

Provisions (continued)

Pursuant to the Instructions issued by the *Directeur des Contributions* on 16 December 1997, this provision is made before taxation and may not exceed 1.25% of the Bank's risk exposures.

The lump sum provision for risk exposures is broken down in proportion to the weighting of the items that form the basis of its calculation, between:

- The portion which is deemed to represent a value adjustment, and which is deducted from the asset item that constitutes a risk exposure; and
- The portion which is deemed to represent a provision for liabilities and charges attributable to credit risk associated with off-balance sheet items, foreign exchange risk and market risks, and which is to be shown as a liability under "Provisions: other provisions".

Taxes

The Bank is subject to Corporate Income Tax (CIT) Municipality Business Tax (MBT) and Net Wealth Tax (NWT) applicable in Luxembourg. Income taxes are accounted on accrual basis based on profit and loss account of the financial year. Tax provisions are disclosed in the caption "Other Liabilities". Provisions for taxation correspond to the tax liability estimated by the Bank for the financial year for which tax return has not yet been fully recorded. The advance payments are shown in the asset's side of the balance sheet under "Other Assets" item.

Financial instruments

Valuation of foreign exchange swap transactions

Foreign exchange swap transactions ("FX swaps"): The forward transaction and spot transaction form an economic unit. As the spot legs and forward legs of the FX swaps form an economic unit and hedge each other, they are neutral in terms of foreign exchange risk. Consequently, foreign exchange differences coming from the revaluation of the spot items hedged forward are cancelled through transitory accounts.

For FX Swap transactions linked to balance sheet items (treasury swaps), the premium or discount is spread prorata temporis in transitory accounts on the balance sheet (asset item Prepayments and accrued income and liability item Accruals and deferred income, respectively). The profit and loss accounts to be used are Interest receivable and similar income, or Interest payable and similar charges (without offset).

For FX Swap transactions not linked to balance sheet items (trading swaps) the premiums (positive-values) are ignored and the discounts (negative-values) are fully provisioned.

Notes to the annual accounts (continued)

As of 31 December 2021

Note 2 – Summary of significant accounting policies (continued)

Financial instruments (continued)

Valuation of foreign exchange forward transactions

Foreign exchange forward contracts are valued at the rates applicable for the remaining term to maturity at the balance sheet date.

The calculation of the unrealised gains or losses is based on the forward exchange rate for each currency applied to all outright transactions with the same maturity date.

Forward foreign exchange transactions, which are exclusively contracted on behalf of customers, are covered by reverse forward foreign exchange transactions on a back-to-back basis. Net unrealised losses are provided for and recorded in the item "Provisions: other provisions". Net unrealised gains on these forward foreign exchange contracts are ignored.

Valuation of interest rate swap (IRS) transactions

Interest rate swap transactions ("IRS"), traded over-the-counter and unallocated to given assets or liabilities, are marked-to-market. Net unrealised losses are provided for and recorded in the item "Provisions: other provisions". Net unrealised gains are ignored.

Interest rate swaps traded over-the-counter for hedging purposes of the Bank's interest rate positions are not marked-to-market unless they are hedging fixed-income transferable securities included in the investment portfolio valued at the lower of cost or market value. In this case, the IRS is valued according to the same valuation method as the hedged securities. The following valuation rules apply:

- When the unrealised losses on the hedged securities are greater than the unrealised gains on the IRS, the net unrealised loss must be recorded in the profit and loss account;
- When the unrealised losses on the IRS are greater than the unrealised gains on the hedged securities, the net unrealised loss must be recorded in the profit and loss account.
- When the unrealised gains on the hedged securities are greater than the unrealised losses on the IRS, the net unrealised gain must not be accounted for in the profit and loss account;
- When the unrealised gains on the IRS are greater than the unrealised losses on the hedged securities, the net unrealised gain must not be accounted for in the profit and loss account.

Valuation of cross currency interest rate swap (CCS) transactions

Interest receivable and payable are recorded as accrued income and expenses in the balance sheet. Unrealised losses are provided for and recorded in the item "Other provisions". Unrealized gains are ignored.

Strategy in using financial instruments

The Bank's activities are principally related to the use of primary non-trading financial instruments.

