

Annual Report 2019



You're in good hands



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More information of Metrobank (China)

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Chairman's Statement

Metrobank is a historied financial institution in the Philippines. The vision and mission of the Bank is to be the country's premiere financial conglomerate, empowering our Global individual and business clients to realize their goals and reach their full potential since it established 58 years ago. By creating and customizing financial solutions in response to our stakeholders' needs, continuously expanding our scope of reach, and leading in community service, we live up to our "You are in good hands" promise that embodies who we are and what we do.

Metrobank continued commitment to the long-term investment and stable growth in China. To facing the austere external environment and economic situation in Y2019, Metrobank China has further strengthened the system construction of compliance, credit, risk management & control, and enhanced the resistance capability. We have further clarified the business strategy and market positioning through optimizing and adjusting the organizational structure. Meanwhile, we steadily expanded our business layout in China and developed potential cities and customers in depth on the basis of existing branches. The preparation of Suzhou branch is the embodiment of our layout in China.

Beyond deepening our local presence, our regional scale in Asia and internal business strength help us to provide more comprehensive cross-border services for both domestic and foreign customers. Through overseas linkage with parent bank and other overseas branches, we prepared integrated solutions combining trade service and financing service and help our customers capitalize on regional growth opportunities.

We are fully aware of the importance of corporate culture to the Bank on the way of transformation. We focus on the construction of core value and corporate culture, upgrading the service concept as "Trustworthy, Adaptive, Convenient, Engaging and Meaningful", in order to comprehensively facilitate the diversified development of the Bank. At the same time, the Bank is willing to bring full of warmth and love to our employees through humanistic care, team cohesion and employee development.

Metrobank (China) is about to enter the first decade in China, on the basis of the core values of "integrity, service, efficiency, professionalism and innovation", and further extracted the four pillars of "trust, care, development and honor", and sublimated them into "Meaningful Banking". This is not only an important interpretation of core values, but also a commitment to gather more strength, which will be the cornerstone of Metrobank China's steady development in the next decade, and to achieve truly meaningful banking!

Arthur Ty

Chairman of Metropolitan Bank (China) Ltd.

April, 2020



President's Message

Since 2017, Metropolitan Bank (China) Ltd. has carried out a series of multi-dimensional and deep-seated transformations in a planned and steady pace, optimized software and hardware resources, processes and systems, further strengthened risk control, and achieved steady success, even facing rising global trade protectionism, geopolitical turmoil, domestic economic pressure, and increasingly fierce industry competition. By the end of 2019, the Bank realized a historical breakthrough in its total assets, which rose by 34.52% YOY to CNY10.23bn. The year-end deposits and loans grew 34.64% and 46.96% respectively to CNY6.615bn and CNY4.275bn. The operating income was CNY209.3mio with 31.21% YOY increase. The profit before provision also realized a growth of 78.66% to CNY69.85mio. Increased by 105.26% YOY, the Bank's net profit reached CNY29.92mio. When the asset scale expanded and the revenue increased, the non-performing loan ratio decreased to 0.55% and the cost-to-income ratio optimized from 74.99% to 66.07%. We attribute the achievements to every honored client and all of our dear fellows.

At the middle of Y2019, we officially upgraded our development strategy, from "risk control" "structure adjustment" "steady growth" to "risk prevention" "promotion of transformation" "structure adjustment" "steady growth". Our risk management is further optimized, with the emphasis on strict first-line risk and non-performing loans prevention. At the same time, the continuity and initiative of transformation are clarified. In order to achieve sustainable development, we adhere to the management deployment: "always put Risk, Business, Earnings, Performance in the first place", and the business development strategy: "focus", "low cost", "differentiation". Under the guidance of the goal of "customer-oriented, employee-oriented and profit-oriented", we will continue to improve the satisfaction of customers, employees and shareholder, and strive to become a bank which provides "excellent service", has "high efficiency" and "good reputation", and is "small-sized" yet "exquisite."

Y2020 starts unusually. The raging COVID-19 no doubt affects adversely on China's even global economy. However, we are still confident in China's economy and its positive long-term trend. Y2020 is also the 10th anniversary of the Bank, meaning the beginning of another stage. We think of transformation in danger, and think of innovation in transformation. As a financial enterprise, even in the face of severe situation, under the leadership of the parent bank, Metrobank Group, we will continue to adhere to our original intention, keep the bottom line of risk prevention and control, bear in mind our social responsibilities, and remain an enterprise that customers and employees can rely on. For building Meaningful Banking in Y2020, we now promise to every honored customer that we will set "team work" as the core (TEAM+C): Trustworthy--we make things more secure for worry-free banking; Engaging-- we are here to answer your needs first; Adaptive--we embrace change if it means making it better for you; Meaningful--we give more than just a service but also a delightful experience; Convenient--we are ready for you, anytime, anywhere.

David Lin

President of Metropolitan Bank (China) Ltd.

April, 2020

About Metropolitan Bank (China) Ltd.

Metropolitan Bank (China) Ltd. (hereinafter referred to as Metrobank (China)) is a wholly foreign-owned bank approved by CBIRC and established in Nanjing by Metropolitan Bank and Trust Company (hereinafter referred to as Metrobank). On April 22, 2010, Metrobank (China) established its head office in Nanjing and officially opened its business. As the first wholly foreign-owned bank in Jiangsu Province, Metrobank (China) has been developing branches around the initial development strategy of "taking the Yangtze River Delta as the center and further radiating the whole country" since its restructuring and opening up in 2010.

Metrobank (China) has been continuously innovating in the steady development and providing high-quality financial services to Chinese and global customers. Recently, Metrobank (China)'s long-term issuer rating is upgraded from AA to AA+ with a stable outlook by China Lianhe Credit Rating Co., Ltd. based on our outstanding operating revenue and moderate risk control management. In line with the customer-centric excellent service purpose, Metrobank (China) incorporates the core values of integrity, service, efficiency, professionalism and innovation, into the concept of customer service. Metrobank (China) incorporates the Group's advanced international management experience to China's local culture and industry, to provide international, diversified and high standard banking services for customers, striving to build Metrobank (China) as a foreign bank with Chinese characteristics. Meanwhile, Metrobank (China) strives to become a bank which provides "excellent service", has "high efficiency" and "good reputation", and is "small-sized" yet "exquisite."

Corporate Information

Registered Name:	Metropolitan Bank (China) Ltd.
Legal Representative:	Arthur Ty
Registered Office:	L21/22, One ifc, Nanjing ifc, No.347 Jiangdong Zhong Road, Jianye District, Nanjing 210019, China
Date of Incorporation:	14 January 2010
Paid Up Share Capital:	CNY 1,500,000,000
Customer service Line:	4008649000



About Parent Bank

Metropolitan Bank and Trust Company (hereinafter referred to as “Metrobank Group”) is a diversified financial services company founded in 1962 by Quanzhou patriotic overseas Chinese Mr. George Ty, headquartered in Manila, Philippines. In 1981, the Metrobank Group became the first bank to be granted a universal banking license by the Central Bank of the Philippines (BSP). Its business includes comprehensive public and private business including deposits and loans, trade financing, settlement, credit card, insurance, trust and investment banking. After more than 50 years of development and operation, the Metrobank Group has become a large-scale commercial bank, including a number of savings banks, investment banks, finance companies, securities companies, credit card companies, exchange companies, insurance companies, leasing companies, etc. The group is listed on the Philippine Stock Exchange under the symbol “MBT”.

At present, the Metrobank Group has nearly 1,000 branches or affiliates around the world, with a total of 18,000 employees worldwide. The Metrobank Group has become one of the most important commercial banking groups in the Philippines and has maintained a good international influence. It has won the title of the Strongest Commercial Bank in the Philippines for many years from the Asian Banker. The Metrobank Group has an excellent external rating. Moody’s recently given a long-term debt rating of Baa2 and an outlook rating of stable.

Our vision-mission statement

For a long time, we have never forgotten our original intention and abided by our mission. We devote ourselves to be a premier financial conglomerate, empowering our individual and business clients to realize their goals and reach their full potential. By creating and customizing financial solutions in response to our stakeholder’s needs, we continuously expand our business to achieve our mission of serving the society. We will adhere to the commitment of “You’re in Good Hands “to embody who we are and what we do.

We commit to be

- ✚ **The trusted financial partner.** Our business relies on the principles of trust, honesty and integrity as we serve our customers and help them attain their financial goals.
- ✚ **The employer of choice.** We strengthen the organization by continuously developing and enhancing the abilities of our people. We nurture them into professional individuals with integrity and passion for service and excellence. We ensure their future by providing them with fulfilling careers.
- ✚ **A responsible Bank.** We adhere to the highest standards of corporate governance, exercising accountability, fairness, and transparency across all our business operations. We exercise good management to provide our shareholders with sustainable returns on their investments.
- ✚ **An institution with a heart.** Giving back to the community in which we operate is fundamental to us. We committed to making meaningful contributions to the economic and social development of our nation.

Our Network

Head Office

L21/22, One ifc, Nanjing ifc, No.347
Jiangdong Zhong Road, Jianye
District, Nanjing 210019, China
Tel: (025) 6855 1888
Fax: (025) 6858 4141
Postcode: 210019

Nanjing Branch

Block 32, No.189, Biyao garden Leshan
road, Jianye district, Nanjing, Jiangsu
province
Tel: (025) 8966 7870
Fax: (025) 8966 7862
Postcode: 210019

Shanghai Branch

1F Metrobank, west Yanan road,
Changning district, Shanghai
Tel: (021) 61910799
Fax: (021) 61910711
Postcode: 200050

Pudong Sub-branch

Rm D, New Shanghai international
tower, 360 South Pudong Road,
Pudong new area, Shanghai
Tel: (021) 68860008
Fax: (021) 68860007
Postcode: 200120

Changzhou Branch

88-103 jingchenghaoyuan, north street,
Zhonglou district, Changzhou, Jiangsu
province
Tel: (0519) 88061611
Fax: (0519) 88061617(1F),
(0519)88061616 (2F)

Xinbei Sub-branch

No.8 Tongjiangzhong road, Xinbei
district, Changzhou, Jiangsu province
Tel: (0519) 88061562
Fax: (0519) 88061598
Postcode: 213022

Wujin Sub-branch

Building 13, 101 and 102 Wujin wanda
plaza, Changzhou, Jiangsu province
Tel: (0519) 89883299
Fax: (0519) 89882621,
(0519) 89882631
Postcode: 213100

Quanzhou Branch

Rm 1302-1303, South Asia Plaza,
No.666, Fengze Dist, Quanzhou,
Fujian province
Tel: (0595) 29889378
Fax: (0595) 29889377
Postcode: 362000

Xiamen Branch

Unit 06-07, 11 floor, Xiamen fortune
center, 100 Lujiang road, Xiamen,
Fujian province
Tel: (0592) 2110265
Fax: (0592) 2113275
Postcode: 361001

Milestone of Year 2019

Head Office B+ Rating

FX Compliance & Prudent Operating Assessment
in Jiangsu & Nanjing

Head Office Relocation

Shanghai Pudong Sub-branch Relocation

Nanjing Branch B+ Rating

FX Compliance & Prudent Operating Assessment
in Jiangsu & Nanjing

Xiamen Branch Second Prize Awards

of Xiamen financial statistics

Xiamen Branch Excellence Awards

of Xiamen FI security assessment

B + Rating

of Shanghai PBOC Assessment of 'FX Management'

Financial Highlight

	2019	2018	Increase/ (Decrease)
Operating result	CNY '000		%
Total operating income	209,293	159,512	31.21
Total operating expense	138,260	119,603	15.60
Impairment charges	29,735	21,260	39.87
Profit before tax	40,236	19,662	104.64
Balance Sheet	CNY '000		%
Total assets	10,229,287	7,604,168	34.52
Financial indicators	%	%	%
Return on equity	1.82	0.91	0.91
Return on average total assets	0.34	0.2	0.14
Expense /income ratio	66.07	74.98	(8.92)
Loan-to-Deposit ratio	64.62	59.21	5.41
Liquidity ratio	75.95	52.07	23.88
Leverage ratio	13.31	18.36	(5.05)
Non-performing loan ratio	0.55	0.88	(0.33)
Non-performing loan coverage (note 1)	1.75	1.91	(0.16)
Provision coverage rate (note 1)	316.06	216.91	99.15
Capital adequacy ratio			
Core Tier 1 CAR	20.99	24.02	(3.03)
Tier 1 CAR	20.99	24.02	(3.03)
Total CAR	21.66	24.22	(2.56)

Note 1: In 2019, regulatory requirements on the Bank's loan provision ratio and provision coverage ratio are 1.50% and 120% respectively.

About Our Team



Chairman Arthur Ty



President David Lin



**Executive Vice President
Thomas Huang**

About Our Team



First Line (L to R):

CFO/Head of Accounting & Finance **Billy Lau**
Head of Credit Control **Wesley Chen**
Head of Human Resource **Alice Shi**
CRO/Head of Risk Management **Mia Centena**
Head of IT **Jon Sherbert Dela Cruz**
Head of Operations **Katherine Gao**

Second Line (L to R):

Head of Compliance **Phoenix Zhao**
Head of Administration & Security **Tomas Wei**
Head of Financial Markets **Lin Quan**
Head of Internal Audit **Crystal Yang**
Head of Corporate Banking **Raymond Yang**