Notes to the annual accounts (continued)

As of 31 December 2021

Note 3 – Financial instrument disclosures

Information on primary non-trading financial instruments

As at 31 December 2021, the analysis of primary non-trading financial instruments by class and contractual residual maturity is the following:

At carrying amount in EUR	≤ 3 months	>3 months ≤ 1 year	>1 year ≤ 5 years	>5 years	Total
Financial assets					
Cash, balances with central banks and post office banks	544,626,415	---	---	---	544,626,415
Treasury bills and other bills eligible for refinancing with central banks	---	---	332,914,723	174,809,845	507,724,568
Loans and advances to credit institutions	1,052,425,887	44,146,212	272,170,228	88,292,425	1,457,034,752
Loans and advances to customers	100,082,326	221,910,656	1,894,770,336	227,758,618	2,444,521,936
Debt securities and other fixed-income securities	36,255,785	347,133,994	787,328,267	48,923,525	1,219,641,571
Shares and other variable-yield securities	---	---	822,478	15,110,000	15,932,478
Total financial assets	1,733,390,413	613,190,862	3,288,006,032	554,894,413	6,189,481,630

In the position “Cash, balances with central banks and post office banks” the mandatory minimum reserves of EUR 33,502,495 are included.

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Notes to the annual accounts (continued)

As of 31 December 2021

Note 3 – Financial instrument disclosures (continued)

At carrying amount in EUR	≤ 3 months	>3 months ≤ 1 year	>1 year ≤ 5 years	>5 years	Total
Financial liabilities					
Amounts owed to credit institutions	814,348,275	19,000,000	1,621,314,851	200,000,000	2,654,663,126
Amounts owed to customers	1,324,080,648	841,333,657	810,000,000	---	2,975,414,305
Total financial liabilities	2,138,428,923	860,333,657	2,431,314,851	200,000,000	5,630,077,430
Off balance sheet					
Contingent liabilities	59,233,202	180,959,937	116,437,722	---	356,630,861
Commitments	50,000,000	221,645,939	1,257,717,564	275,392,343	1,804,755,846
	109,233,202	402,605,876	1,374,155,286	275,392,343	2,161,386,707

As at 31 December 2021, the Bank had not engaged in primary trading instruments.

Industrial and Commercial Bank
of China (Europe) S.A.

Notes to the annual accounts (continued)

As of 31 December 2021

Note 3 – Financial instrument disclosures (continued)

Information on primary non-trading financial instruments (continued)

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

At carrying amount in EUR	≤ 3 months	>3 months ≤ 1 year	>1 year ≤ 5 years	>5 years	Total
Financial assets					
Cash, balances with central banks and post office banks	713,479,091	---	---	---	713,479,091
Treasury bills and other bills eligible for refinancing with central banks	---	46,004,757	173,747,719	71,473,132	291,225,608
Loans and advances to credit institutions	179,151,964	110,510,081	199,657,730	81,492,950	570,812,725
Loans and advances to customers	209,454,683	670,117,626	1,580,635,167	129,930,007	2,590,137,483
Debt securities and other fixed-income securities	38,988,261	210,636,357	696,708,857	198,055,373	1,144,388,848
Shares and other variable-yield securities	---	15,856,616	---	---	15,856,616
Total financial assets	1,141,073,999	1,053,125,437	2,650,749,473	480,951,462	5,325,900,371

In the position “Cash, balances with central banks and post office banks” the mandatory minimum reserves of EUR 30,365,511 are included.

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Notes to the annual accounts (continued)

As of 31 December 2021

Note 3 – Financial instrument disclosures (continued)

At carrying amount in EUR	≤ 3 months	>3 months ≤ 1 year	>1 year ≤ 5 years	>5 years	Total
Financial liabilities					
Amounts owed to credit institutions	882,740,900	360,683,658	19,000,000	---	1,262,424,558
Amounts owed to customers	1,285,169,315	1,255,455,380	1,039,000,000	---	3,579,624,695
Total financial liabilities	2,167,910,215	1,616,139,038	1,058,000,000	---	4,842,049,253
Off balance sheet					
Contingent liabilities	56,077,592	55,713,768	108,875,394	10,254,234	230,920,988
Commitments	44,731,919	48,378,608	1,090,156,434	188,422,702	1,371,689,663
	100,809,511	104,092,376	1,199,031,828	198,676,936	1,602,610,651

As at 31 December 2020, the Bank had not engaged in primary trading instruments.