About Our Team



Tang Junjun
GM of Changzhou Branch



Paul Zhang
GM of Nanjing Branch



Alex Hong
GM of Shanghai Branch



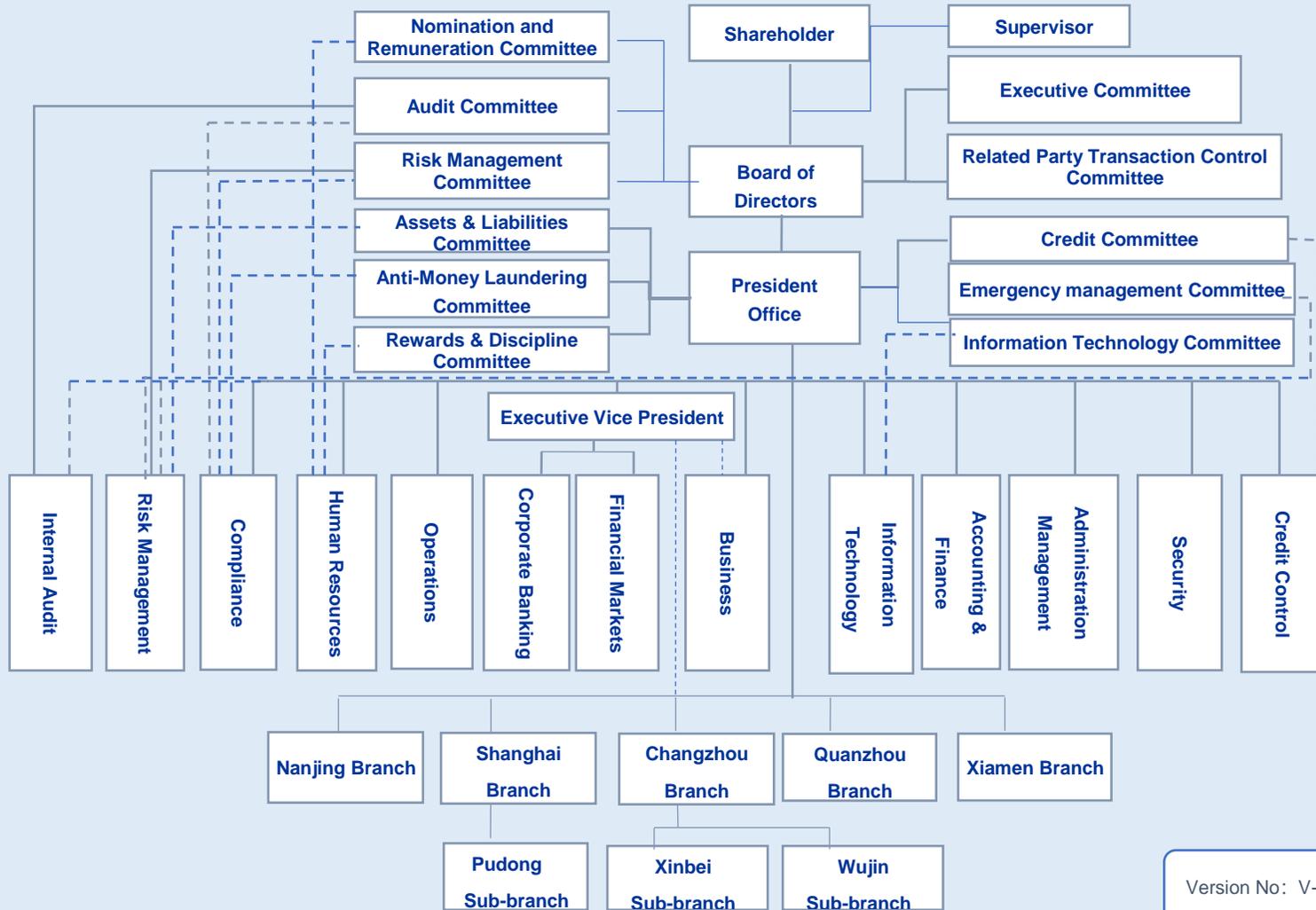
Duke Luo
GM of Xiamen Branch



Honda Huang
GM of Quanzhou Branch



Metrobank (China) Organization Structure



Version No: V-20190912

2019 in Review

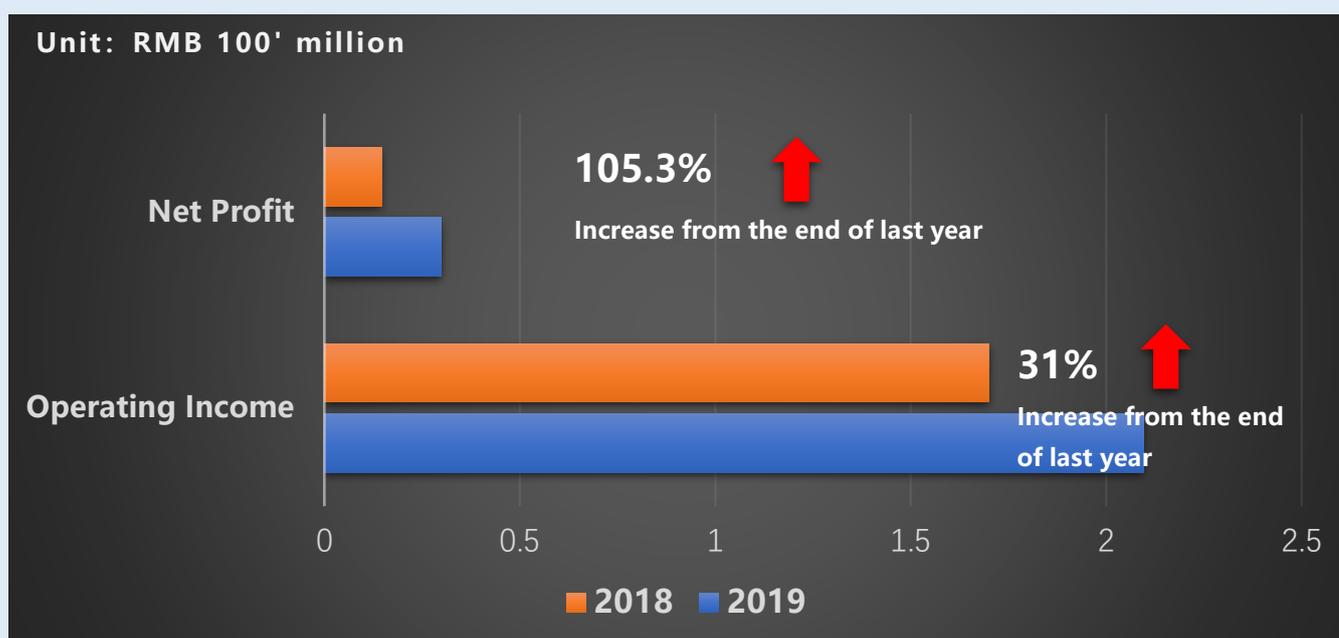
Corporate Banking

Year 2019 is an essential year for the Bank to implement transformation. Under the management and deployment of 'Always put risk, business, earnings, and performance in the first place', the Bank has been actively exploring various business in the first half of 2019, and the performance has risen steadily in the process of reform and the construction of hardware and software has also acquired phased achievements. In the second half of 2019, in response to the downturn of the entire economic environment, as well as frequent 'implosion' events, the Bank upgraded strategies from 'controlling risk, adjusting structure and stabilizing growth' to 'risk prevention, promotion of transformation, structure adjustment and strategy growth', in order to assure stable and healthy development by advancing the risk prevention.

In respect of corporate deposit business, we rely on the resources of parent bank to expand our debt sources. According to the market environment, we have adjusted the deposits structure and took variety of measures to attract customer's deposit, such as expanding structured deposits, absorbing agreement deposits & USD deposit, strengthen asset business and the collection of settlement funds.

In respect of corporate loan business, on one hand, we continued to strengthen the business linkage with parent bank and overseas branches, explore the new high-quality self-operated customers in line with the credit standards in the market, promote the structural adjustment of loan customers, and set up the core customer group in China which include the electronic, water affairs, transportation, public facilities construction, food manufacturing, electronic semiconductor production and medical industry, etc. On the other hand, we provide comprehensive financial services through syndicated loans, bank acceptance bills of exchange, cross-border lending, corporate bonds investment, trust investment and other means.

In 2019, the Bank achieved 'double growth' in deposits and loans, realized an operating income of CNY 209.3mio, an increase of 31.21% over the previous year; profit before provisions was CNY69.85mio and net profit was CNY29.92mio, an increase of 78.66% and 105.26% respectively over the same period of last year. Meanwhile, the Bank's overall asset quality has been improved steadily, non-performing loan ratio was declined to 0.55% in 2019 from 0.88% in 2018. The Bank's deposit and lending scale kept growing, up to the end of last December, deposit was increased by 34.64% to CNY6.615bn. Lending scale was steadily increased by 46.96% to CNY4.275 bn under strictly risk control. The total assets were exceeded CNY10.23bn.



2019 in Review

Financial Markets

Metrobank (China)'s Financial Markets Division mainly manages the liquidity of the Bank; at the same time improves fund utilization efficiency and yield returns through managing the asset allocation and business structures accordingly based on market movements. The main businesses of the financial markets actively participated in including domestic and foreign currency money market business, CNY and USD bond investments, trust investment businesses and foreign exchange and derivatives businesses. As of end-2019, the outstanding balance of interbank assets stood at CNY3.39bn, accounting for 33.09% of total assets; outstanding balance of investments amounted to CNY1.43bn, accounting for 13.93% of total assets; outstanding balance of interbank borrowings were CNY1.88bn, accounting for 21.88% of total liabilities. Interest income from interbank businesses is one of the main income sources of Metrobank (China). For 2019, the Bank's earned CNY108mio in interbank interest income, accounting for 33.31% of the Bank's total interest income.

Interbank loans to non-bank financial institutions (NBFIs) comprise majority of the bank's interbank assets. These NBFIs counterparties are mostly financial leasing companies, consumer financing companies and auto finance companies with strong shareholder background. The Bank also has local counterparties which are mainly joint-stock banks, urban commercial banks and foreign banks. For our source of interbank liabilities, Metrobank (China) relies on lower-cost offshore funds which they can get through its parent bank to complement the continuous effort to expand the relationships and transactions with local financial institutions. Significant improvement can be observed in the recent years on the local interbank borrowings. In 2019, the Financial Markets Division explored a new funding channel for diversity and liquidity assurance; in addition to the previous interbank borrowing and pledged repo, the Bank issued its first interbank negotiable certificated deposits (NCD) to the market.

In terms of interbank investment businesses, Metrobank (China) focused on risk-free government bonds and credit bonds for the bonds-asset allocation. With the dip in interest rates, portfolio duration was adjusted accordingly. External rating of the corporate bond issuers invested in the portfolio are at least of an AA credit rating; overall credit risk is within controls. Moreover, in terms of bond trading, the Bank has acted upon market volatility and was able to timely adjust the duration and achieved reasonable interest income and capital gains. In addition, Metrobank (China) will allocate a portion of its investment quota limit to non-standard creditor's rights of local state-owned enterprises (SOEs) through issuing trust loans (either single or collective fund trust plan). By the end of 2019, the outstanding trust investment balance amounted to CNY400mio.

The Bank's foreign exchange and derivative trading business includes spot deals and also products for hedging purposes like forwards and options. In 2019, Metrobank (China) dealt commercial derivative deals of up to an USD50mio volume with USD6mio outstanding deals remaining by the end of 2019.



2019 in Review

Information Technology

In 2019, the Bank's Information Technology Division still adheres to the guiding ideology of safety, efficiency, innovation and service, and actively promotes the upgrading and integration of existing systems and the construction of new systems on the premise of stable operation of business systems with Customer-centric. At the same time, we will further improve and optimize infrastructure construction and data governance, and enhance its ability to support business.

Major IT Activities and Projects

In terms of business system, in order to meet the development and business volume growth needs of the Bank, we have re-optimized and constructed the architecture of internet banking system, laying a foundation for the subsequent system application expansion. At the same time, the construction of AML (Anti Money Laundering) system, credit system phase II and credit rating system has effectively met our business processing and compliance requirements. The launch of HRM and OA (office automation) system has also effectively improved the level of management efficiency.

In terms of infrastructure construction, we have completed the transformation of communication lines throughout the bank and moved disaster recovery server room to IDC, greatly improving the level of professional management and operation and maintenance.