Notes to the annual accounts (continued)

As of 31 December 2021

Note 3 – Financial instrument disclosures (continued)

Information on derivative financial instrument-FX Swap transactions linked to balance sheet items (treasury swaps)

As at 31 December 2021 and 2020, the tables below summarize the derivative financial instruments generally used by the Bank for hedging purposes with respect to their notional amount by remaining maturity and their fair value:

Instrument classes as of 31 December 2021 (in EUR)					Total notional amount	Fair value
	≤ 3 months	> 3 months ≤ 1 year	> 1 year ≤ 5 years	> 5 years		
Foreign exchange swaps	213,048,091	---	---	---	213,048,091	(47,404)
Total	213,048,091	---	---	---	213,048,091	(47,404)

Instrument classes as of 31 December 2020 (in EUR)					Total notional amount	Fair value
	≤ 3 months	> 3 months ≤ 1 year	> 1 year ≤ 5 years	> 5 years		
Foreign exchange swaps	648,036,067	250,000,000	---	---	898,036,067	(3,052,885)
Total	648,036,067	250,000,000	---	---	898,036,067	(3,052,885)

Information on credit risk on primary non-trading financial instruments and on financial instruments transferred during the year in the form of funded risk participations and trade finance

The Bank has an exposure to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. The Bank structures the levels of credit risk it takes by granting credits to a limited and specified number of counterparties.

Notes to the annual accounts (continued)

As of 31 December 2021

Note 3 – Financial instrument disclosures (continued)

Information on derivative financial instruments–FX Swap transactions not linked to balance sheet items (trading swaps)

As at 31 December 2021, the Bank had not entered into a trading FX rate swap contract.

As at 31 December 2020, the Bank had not entered into a trading FX rate swap contract.

Information on derivative financial instruments – hedging (Interest Rate Swap)

The derivative financial instruments used for hedging purposes, and for which hedging valuation rules are applied, are interest rates swaps which have been contracted by the Bank for the purpose of hedging existing transferable securities.

As at 31 December 2021, the Bank had not entered into an interest rate swap contract for the purpose of hedging its existing transferable securities portfolio.

As at 31 December 2020, the Bank had not entered into an interest rate swap contract for the purpose of hedging its existing transferable securities portfolio.

Notes to the annual accounts (continued)

As of 31 December 2021

Note 3 – Financial instrument disclosures (continued)

The table below shows the credit risk concentration as it relates to financial instruments both on and off the balance sheet (after lump sum/value adjustments).

As of 31 December 2021 (in EUR)	Credit risk exposure	Collateral (*)	Net credit risk exposure
Treasury bills and other bills eligible for refinancing with central banks	507,724,568	---	507,724,568
Debt securities and other fixed income securities	1,219,641,571	---	1,219,641,571
Loans and advances to credit institutions	1,457,034,752	---	1,457,034,752
Loans and advances to customers	2,444,521,936	1,620,457,257	824,064,679
Loan commitments and other credit related commitments	1,804,755,846	377,774,381	1,426,981,465
Financial guarantees and other credit related contingent liabilities	356,630,861	76,000,000	280,630,861
Total	7,790,309,534	2,074,231,638	5,716,077,896

(*) Collaterals are mainly composed of intergroup guarantees.

During 2021, the Bank recorded additional value adjustments in respect of loans and advances and provisions for contingent liabilities and for commitments for an amount of EUR 2,742,461 (2020: EUR 5,708,513).

The total balance of provisions as of 31 December 2021 for Loans and advances and off balance sheet exposures amount to EUR 11,440,592 (2020: EUR 16,229,756).

During 2021, a total of 19 credit assets (with the amounts of EUR 485,876,730, USD 32,500,000 and PLN 992,907,840) were transferred from the Bank to Industrial and Commercial Bank of China Limited, Luxembourg Branch, consisting of 19 loan assets and the related collateral.

Notes to the annual accounts (continued)

As of 31 December 2021

Note 3 – Financial instrument disclosures (continued)

Information on credit risk on primary non-trading financial instruments and on financial instruments transferred during the year in the form of funded risk participations and trade finance (continued)

As of 31 December 2020 (in EUR)	Credit risk exposure	Collateral (*)	Net credit risk exposure
Treasury bills and other bills eligible for refinancing with central banks	291,225,608	---	291,225,608
Debt securities and other fixed income securities	1,144,388,848	---	1,144,388,848
Loans and advances to credit institutions	570,812,725	11,001,548	559,811,177
Loans and advances to customers	2,590,137,483	2,404,441,883	185,695,600
Loan commitments and other credit related commitments	1,371,689,663	27,000,000	1,344,689,663
Financial guarantees and other credit related contingent liabilities	230,920,988	122,480,149	108,440,839
Total	6,199,175,315	2,564,923,580	3,634,251,735

(*) Collaterals are mainly composed of intergroup guarantees.