In terms of data governance, while continuously improving the relevant policies, the data quality is continuously improved and optimized according to the plan to meet the needs of supervision and risk control.

IT Risk Management

In 2019, eight IT risk policies had been added, business continuity plan was updated, business continuity organizational structure was reorganized, access matrix was rechecked, outsourcing suppliers were comprehensively assessed, and outsourcing service quality was effectively assessed and monitored. BCP test was completed as planned. Conduct information security training for all employees of the Bank through online training. Regularly conduct vulnerability scanning, baseline configuration inspection and penetration test on our information system to improve the security of our information system.



2019 in Review

Human Resources

We attach great importance to the construction of a people-oriented corporate culture, advocate a people-oriented concept, and create a strict, orderly, relaxed and harmonious working environment; We laid a solid foundation of management & control and built up a fair, just and transparent working environment through revising and working out various of HR policies. We drove the corporate culture construction and enhanced the employees' sense of belonging and cohesion through holding various team building and staff activities. We improved the HR related working efficiency and employees' experience through HR digitalization going live. We redefined the responsibility scope and authority of all divisions, enhanced working process efficiency and cross-division and cross-location cooperation through reviewing DR and JD. We promoted the performance culture of 'Pay for Performance' and encouraged every employee to pursue excellence through revising performance management and promotion management policies. We continued to improve all levels of employees' capabilities and made them to grow with the Bank through professional skill training, general skill training, E-learning & micro-courses. In 2019, MBCL continued to implement the transformation around the core values of integrity, service, efficiency, professionalism and innovation tightly.

We do our best to strive for excellence and re-build the brand image of Metrobank (China). In 2019, with the help of the successful head office relocation ceremony, we developed media resources, strengthened media linkage and brand exposure in order to expend brand influence.

On the way of fulfilling corporate social responsibility, we continue to deepen the cooperation with local governments and public welfare organizations, with the original intention to actively promote the development of public welfare undertakings, with good deeds to gather strength, with love to hold up hope.



2019 in Review

Developing Our People

In Y2019, Metrobank (China) continued to develop training programs to enhance the knowledge and skills of all level's employees. We were well aware of the importance of talents for the sustainable development of the Bank. In terms of people development, we paid more attention to actual needs and applications, and we have launched specific courses as well as further improved the existing training system. Based on the requests of leadership, we invited external trainer and held relevant training to the managers. Lecturers for leadership training not only let people managers learn management skills in the classroom, but also experience in practice, emphasizing on learning and gaining.

Overseas Training Program actively enhanced the talents communication & relationship with the parent bank, and promotes business learning and skills exchange.

The whole year training plan was designed based on the survey of training request for all employees and supervisors. On-job training emphasized on the goal setting & practice. Through the specific courses, the employees can integrate the experience imparted by their mentor into the daily work and ensure the stable business development. The general skill training was added to enhance the employees' capabilities and working skills including marketing & sales skill, excellent service skill, train the trainer, highly efficient communication skill and office skill. The enhanced professional skill training was established according to the Bank's development strategy and business plan. It helped to implement the new products or the new process successfully. Training Digitalization and new multimedia (such as micro-learning and E-learning) make the courses miniaturized, vivid and mobile so that employees can flexibly learn from fragmented time anytime and anywhere and cause in-depth thinking.

The specific Training based on business-oriented converted the courses to internal motivation and external service capabilities, which is beneficial to the learning results significantly. As combined with rotation, internal transfer and promotion, it has opened up the career path to the employees and broaden the development roadman as well. It provided more opportunities and space for talents development.

Motivate MBCL Employees to Strive for Excellence

With our continuously efforts, MBCL corporate culture has been established based on our values.

In Y2019, we held the contest of "service star" for service excellence within the Bank. The award aims to encourage individuals who have professional service attitude and awareness, and made outstanding contributions to improving business efficiency and the Bank's transformation. Meanwhile, we also set another 4 awards to encourage and recognize the teams or individuals who made great contributions to the Bank including "Excellent Branch", "Outstanding Team", "Excellent Sales" and "Excellent Individual". Under the transparent, fair and just corporate culture, we encourage and recognize high-performing staff, forming a healthy and positive competition working environment where the employees can learn from each other and pursue excellence.



MBCL Service Star Award

2019 in Review

Caring for Our Colleagues

We care our employees' health and well-beings. We organized staff club activities including Tai Chi, Zumba and physical training to promote healthy lifestyles, and arranged middle and high-level medical checkup and specific health lectures as well. In addition, launched various "Staff Privilege" with exclusive discount covering life, food, entertainment, ticketing, etc.

In 2019, the Bank also organized a series of events, including the traditional "Lantern Festival Activity", the healthy lifestyle promoted campaign --"Healthy Run", Outing and Outward Bound in Wuxi, the 1st session of voice of MBCL, and Christmas Party and various lectures such as Arts Appreciation, Reading Club, Wine Tasting Club and Children Education Club. These activities not only enriched the employees' sense of belonging, but also further increased employees' awareness & recognition of the Bank's corporate culture.



MBCL Staff



悦。读书
HAPPY READING
爱生活 爱读书

爱上读书
“悦”读生活，让阅读成为一种习惯。在忙碌的工作之余，静下心来，翻开一本书，让文字带你走进一个全新的世界。阅读不仅能增长知识，还能陶冶情操，提升自我。让我们一起爱上读书，让阅读成为生活的一部分。



2019 in Review

Contributing to the Society

Giving back to the society in which we operate is fundamental to us. Following the charity concept of parent bank, Metrobank (China) cooperated with Shanghai Soong Chin Ling Foundation and donated CNY1mio to carry out a four-year long-term strategic cooperation under the theme of "Meaningful Future".

In 2019, we launched the project of "protecting the growth of rural children", taking two rural primary schools in Yongding district, Fujian province as designated donation objects, constructing "growth classrooms" by donating books, computers, supporting bookshelves, desks and chairs, enriching children's extracurricular reading materials, and helping children learn better through the computer use of the Internet. At the same time, sports supplies were donated to enrich the children's sports life. On this basis, the project set up a special scholarship for cultural and sports development. Later, the school will hold an after-school feeling contest, sports meeting and other activities to give scholarships to the children who actively carried out reading and sports last semester, set an example, and encourage more children to participate in reading and sports.

With the same initial heart to promote the development of public welfare undertakings, we insist on promoting the positive energy, with every time the full devotion to let love infinite transmission



2019 in Review

Enhancing Consumer Awareness Through Financial Education

Treating our customers fairly and providing them with appropriate solutions are key to Metrobank (China)'s commitment to do what is right for them. We also place great emphasis on consumer rights education and protection. In 2019, we continued to build on our customer-centric approach, whose foundation is based upon our core values of "Integrity, Service, efficiency, professionalism and innovation".

We shared tips with consumers on how to recognize illegal fund raising, prevent financial scams, protect personal information, identify and protect telecommunications scams etc.. not only to our customers. but also face to community and campus.



Corporate Governance

Board of Directors

In 2019, the Board of the Bank is composed of 9 directors, including 3 independent directors. The Board is authorized to decide all substantial matters except for those to be decided by the shareholder. The Board conducts procedures in the aspects of decision-making, authorizing, and voting in strict compliance with laws, regulations and the Articles of Association. All the directors attend the board meeting in an earnest and responsible manner. They know the rights, obligations and responsibilities as a director, keep diligence to fulfill their responsibilities and pay attention to guarantee the interest of the Bank and the shareholder. The Board has built up an effective decision-making and supervising mechanism. During the year of 2019, the Bank held 4 board meetings and 5 interim meetings.

Name	Gender	Position
Arthur V. Ty	Male	Chairman of Board
Lin Gui Xian	Female	Vice Chairman of Board
David Lin	Male	Executive Director, President
Robin A. King	Male	Independent Director
Li Chien-Hung	Male	Independent Director
Stanley Lo	Male	Independent Director
Charles Cheung	Male	Non-executive Director
Edmund A. Go	Male	Non-executive Director
Michael Ong	Male	Non-executive Director

Supervisor

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

The supervisor attended all the meetings of the Board, reviewed meeting materials and minutes of the Board and Board-level committee meetings, and actively fulfilled her responsibilities.

Corporate Governance

Board-level Committees

To ensure that relevant decisions of the Board are executed in compliance with laws and regulations and are in accordance with the Bank's strategic targets, the Bank has set up the Executive Committee, Audit Committee, Risk Management Committee, Related Party Transactions Control Committee and the Nomination and Remuneration Committee at the Board level. These committees monitor management's execution of the strategic, risk and operational policies approved by the Board of Directors.

Board-level committees fulfilled their roles and responsibilities as authorized by the Board of Directors. In 2019, the Executive Committee held 12 regular meetings and 3 interim meetings; Risk Management Committee held 4 regular meetings and 2 interim meetings; Audit Committee held 4 regular meetings and 2 interim meetings; Related Party Transactions Control Committee held 4 regular meetings and Nomination and Remuneration Committee held 5 regular meetings.

Management-level Committees

To ensure that management's execution of Board decisions is in accordance with the Board resolutions, the daily operation is in accordance with relevant regulatory policies, indicators and the daily business is conducted in accordance with the requirements of business development and risk control, The Bank set up Credit Committee, Assets and Liabilities Committee, Information Technology Committee, Anti Money Laundering Committee, Rewards and Discipline Committee and Emergency Management Committee at management level. In 2019, all management-level committees actively fulfilled their responsibilities.

Internal Audit

Internal Audit Division (IAD) is established by the Board of Directors, targeting to provide independent, objective assurance and consulting services designed to identify the potential risks for key businesses. The mission also includes to add value and to improve the comprehensive controls in the areas of risk management, internal control and governance process by considering both practical operation and best practice. As the third line of defense, IAD keeps highest level of independence. Its personnel report to the IAD Head who in turn reports functionally to the Board of Directors through the Audit Committee, and administratively to the President.

In 2019, IAD adopted risk-based approach and globally accepted standards. Comprehensive audit engagements have been conducted involving head office units, branches/sub-branches and application audits while following all regulatory requirements. The coverage of auditable units has been increased compared with Year 2018, while covering all high-risk and major areas. In completing the approved audit plan, the importance of audit has been increased by departmental restructure and approach improvement to meet the strategic goals of "Risk Prevention, Promotion of Transformation, Structure Adjustment, Steady Growth". The detailed measures include the adjustment of current team, addition of personnel, enhancement of on-job training, improvement of technical tools, optimization of audit approaches, highlighting of system audit etc. As of year-end, the number of internal auditors took 2.68% of total employees of the Bank, over the minimal requirement of 1% from the regulator.

IAD always focus on risky areas with the change of macro environment and internal business. The audit plan would be adjusted to reflect the most current situation. With a continued emphasis on the highest level of integrity and unwavering diligence across the organization, IAD will affirm its commitment to the Bank by providing solid and high-quality service, while also help the Bank for preventive measures on potential risks.

Corporate Governance

Senior Management

Name	Position	Gender	Year of Birth	Assignment Commencement	Highest Academic Degree	Relevant Years of Experience
David Lin	President	Male	1954	2017.06.08	Fu Jen Catholic University Bachelor of Commerce in Business Administration	41
Thomas Huang	Executive Vice President	Male	1967	2015.05.11	Danjiang University Master Degree of International Business Management	26
Billy Lau	Head of Accounting & Finance /CFO	Male	1973	2012.07.13	City University of Hong Kong Bachelor Degree of Arts (Honors)	23
Wesley Chen	Head of Credit Control	Male	1961	2018.06.01	Taiwan University Bachelor of Economics	31
Alice Shi	Head of Human Resources	Female	1983	2018.08.06	Shanghai University of Finance and Economics Master of International Economics	14
Mia Centena	Head of Risk Management Department /CRO	Female	1968	2010.03.01	Ateneo de Manila University Master in Business Administration	30
Sherbert dela Cruz	Head of IT	Male	1979	2018.08.30	Ateneo De Manila University Bachelor of Science in Management Information System	19
Katherine Gao	Head of Operation	Female	1971	2010.11.01	Nantong Industry College Bachelor Degree of Foreign Industrial Trade	26
Phoenix Zhao	Head of Compliance	Male	1982	2012.08.28	Nanjing University MBA	16
Tomas Wei	Head of Administration / Security	Male	1972	2011.06.20	Beijing Institute of Machinery Industry Bachelor of Mechanical and Electrical Engineering	19

Name	Position	Gender	Year of Birth	Assignment Commencement	Highest Academic Degree	Relevant Years of Experience
Quan Lin	Head of Financial Markets	Male	1979	2016.01.13	University of Durham Master of Science Finance and Investment	14
Crystal Yang	Head of Internal Audit	Female	1982	2019.11.14	Shanghai University of Finance and Economics Bachelor of Management	14
Raymond Yang	Head of Corporate Banking	Male	1980	2018.10.08	Shandong University Bachelor of Business Administration	18
Tang Junjun	GM of Changzhou Branch	Male	1973	2015.07.20	Hefei University of Technology Bachelor of Engineering	24
Paul Zhang	GM of Nanjing Branch	Male	1975	2015.10.15	Auckland Institute of Studies, MBA	17
Alex Hong	GM of Shanghai Branch	Male	1974	2016.05.18	Zhong-yang university, Taiwan Master of Management	22
Honda Huang	GM of Quanzhou Branch	Male	1964	2017.06.13	National Chung-Cheng University Master of Finance	29
Duke Luo	GM of Xiamen Branch	Male	1977	2018.01.12	Yang'en University Bachelor of Economics	19

Risk Management

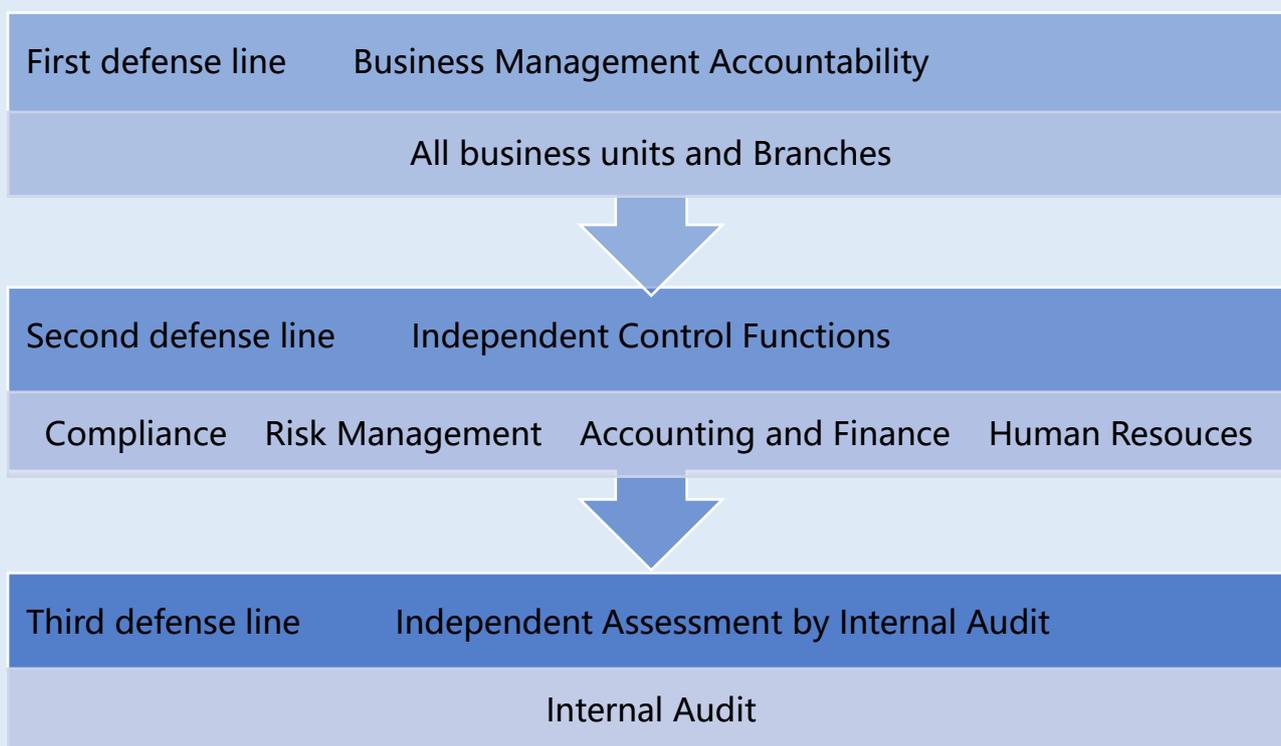
Risk Governance

The Bank has exposure to different types of risks such as credit, market, liquidity, compliance, operational and country risk. It manages these risks comprehensively to achieve a balance between risk and return and ensure the Bank operates in a safe and prudent manner.

The Risk Management Committee (RMC) is set up under the B.Th. committee members are appointed by the BD annually. The chairman of the committee is Robin King, Independent Director. The other 4 members are Guixian Lin, the vice chairman, Doctor Huibin Zhang, the non-executive director, Edmund Go, a non-executive director and Stanley Lo, an independent director.