During 2020, a total of 22 credit assets (with the amounts of EUR 790,351,499, USD 110,700,000 and PLN 562,278,633) were transferred from the Bank to Industrial and Commercial Bank of China Limited, Luxembourg Branch, consisting of 22 loan assets and the related collateral.

Notes to the annual accounts (continued)

As of 31 December 2021

Note 3 – Financial instrument disclosures (continued)

Information on credit risk on primary non-trading financial instruments and on financial instruments transferred during the year in the form of funded risk participations and trade finance (continued)

As at 31 December 2021 and 2020, the Bank is exposed to the below credit risk on primary non-trading financial instruments after lump-sum/ value adjustments by instrument class and geographic location:

Carrying amount	31.12.2021	31.12.2020
	EUR	EUR
Financial assets		
By instrument class and geographic location		
Loans and advances to credit institutions	1,457,034,751	570,812,725
<i>of which non-EU member countries</i>	<i>336,154,772</i>	<i>342,210,505</i>
Loans and advances to customers	2,444,521,936	2,590,137,483
<i>of which non-EU member countries</i>	<i>101,388,868</i>	<i>522,661,692</i>
Transferable securities	1,727,366,139	1,435,614,456
<i>of which non-EU member countries</i>	<i>1,030,249,074</i>	<i>1,070,062,319</i>
Total	5,628,922,826	4,596,564,664
<i>of which non-EU member countries</i>	<i>1,467,792,714</i>	<i>1,934,934,516</i>

Notes to the annual accounts (continued)

As of 31 December 2021

Note 3 – Financial instrument disclosures (continued)

Information on market risk

Market risk is the risk that the value of an investment or an exposure will decrease due to changes in market factors. On the money market, the exposure could cause a potential loss in a mis-match circumstance of the deal; in the foreign exchange business, a potential loss could also be incurred in the process of squaring, especially in a volatile market.

Market risk management is a key element in the Bank's financial market activities. An appropriate market risk management ensures a profitable outlook for the Bank's financial market activities while minimizing the risk of significant losses. ICBC Head Office authorizes the controlling limits – exposure limit, potential loss amount ("PLA") based on relative interest rate or exchange rate risk for the Bank and updates the limits annually. These limits must be strictly observed when dealing. In accordance with the outstanding achievement and the dealing behaviour of each dealer, the Financial Market Department ("FMD") implement the limits accordingly and on a timely basis. The Risk Management Department performs an on-going monitoring of these limits.

Market risk is managed by the following limits:

In the money market business, limits include:

- Inter-bank deposit limit;
- Period limit of each deal.

In the foreign exchange business, limits include:

- Daily exposure limit;
- Overnight exposure limit;
- PLA of the whole dealing room

Notes to the annual accounts (continued)

As of 31 December 2021

Note 4 – Quoted transferable securities

Quoted transferable securities other than shares and other variable-yield securities

As at 31 December 2021 and 2020, the listed securities breakdown by portfolio classification is as follows:

	31.12.2021	31.12.2020
	EUR	EUR
Investment portfolio	136,480,276	124,650,812
Structural portfolio	1,590,885,863	1,310,963,644
	1,727,336,139	1,435,614,456

As at 31 December 2021 and 2020, the Bank does not have any unquoted securities.

As at 31 December 2021, debt securities and other fixed-income securities and treasury bills in the investment portfolio are held for their investment return.

As at 31 December 2021, debt securities and other fixed-income securities and treasury bills in the structural portfolio are intended to be used on a continuing basis in the Bank's activities.

Securities to be repaid within one year amount to EUR 383,389,778 (2020: EUR 295,629,375).

As at 31 December 2021, the cumulative amortization of premiums/discounts on these securities amounts to EUR 9,709,077 (2020: EUR 8,380,786) and the portion of the premiums/discounts not yet amortized amounts to EUR 18,058,487 (2020: EUR 8,131,928).

As at 31 December 2021, the market value of the securities held by the Bank amounts to EUR 1,725,774,143 (2020: EUR 1,442,472,750).

The lower of amortised cost or market value of the securities held by the Bank which includes also the cumulative amortisation of premiums/discounts amounts to EUR 1,727,336,139 (2020: EUR 1,435,614,456).

The lower of amortised cost or market value provision of the securities held by the Bank amounts to EUR 7,538,741 (2020: EUR 12,200,684).

The Bank has entered into transactions based on firm agreements to sell and repurchase assets EUR 91,000,000 (2020: EUR nil). As at December 31, 2021, the value of financing obtained by the Bank under such agreements is EUR 77,000,000 (2020: EUR nil).