The RMC held 4 regular meetings and 2 interim meetings in year 2019. These meetings conducted a review of the Bank's risk control and risk management strategy. The RMC reviewed and approved relative regulations and limits for credit, market, liquidity and operational risk, and conducted a regular and comprehensive review of the Bank's risk profile.

Risk Governance Structure



Risk Management

Credit risk management

Credit risk refers to the risk bore by the Bank when its borrowers or counterparties fail to meet their contractual obligations on the due date. The credit risk mainly arises from customer credit and treasury businesses (including bonds investments).

When a quantity of customers is engaged in similar operating activity or are located in a similar geographical region, or have similar economic characteristics of industry, the customers' ability to fulfill contractual obligation will be affected by the same economic events. Credit risk concentration reflects the sensitivity of the Bank's business performance to a certain industry or geographical region that is affected by the same economic events. The Bank closely monitors individual customer concentration rate and relative credit risk, as well as industry concentration rate. The Bank takes effort to develop customers in each industry to diversify its loan portfolio to control credit risk.

In accordance with the policies of facility authorization and credit risk management of the Bank, faces primarily exist in on-balance-sheet businesses and off-balance-sheet businesses such as loans, trade financing, acceptance bills, interbank transactions, fixed-income securities derivative financial instruments etc. In recent years, guided by New Basel Capital Accord and China Banking Regulatory Commission's risk policy, and learning from Metropolitan Bank and Trust Company's risk management system and risk management experience, Metrobank (China) has established credit risk management mechanism including risk exposure limit, facility approval limit, management of mortgaged and pledged properties for various kinds of business. Meanwhile, Metrobank (China) continuously adjusts and improves its credit risk management system according to the macroeconomic financial environment and its business development goals.

The Bank has made the procedure of pre-loan investigation and post-loan management, forming a series of complete system mechanism and operation procedures. The due diligence of Metrobank (China) shall conform with principles of authenticity, timeliness, completeness and effectiveness. Relationship Managers (RMs) shall perform duties of due diligence, conduct credit analysis according to the survey result and form written facility application. According to different business types, facility lines and risk mitigation measures, Metrobank (China) implements approval systems of different levels including President, Credit Committee and Executive Committee. Metrobank (China) has established post-loan inspection mechanism. Through regular investigation of the operation and financial status of credit customers, the Bank can timely master the repayment ability and willingness of the borrower, to ensure identifying "pre-warning signals" in the early stage so that the Bank can take actions as soon as possible when problems are found.

In terms of credit risk mitigation measures, the mortgaged and pledged properties for loans of Metrobank (China) Ltd are primarily housing properties and deposit certificates. Meanwhile, in accordance with credit marketing strategy of large-and-middle scale state-owned enterprises and listed companies, loans guaranteed by legal persons with relatively strong guarantee ability have gradually increased. Overall, currently the risk mitigation measures of Metrobank (China) Ltd have secured its credit assets.

The Bank clarified the entire process of identification, monitoring and management of loan accounts through "Measures on Management of Assets Quality" and implemented regular close monitoring and follow-up measures of loan accounts. The Head Office set asset collection and preservation team in CCD that coordinates the collection management work of non-performing and risk assets for the whole bank. These ensure the timely disposal and management of problem loans. According to the industry development and economics status, Metrobank (China) Ltd actively changes its credit granting policy and accreditation requirements, improve the system of facility approval, strengthens credit procedure management etc. to ensure the continuity and applicability of the Bank's development strategy and business environment so that the quality of newly added loans maintain at good levels.

Risk Management

Market risk management

Market risk refers to the risk of losses in the Bank's on-balance sheet and off-balance sheet businesses due to adverse changes in market prices. The Bank's market risk mainly includes currency risk and interest rate risk.

The Bank manages market risk at a strategic, transactional and portfolio level respectively. The BD and senior management manage risk at strategic level by resolutions and each department take action to improve risk management at the transactional and portfolio level.

The BD and the RMC have oversight on management of the Bank's market risk. The Bank has established a limit management system for market risk. The Bank also continues to enhance and standardize the management procedure and reporting system for market risk. The Risk Management Division is responsible for implementing and monitoring risk controls to manage the Bank's overall market risk management, including:

- Identify, analyze and measure risks from every transactions of the Bank;
- Assist Risk-Taking Personnel (i.e., Treasury) to develop risk mitigation strategy;
- Analyze risk exposure and make recommendation of limits to the RMC;
- Set up limit standards for monitoring and compliance reporting;
- Provide a risk assessment for new products and operating processes;
- Communicate all of the above with Risk-Taking Personnel.

Value at risk (VaR) limit, which is a major tool in controlling market risk in trading activities, is the value of maximum limit of potential losses due to price fluctuation that the Bank could take. The limits are calculated using the Basel framework, which states that Banks must have enough capital to sustain 10-day losses from their market risk-taking activities.

The Earning at Risk (EaR) limit is the primary control tool for the market risk of banking book activities. Risk-return (EaR) measures the potential decline in a bank's interest income which is a result of interest rate movement that is not conducive to the current re pricing configuration. The risk-return limit is the difference between the target net interest income (NII) for the year and the actual net interest income (NII) on the books for the past year.

The market risk limits for bank accounts and trading accounts must be updated each year according to the annual budget, and the limits are set in accordance with a percentage of budgeted profit of each year in order to link the risks and expected income from trading activities to the overall income of the Bank. The VaR limit is approved by the Asset and Liability Committee and reviewed by the RMC before it is sent to the BOD for final approval.

Currency risk

The foreign currency transactions of the Bank are mostly in USD and in lesser amounts in AUD, GBP, JPY, EUR, SGD, HKD and PHP. The Bank's loans and advances to customers are mainly in CNY. The Bank makes appropriate adjustments of foreign currency net position to prevent currency risk caused by market exchange rate fluctuation.

Risk Management

Interest rate risk

The Bank's interest rate risk mainly arises from the mismatch of contractual maturity date and re-pricing date of interest-generating assets and interest-bearing liabilities. Floating interest rate instruments expose the Bank to cash flow interest risk, whereas fixed interest rate instruments expose the Bank to fair value interest risk.

Interest rates of the Bank's loan and large amount deposits are primarily based on market. Interest rates of inter-bank placements and borrowings are determined by market. The Bank conducts regular assessment and monitoring on the macro-economic status during operation to reduce the risk caused by the interest rate fluctuation. It adjusts the structure and terms of relative assets and liabilities based on this assessment.

Liquidity risk management

Liquidity risk is the risk that no sufficient funds will be available to make debt repayment when falling due. Liquidity risk of the Bank mainly arises from early or concentrative withdrawal by depositors, delayed loan repayment by borrowers and amount or maturity mismatch of assets and liabilities.

In accordance with the Liquidity Risk Management Measures for Commercial Banks and relevant regulations, the Bank should continuously meet the minimum regulatory standards for the adequacy ratio, liquidity ratio and liquidity matching ratio of high-quality liquidity assets. At the same time, the Bank controls the liquidity risk according to the different maturity of assets and liabilities

The Bank set up a series of monitoring ratios and cash flow forecasts as management action triggers or limit of liquidity risk management, such as maximum cumulative outflow limits over specified periods... The monitoring procedure mainly includes:

- (i) The Bank's Financial Market Division maintains levels within the position, term, limit and cost to maintain liquidity in CNY and foreign currencies. It controls daily liquidity by maintaining a minimum prescribed level of cash buffer, and reports cash flow forecasts to satisfy the funding and investing requirement of the Bank;
- (ii) The ALCO holds meetings at least every month, discussing strategy for market risk and liquidity risk management, investment portfolio management policy, structure optimization of assets and liabilities, and forecast of market risk trend. The balance sheet committee also holds weekly capital meetings to discuss bank liquidity and to determine the level of transfer pricing (FTP);
- (iii) Accounting and Finance Department prepares daily liquidity ratio report including daily reserve funds and loan to deposit ratio, which is sent to Financial Market Division and Risk Management Division, to check if the Bank comply with the CBIRC's minimum liquidity compliance ratios.
- (iv) Risk Management Division prepares the Maximum Cumulative Outflow (MCO) report. There is an MCO limit in terms of both absolute liquidity gap amounts. These limits are set and approved by ALCO, RMC and BOD. Any breach against these limits is reported to the ALCO, Risk Management Committee and management is required to take corrective measures;
- (v) Financial Market Division ensures the internal and regulatory limits are complied with at any time.

The Bank has a contingency funding plan that identifies 3 levels of potential illiquidity scenario, and performs liquidity stress test accordingly. The test scenarios are divided into light test, moderate test and severe test with different assumptions. Each scenario assumes increasing rates of deposit withdrawals influenced by internal and external factors to test funding issues and impact on liquidity and solvency. For each scenario, the Bank has relative actions to be taken. The contingency funding plan is approved by the BD and reviewed at least annually.