Notes to the annual accounts (continued)

As of 31 December 2021

Note 4 – Quoted transferable securities (continued)

Quoted shares and other variable-yield securities

As at 31 December 2021 and 2020, the listed shares breakdown is as follows:

	31.12.2021	31.12.2020
	EUR	EUR
	<hr/>	<hr/>
Quoted shares	822,478	746,616
Other variable-yield securities (UCITS)	15,110,000	15,110,000
	<hr/>	<hr/>
	15,932,478	15,856,616
	<hr/> <hr/>	<hr/> <hr/>

The Bank has received quoted shares of a client, for assets at disposal which are assigned in accordance with composition plan approved by the Court.

As at 31 December 2021, the market value of quoted shares held by the Bank amounts to EUR 1,046,032 (2020: EUR 746,616). As at 31 December 2021 cost of the shares at acquisition amounted to EUR 822,478 resulting in an unrealized gain of EUR 223,554 (2020: EUR 838,838 resulting in an unrealized loss of EUR 92,222).

As at 31 December 2021 and 2020, the Bank does not have any unquoted shares.

Other variable-yield securities (UCITS) represent investments in securities to ICBC (Europe) UCITS SICAV – China Opportunity RQFII Fund. The Bank subscribes the seed money to allow the fund to have a minimum capital base at the launch. After a period of time, the fund receives new inflows enough to redeem the seed money to the Bank.

As at 31 December 2021, the market value of other variable-yield securities held by the Bank amounts to EUR 17,859,490 (2020: EUR 15,609,685). As at 31 December 2021 cost of the shares at acquisition amounted to EUR 15,110,000 (2020: EUR 15,110,000), resulting in an unrealized gain of EUR 2,749,490 (2020: unrealised gain of EUR 499,685).

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Notes to the annual accounts (continued)
As of 31 December 2021

Note 5 – Movements in fixed assets

(In EUR)	Gross value at the beginning of the year	Additions	Disposals / Maturity	Revaluation effect (1)	Gross value at the end of the year	Cumulative value adjustments at the beginning of the year	Adjustments / additions (2)	Disposals / Maturity (3)	Revaluation effect (1)	Cumulative value adjustments at the end of the year (1/2)	Net book value at the end of the year
Debt securities (investment portfolio)	124,650,812	37,972,323	(26,142,946)	---	136,480,276	---	---	---	---	---	136,480,276
Intangible assets (4)	1,042,478	---	(367,953)	599	675,124	(962,795)	(29,912)	367,953	(549)	(625,303)	49,821
Tangible assets:	37,571,917	521,931	(245,192)	10,940	37,859,596	(10,959,866)	(780,128)	201,762	---	(11,538,282)	26,321,314
- land and building (5)	25,928,648	---	---	---	25,928,648	(1,562,345)	(180,636)	5,610	---	(1,737,371)	24,191,277
- technical equipment and machinery	4,671,358	271,740	(196,102)	5,958	4,752,954	(4,297,951)	(186,440)	196,102	---	(4,288,289)	464,665
- other fixtures and fittings, tools and equipment	6,971,911	250,190	(49,089)	4,983	7,177,995	(5,099,570)	(413,052)	---	---	(5,512,622)	1,665,373

(1) Including FX impact

(2) Including the impact of the lump-sum provision

(3) Representing the accumulated depreciation of disposed/matured fixed assets

(4) Representing computer software

(5) The Bank acquired in December 2012 a building in Madrid and in 2014 carried out capital expenditure on the property

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Note 6 – Related parties balances

As at 31 December 2021 and 2020, the following main balances with related parties are included on the assets side of the balance sheet:

	31.12.2021	31.12.2020
	EUR	EUR
Loans and advances to credit institutions	1,242,015,371	324,703,299
Debt securities and other fixed-income securities	55,154,401	34,000,000
Prepayments and accrued income	1,038,746	67,450,166
	1,298,208,518	426,153,465

The following main balances with related parties are included on the liabilities side of the balance sheet:

	31.12.2021	31.12.2020
	EUR	EUR
Amounts owed to credit institutions	2,233,653,571	598,980,277
Accruals and deferred income	1,193,394	4,095,348
	2,234,846,965	603,075,625

As at 31 December 2021 and 2020, the following main balances with related parties are included on the off balance sheet:

	31.12.2021	31.12.2020
	EUR	EUR
Contingent liabilities	36,681,289	33,155,008
	36,681,289	33,155,008

The profit and loss account also has balances with related parties in 2021, including the following captions:

- Interest receivable and similar income for EUR 5.1 mio (2020: EUR 4.3 mio)
- Interest payable and similar charges for EUR 5.4 mio (2020: EUR 9.7 mio)
- Commission payable for EUR 2.1 mio (2020: EUR 3.6 mio)
- Other operating income for EUR 11.5 mio (2020: EUR 10.1 mio)
- Other operating charges for EUR 0.8 mio (2020: EUR 1.7 mio)

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Note 7 – Other assets and other liabilities

As at 31 December 2021 and 2020, “other assets” are as follows:

	31.12.2021	31.12.2020
	EUR	EUR
Tax advance payments	7,188,990	5,022,361
Tax accruals	2,322,368	11,253,688
Tax reimbursement	111,150	156,761
Transitory/clearing accounts	80,068	97,291
Other	5,957,018	2,632,012
	15,659,594	19,162,113

As at 31 December 2021 and 2020, “other liabilities” are as follows:

	31.12.2021	31.12.2020
	EUR	EUR
Preferential creditors	8,694,107	4,429,947
Transitory accounts	1,099,734	2,475,411
Suspense remittance	2,456,026	2,213,370
Other/clearing accounts	640,213	1,287,171
	12,890,080	10,405,899

The suspense item in amount of EUR 2,456,026 (2020: EUR 2,213,370) represents pending customers’ remittance waiting for proof on the source of funds.

The preferential creditors position amounts to EUR 8,694,107 (2020: EUR 4,429,947) is mainly reflecting tax and social security related liabilities.

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Note 8 – Prepayments and accrued income, accruals and deferred income

As at 31 December 2021 and 2020, prepayments and accrued income are as follows:

	31.12.2021	31.12.2020
	EUR	EUR
Accrued interest receivable and similar income	13,096,604	12,130,993
Accrued fees receivable	1,067,710	8,635,307
Neutralization of treasury FX swap	292,567	67,036,293
Other	188,805	710,125
	14,645,686	88,512,718

As at 31 December 2021 and 2020, accruals and deferred income are as follows:

	31.12.2021	31.12.2020
	EUR	EUR
Other deferred income	11,800,523	20,878,263
Cumulative amortization of premiums on transferable securities	9,709,077	8,380,786
Accrued interest payable and similar charges	3,191,187	7,109,177
Accrued fees payable	1,286,265	1,156,466
	25,987,052	37,524,692

Note 9 – Foreign currency assets and liabilities

As at 31 December 2021, the aggregate amount of the Bank's assets and liabilities denominated in foreign currencies, translated into EUR is equivalent to respectively EUR 2,117,829,812 and EUR 1,916,087,162 (2020: assets EUR 1,895,526,038 and liabilities EUR 1,237,877,924).

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Note 10 – Subscribed capital

As of 31 December 2021, the fully paid up capital of the Bank amounts to EUR 437,432,880 (2020: EUR 437,432,880) and is represented by 36,452,740 (2020: 36,452,740) registered shares with a nominal value of EUR 12.00 each.

Note 11 – Movements in reserves, result brought forward and profit / (loss) for the financial year

The movements in reserves, result brought forward and profit / (loss) for the financial year are summarized below:

	Legal reserve EUR	Profit / (Loss) brought forward EUR	Profit / (Loss) for the financial year EUR
Balance at the beginning of the year	7,884,416	122,107,399	(11,790,859)
Allocation of 2020 loss (1)	---	(11,790,859)	11,790,859
Profit for the year ended 31 December 2021	---	---	1,178,755
Total	7,884,416	110,316,540	1,178,755

(1) The Annual Shareholders' Meeting dated 31.05.2021 approved the appropriation of the 2020 result.

Legal reserve

In accordance with Luxembourg law, the Bank must transfer at least 5% of its annual profit to the legal reserve until this equals 10% of subscribed capital. The legal reserve is not distributable.

Other reserves

Luxembourg tax legislation provides for a reduction of the net worth tax on the condition that a special reserve was established for an amount equal to 5 times the net worth tax liability of that year. This reserve which may not be distributed for a period of 5 years is established via an appropriation from profit brought forward.

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Note 12 – Provisions

Provisions for taxation

The Bank is subject to tax in Luxembourg, as well as, in the countries where its branches are operating. The Bank is liable to taxes on income and net assets. Tax liabilities are recorded under “Provisions for taxation” in the balance sheet. As at 31 December 2021, the provisions for taxation amount to EUR 2,107,114 (2020: EUR 3,061,987).

Since 2012, the Bank and Industrial and Commercial Bank of China, Luxembourg Branch (the “Branch”) form a fiscal unity. In this context, the Branch is the head of the fiscal unity and it is due for corporate income and municipal business taxes on behalf of the headquarters of the Bank.

Other provisions

As at 31 December 2021, “Other provisions” is composed of the provision for wages, salaries and social security cost for an amount of EUR 14,222,497 (2020: EUR 10,185,604), pending litigation for an amount of EUR 1,078,534 (2020: EUR 314,808) and other provisions mainly regarding off-balance sheet operations of EUR 2,980,183 (2020: EUR 1,088,202).

On 7 September 2016, the Ministry of Economy and Competitiveness in Spain notified the initiation of administrative proceeding against ICBC (Europe) S.A., Spain Branch on grounds of an alleged failure to meet its anti-money laundering obligations. This proceeding is ongoing.

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Note 13 – Deposit guarantee scheme

The law related to the resolution, reorganisation and winding-up measures of credit institutions and certain investment firms and on deposit guarantee and investor compensation schemes (“the Law”), transposing into Luxembourgish law 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, was passed on 18 December 2015.

The deposit guarantee and investor compensation scheme through the “Association pour la Garantie des Dépôts Luxembourg” (AGDL) was replaced by a new contribution based system of deposit guarantee and investor compensation scheme. This new system covers eligible deposits of each depositor up to an amount of EUR 100,000 and investments up to an amount of EUR 20,000. The Law also provides that deposits resulting from specific transactions or fulfilling a specific social or other purpose are covered for an amount above EUR 100,000 for a period of 12 months.

The funded amount of the “Fonds de résolution Luxembourg” (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 is collected from the credit institutions through annual contributions during the years 2015 to 2024.

The target level of funding of the “Fonds de Garantie des Dépôts Luxembourg” (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. The contributions are to be made in the form of annual payments during the years 2016 to 2018. When the level of 0.8% is reached, the Luxembourgish credit institutions are to continue to contribute for 8 additional years in order to constitute an additional safety buffer of 0.8% of covered deposits as defined in article 163 number 8 of the Law.

The law of 23 December 2016 on the tax reform 2017 has introduced a tax neutral reversal of the existing AGDL provisions in successive annual tranches from 2016 to 2026, under the condition that each annual tranche is at least equal to the contributions to the FGDL and FRL for that fiscal year. Any remaining balance of the AGDL provision not yet reversed at the end of this transitional period will have to be reversed and added to the taxable income of the year 2026.

On 18 January 2017, CSSF issued a circular letter relating to the abrogation of the AGDL and to the consequent accounting treatment of the AGDL reversal to enable the banks to follow from an accounting point view the tax treatment foreseen in the law of 23 December 2016. As a consequence, the Bank reversed all FGDL provision during 2017.

As at 31 December 2021, the 2021 cash contribution for FGDL was recorded in the caption “Other operating charges” for an amount of EUR 15,883 (2020: EUR 523).

Additionally, the 2021 FRL contribution for an amount of EUR 2,924,928 was paid by the Bank and recorded in the caption “Other operating charges” (2020: EUR 3,712,590).

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Note 14 – Interest receivable and interest payable

Interest receivable and similar income

Derived from:	2021	2020
	EUR	EUR
Loans and advances	43,518,549	57,127,628
Treasury bills and Debt securities	18,712,033	19,547,217
Impact of negative interest received for liability positions	2,757,912	816,748
Cash with central banks	22,484	53,483
Premium of treasury FX swaps	0	1,157,178
	65,010,978	78,702,254

Interest payable and similar charges

Derived from:	2021	2020
	EUR	EUR
Amounts owed to credit institutions	6,772,540	11,611,672
Debt securities and treasury bills (premium/discount amortisation)	5,054,860	3,108,838
Amounts owed to customers	4,116,759	6,694,122
Cash with central banks (negative interest)	3,119,167	1,106,764
Impact of negative interest paid for asset positions	1,272,497	610,233
Others	461,805	543,500
Discount of treasury FX swaps	8,916	3,739,540
	20,806,543	27,414,669

Note 15 – Commission receivable and payable

Commission receivable is mainly related to arrangement and commitment fees.

Commission payable is mainly composed of risk participation fees paid by the Bank to ICBC Ltd. Head Office and to Industrial and Commercial Bank of China, Luxembourg Branch to reduce the risk exposure of the Bank, as well as other bank charges.

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Note 16 – Net result on financial operations

As of 31 December 2021 and 2020, the net result on financial operations is as follows:

	2021	2020
	EUR	EUR
Net result on financial operations		
- thereof bonds	10,028,591	5,041,753
- thereof FX effects	4,969,751	(6,609,985)
- thereof derivative financial instruments	307,662	3,661,908
- thereof shares and other variable-yield securities	100,227	(92,222)
Total	15,406,231	2,001,454

The net result on financial operations is mainly composed of unrealized losses and realized losses and realized gains on financial instruments.

Note 17 – Breakdown of income by geographic markets

The Bank's income is derived from Luxembourg (18%), European Union Member States excluding Luxembourg (56%) and non-European Union Member States 26% (mainly P.R. China (32%) and Hong Kong Special Administrative Region of the People's Republic of China (9%)).

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Note 18 – Other operating income and other operating charges

As at 31 December 2021 and 2020, other operating income is as follows:

	2021	2020
	EUR	EUR
Shared services	11,481,487	10,114,760
Other	669,013	198,794
VAT reimbursement	180,915	88,696
Total	12,331,415	10,402,250

As of 31 December 2021, “Other operating income” is mainly composed of income related to charges for shared services between the Bank and ICBC Luxembourg Branch (see Note 20) for an amount of EUR 11,481,487 (2020: EUR 10,114,760).

As at 31 December 2021 and 2020, other operating charges are as follows:

	2021	2020
	EUR	EUR
FGDL / FRL	2,940,811	3,713,113
Shared services	561,853	1,722,005
Other	1.526,414	873,790
Total	5,029,078	6,308,908

The “Shared services” balance is composed of expenses related to charges for shared services between ICBC Luxembourg Branch and the Bank, for an amount of EUR 561,853 (2020: EUR 1,722,005).

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Note 19 – Staff and Management

Staff

The average number of persons employed during the year by the Bank was as follows:

	<u>2021</u>	<u>2020</u>
Senior Management	5	5
Management	31	33
Employees	337	334
Total	<u>373</u>	<u>372</u>

In accordance with a service line agreement dated 29 December 2015 and signed between the Bank and Industrial and Commercial Bank of China Ltd., Luxembourg Branch, the Branch pays management fees to the Bank as a compensation for the services rendered by the Bank's employees.

Administrative and managerial bodies

As at 31 December 2021 and 2020, there was no pension commitment in respect of current and former members of the Board of Directors, Senior Management, Management and employees.

No loans or advances have been granted to members of the Board of Directors, Senior Management and Management of the Bank (2020: none).

The fixed remuneration including all allowances (housing, expatriating etc.) for the Senior Management in the financial year 2021 amounts to EUR 2,138,644 (2020: EUR 2,122,516). In 2021, the remuneration of EUR 151,125 was granted to the members of the Board of Directors (2020: EUR 234,000).

Note 20 – Management and representative services

The Bank is authorized to conduct business operations entirely on behalf of the Industrial and Commercial Bank of China Ltd., Luxembourg Branch under a formal Service Level Agreement ("SLA") between the Bank and the Branch, which was effective as from 29 December 2015. The Bank shall, within the scope of the SLA, perform and manage all the business operations, including human resources, business operations, accounting procedures and Information Technology, for the Branch.

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Note 21 – Audit fees

Fees (excluding VAT) charged to the Bank by the *réviseur d'entreprises agréé* and other member firms of the *réviseur d'entreprises agréé* network during the year are analysed as follows:

	2021	2020
	EUR	EUR
Audit fees	276,051	306,280
Audit-related fees	4,160	4,160
	280,211	310,440

Note 22 – Contingent liabilities and Commitments

Contingent liabilities

As at 31 December 2021, contingent liabilities consist of guarantees issued by the Bank for EUR 356,630,861 (2020: EUR 230,920,988).

Commitments

As at 31 December 2021, the Bank's commitments are mainly composed of undrawn credit facilities for EUR 1,804,755,846 (2020: EUR 1,371,689,663).

Other commitments

The Bank's annual lease commitments are analysed based on maturities as follows:

	2021	2020
	EUR	EUR
No more than a year	4,600,472	6,417,595
More than a year and no more than five years	13,150,173	15,107,956
More than five years	4,655,794	5,462,573
	22,406,439	26,988,124

Note 23 – Post balance sheet events

The ongoing conflict in Ukraine and the related sanctions targeted against Russia may have impact on the European economies and globally. The Bank does not have any significant direct exposure to Ukraine, Russia or Belarus. The possible future impact on the general economic situation may require revision of certain assumptions and estimates, which at the date of the annual accounts have not indicated any triggering event as such.

No event has occurred subsequent to 31 December 2021 that would materially affect the annual accounts and related disclosures for the year ended 31 December 2021.