Risk Management

Operational risk management

Operational risk refers to the possibility of loss caused by imperfect or defective internal procedures, employees and information technology systems, as well as external events. Including legal risks, excluding strategic risks and reputational risks. There are seven main categories of operational risk losses that the Bank may face: internal Fraud; External fraud; Employment practices, workplace safety; Customers, products and business behaviors; Loss of personnel or assets; Operational and systems interruptions; Execution, delivery and operation flow management.

The Bank strictly complies with the CBIRC's "guidelines on risk management of commercial Banks". In the Bank's operation risk control framework, potential major, significant and general operational risk events are defined in detail in the management policy according to the event type. Records and reports are collected for operational risk events, the framework further establishes the operation risk identification, assessment, measurement, monitoring and control processes that include specific procedures for reporting, disclosure and risk acceptance.

Key risk reporting and monitoring tools used are operational key risk indicators (KRI) for each critical process. It establishes the Bank's level of tolerance for specified risks. These are regularly monitored and reported for any excess against established KRIs.

The Bank uses Basic Indicator Approach to measure the minimum required capital for CAR regulatory requirements. In 2019, there were no major operational risk and information security breach events that occurred in the Bank.

Compliance risk management

The Board of Directors approved and promulgated the Bank's Compliance Manual, which defines compliance management as a core risk management activity of the Bank, authorizing the Risk Management Committee and Audit Committee to supervise the Bank's daily compliance risk management.

The Bank integrates the concept of compliance culture into the core values of enterprises and establishes a whole process management mechanism for identifying, evaluating, monitoring, responding and assessing compliance risks. Separate compliance Management Department has been set up to continuously improve the Bank's compliance management system and work process, and strive to improve the efficiency of compliance management, prevent with compliance risks and ensure sustainable development.

In Y2019, in accordance with the Bank's own development needs and internal\external regulatory requirements, the Bank continued to strengthen compliance management system including internal control, case prevention, anti-money laundering, legal affairs, etc. By conducting compliance training, compliance inspection, internal control assessment and other means, the Bank has strengthened the compliance awareness of all units and employees to ensure the compliance of bank's activities. During the year, the Bank and its branches underwent on-site inspections from regulatory departments, no major violations were found. The Bank attaches great importance to the findings raised by the regulators which need to be strengthened and improved, and actively take corrective measures to continuously improve the internal fine management level of the Bank.

Risk Management

Compliance risk management

Country risk encompasses all the uncertainties arising from the economic, social and political conditions of a country that may cause borrowers in that country to be unable or unwilling to fulfill their external obligations. Country risk may arise from deteriorating economic conditions, political and social instability, nationalization or expropriation of assets, government repudiation of external indebtedness, exchange controls and currency devaluation.

The Bank established “Internal Guidelines to Country Risk Management” in accordance with Yin Jian Fa [2010] No. 45 “Guidelines for Country Risk Management of the Banking Financial Institutions”. It established relative risk management system and strengthened relative management procedures to manage cross-border exposures and avoid taking undue concentration risks on such exposures related to credit facility or other businesses. The BD has approved the limit of country risk and an annual review of the limits is conducted.

Audited Financial Statements

Metropolitan Bank (China) Ltd.

31 December 2019

- 1. AUDITOR'S REPORT**
- 2. AUDITED FINANCIAL STATEMENTS**
 - ① Balance Sheet**
 - ② Income Statement**
 - ③ Statement of Changes in Equity**
 - ④ Statement of Cash Flows**
 - ⑤ Notes to Financial Statement**

Important Notice

The attached financial statements have been translated from the statutory financial statements prepared in accordance with accounting standard for business enterprises established in the People's Republic of China. In the event of any differences in interpreting the financial statements, the Chinese version shall prevail.

Auditor's Report

Ernst & Young Hua Ming (2020) Shen Zi No 60928836_B01
Metropolitan Bank (China) Ltd.

To the Board of Directors of Metropolitan Bank (China) Ltd.,

(I) Opinion

We have audited the financial statements of Metropolitan Bank (China) Ltd., which comprise the balance sheets as at 31 December 2019, and the income statements, the statements of changes in equity and the statements of cash flows for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position as at 31 December 2019, and the financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises ("ASBEs").

(II) Basis for opinion

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

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

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

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

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

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

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

Auditor's Report

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

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- (4) Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Metropolitan Bank (China) Ltd. 's ability to continue as ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Metropolitan Bank (China) Ltd. to cease to continue as a going concern.
- (5) Evaluate the overall presentation, 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.
- (6) 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.

Ernst & Young Hua Ming LLP
Shanghai Office

Chinese Certified Public Accountant:
Li, Fei

Chinese Certified Public Accountant:
Mo, Xiaoying

Shanghai, the People's Republic of China

23 April 2020

Important Notice

This illustrative auditor's report is an English translation of the auditor's report for the audit engagements which adopt CSAs. In case the English version does not conform to the Chinese version, the Chinese version prevails.

Balance Sheet

For the year ended 31 December 2019

Unit: RMB Yuan

	<u>Note 5</u>	<u>31 December 2019</u>	<u>31 December 2018</u>
ASSETS			
Cash and balances with			
the central bank	1	1,113,563,189.49	667,126,803.77
Due from banks	2	642,331,032.57	214,944,551.56
Placements with banks	3	2,603,096,400.00	2,948,107,360.00
Financial assets at fair value			
through profit or loss	4	20,757,160.00	-
Derivative financial assets		47,184.95	488,787.91
Reverse repurchases			
agreements	5	139,944,000.00	-
Interest receivables	6	42,075,020.44	39,368,805.82
Loans and advances to			
customers	7	4,199,868,131.33	2,853,277,789.63
Available-for-sale financial			
assets	8	983,454,172.85	722,700,177.35
Held-to-maturity investment	9	21,102,973.77	-
Receivables investments	10	399,951,600.00	99,000,000.00
Fixed assets	11	13,744,939.24	12,802,583.07
Deferred tax assets	12	5,008,638.64	2,846,523.60
Other assets	13	<u>44,342,868.23</u>	<u>43,504,145.20</u>
TOTAL ASSETS		<u><u>10,229,287,311.51</u></u>	<u><u>7,604,167,527.91</u></u>

Balance Sheet

For the year ended 31 December 2019

Unit: RMB Yuan

	Note 5	31 December 2019	31 December 2018
LIABILITIES			
Due to banks	15	218,554,200.43	28,046,524.32
Placements from banks	16	1,259,345,928.00	941,267,000.00
Financial assets sold for repurchase	17	98,000,000.00	-
Customer deposits	18	6,614,818,282.05	4,913,002,522.57
Payroll payables	19	30,997,429.36	19,003,614.86
Tax payables	20	9,116,957.01	5,072,752.24
Interest payables	21	35,068,814.32	31,035,805.11
Bonds payables	22	299,947,683.27	-
Other current liabilities	23	<u>7,280,480.31</u>	<u>42,702,993.30</u>
TOTAL LIABILITIES		<u>8,573,129,774.75</u>	<u>5,980,131,212.40</u>
EQUITY			
Paid-up capital	24	1,500,000,000.00	1,500,000,000.00
Capital reserves	25	453,890.00	453,890.00
Other comprehensive income	26	3,373,759.04	1,170,466.16
Surplus reserves	27	13,485,204.29	10,493,411.45
General reserves	28	103,196,701.12	94,403,636.63
Retained earnings	29	<u>35,647,982.31</u>	<u>17,514,911.27</u>
TOTAL EQUITY		<u>1,656,157,536.76</u>	<u>1,624,036,315.51</u>
TOTAL LIABILITIES AND EQUITY		<u>10,229,287,311.51</u>	<u>7,604,167,527.91</u>

The financial statements have been signed by:

President

Chief Financial Officer and Head of Finance

Income Sheet

For the year ended 31 December 2019		Unit: RMB Yuan	
	Note5	2019	2018
1. OPERATING INCOME			
Net interest income	30	139,754,176.08	119,843,016.12
Interest income	30	263,520,271.15	229,198,671.96
Interest expenses	30	(123,766,095.07)	(109,355,655.84)
Net fee and commission income	31	6,222,495.15	8,805,605.46
Fee and commission income	31	8,163,623.29	11,257,939.81
Fee and commission expenses	31	(1,941,128.14)	(2,452,334.35)
Investment income	32	59,597,750.67	35,313,633.52
Net (loss)/gain from changes in fair value		(463,902.96)	580,579.22
Foreign exchange loss	33	4,485,014.25	(5,009,986.95)
Assets disposal loss		(302,867.25)	(21,170.54)
TOTAL OPERATING INCOME		209,292,665.94	159,511,676.83
2. OPERATING EXPENSES			
Tax and surcharges		(1,166,233.09)	(795,369.63)
General and administrative expenses	34	(138,260,386.80)	(119,603,060.45)
Impairment losses	35	(29,735,454.20)	(21,259,595.36)
Other operating expenses		(21,573.01)	(20,535.50)
TOTAL OPERATING EXPENSES		(169,183,647.10)	(141,678,560.94)
3. OPERATING PROFIT		40,109,018.84	17,833,115.89
Add: Non-operating income		485,477.85	2,202,005.60
Less: Non-operating expenses		358,558.70	373,271.91
4. PROFIT BEFORE TAX		40,235,937.99	19,661,849.58
Less: Income tax expense	36	10,318,009.62	5,086,380.92
5. NET PROFIT		29,917,928.37	14,575,468.66
6. OTHER COMPREHENSIVE INCOME			
<i>Item to be reclassified to profit or loss:</i>			
Fair value changes of			
available-for-sale financial assets	26	2,203,292.88	16,431,737.93
7. TOTAL COMPREHENSIVE INCOME		32,121,221.25	31,007,206.59

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

Statement of changes in equity

For the year ended 31 December 2019

Unit: RMB Yuan

	Paid-up capital	Capital reserves	Other comprehensive income	Surplus reserves	General reserve	Retained earnings	Total
Balance as at 1 January 2019	<u>1,500,000,000.00</u>	<u>453,890.00</u>	<u>1,170,466.16</u>	<u>10,493,411.45</u>	<u>94,403,636.63</u>	<u>17,514,911.27</u>	<u>1,624,036,315.51</u>
Movements during the year	-	-	2,203,292.88	2,991,792.84	8,793,064.49	18,133,071.04	32,121,221.25
(i) Total comprehensive income	-	-	2,203,292.88	-	-	29,917,928.37	32,121,221.25
(ii) Profit appropriation							
1. Appropriation to surplus reserves	-	-	-	2,991,792.84	-	(2,991,792.84)	-
2. Appropriation to general reserves	-	-	-	-	8,793,064.49	(8,793,064.49)	-
Balance as at 31 December 2019	<u>1,500,000,000.00</u>	<u>453,890.00</u>	<u>3,373,759.04</u>	<u>13,485,204.29</u>	<u>103,196,701.12</u>	<u>35,647,982.31</u>	<u>1,656,157,536.76</u>

Statement of changes in equity

For the year ended 31 December 2018

Unit: RMB Yuan

	Paid-up capital	Capital reserves	Other comprehensive income	Surplus reserves	General reserve	Retained earnings	Total
Balance as at 1 January 2018	<u>1,500,000,000.00</u>	<u>453,890.00</u>	<u>(15,261,271.77)</u>	<u>9,035,864.58</u>	<u>93,982,383.23</u>	<u>4,818,242.88</u>	<u>1,593,029,108.92</u>
Movements during the year	-	-	16,431,737.93	1,457,546.87	421,253.40	12,696,668.39	31,007,206.59
(i) Total comprehensive income	-	-	16,431,737.93	-	-	14,575,468.66	31,007,206.59
(ii) Profit appropriation							
1. Appropriation to surplus reserves	-	-	-	1,457,546.87	-	(1,457,546.87)	-
2. Appropriation to general reserves	-	-	-	-	421,253.40	(421,253.40)	-
Balance as at 31 December 2018	<u>1,500,000,000.00</u>	<u>453,890.00</u>	<u>1,170,466.16</u>	<u>10,493,411.45</u>	<u>94,403,636.63</u>	<u>17,514,911.27</u>	<u>1,624,036,315.51</u>

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

Statement of cash flow

For the year ended 31 December 2019		Unit: RMB Yuan	
	Note 5	2019	2018
1. Cash Flows From Operating Activities:			
Net decrease in due from the central bank and other banks		-	42,065,829.05
Net decrease in placements with banks	672,617,760.00		-
Net increase in customer deposits and due to banks	1,892,323,435.59		312,452,664.76
Net increase in placements from banks	318,078,928.00		11,012,570.00
Net increase in financial assets sold for repurchase	98,000,000.00		-
Cash received from interest, service fee and commission income	289,002,426.83		244,735,515.79
Cash received from other operating activities	1,020,287.64		3,762,915.84
Subtotal of cash inflows from operating activities	3,271,042,838.06		614,029,495.44
Net decrease in customer deposits and due to banks	(94,699,095.38)		-
Net increase in loans and advances to customers	(1,371,813,140.93)		(495,092,391.33)
Net increase in placements with banks	-		(503,735,060.00)
Cash paid for interest, service fee and commission expense	(121,063,154.71)		(104,542,061.35)
Cash paid to and on behalf of employees	(81,519,710.38)		(70,696,373.43)
Cash paid for taxes and surcharges	(14,498,979.38)		(11,162,889.32)
Cash paid for other operating activities	(90,224,384.75)		(47,112,261.15)
Subtotal of cash outflows from operating activities	(1,773,818,465.53)		(1,232,341,036.58)
Net cash flows generated/(used) from Operating activities	37	1,497,224,372.53	(618,311,541.14)
2. Cash Flows From Investing Activities:			
Proceeds from disposal/maturity of Investment securities	1,676,416,636.42		2,218,266,527.82
Cash received from investment income	48,634,114.93		30,468,013.91
Net cash for disposal of fixed assets and intangible assets	121,952.16		159,564.04
Subtotal of cash inflows from investing activities	1,725,172,703.51		2,248,894,105.77
Cash paid for investments	(2,277,132,123.82)		(2,117,033,138.08)
Cash paid to acquire fixed assets, intangible assets and other long-term assets	(15,310,215.59)		(7,440,274.15)
Subtotal of cash outflows from investing activities	(2,292,442,339.41)		(2,124,473,412.23)
Net cash flows (used)/generated from investing activities		(567,269,635.90)	124,420,693.54

Statement of cash flow

3. Cash Flows From Financing Activities:		
Cash received from bond issuance	<u>299,189,100.00</u>	<u>-</u>
Subtotal of cash inflows from financing activities	<u>299,189,100.00</u>	<u>-</u>
Subtotal of cash outflows from financing activities	<u>-</u>	<u>-</u>
Net cash flows generated from financing activities	<u>299,189,100.00</u>	<u>-</u>
4. Effect of Exchange Rate Changes on Cash and Cash Equivalents	<u>17,502,095.74</u>	<u>48,803,579.38</u>
5. Net Increase/Decrease in Cash and Cash Equivalents	<u>1,246,645,932.37</u>	<u>(445,087,268.22)</u>
Add: Opening Balances of Cash and Cash Equivalents	<u>2,163,001,507.21</u>	<u>2,608,088,775.43</u>
6. Closing Balances of Cash and Cash Equivalents	38 <u>3,409,647,439.58</u>	<u>2,163,001,507.21</u>

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

Notes to Financial Statement

1. Corporate Information

Metropolitan Bank (China) Ltd. (the "Bank") was established by Metropolitan Bank & Trust Company ("Metrobank") as a wholly foreign invested bank in Nanjing, China.

On 4 May 2009, Metrobank was approved by China Banking and Insurance Regulatory Commission (the "CBIRC") to convert Metropolitan Bank & Trust Company Shanghai Branch (the "Former Shanghai Branch") to Metropolitan Bank (China) Ltd., a wholly owned foreign bank invested by Metrobank, in accordance with the "Administrative Regulations of the People's Republic of China on Foreign-invested Banks", the "Implementing Rules of the Administrative Regulations of the People's Republic of China on Foreign-invested Banks" and other relevant regulations.

The Bank obtained its Financial License (No. 00386154) on 7 January 2010 upon approval from the CBIRC. On 14 January 2010, the Bank obtained Business License (No.0098690) issued by State Administration for Industry and Commerce. The registered capital is RMB 1.3 billion, which has been verified by capital verification report De Shi Bao Yan Zi (10) No. 0039 issued by Deloitte Touche Tohmatsu Hua Yong CPA Ltd. Upon approval by the CBIRC, Metrobank further injected RMB 0.2 billion of capital to the Bank in 2014, which has been verified by capital verification report De Shi Bao Yan Zi (14) No. 0822 issued by Deloitte Touche Tohmatsu Hua Yong CPA Ltd. The registered capital of the Bank was thus increased to 1.5 billion and a new Business License was obtained with the unified social credit code as 91320000717826301G.

The date of business conversion between the Bank and the Former Shanghai Branch was 27 February 2010 ("Conversion date"). Total assets, rights and obligations of the Former Shanghai Branch were transferred to the Bank on the Conversion date. The Bank commenced its business on 2 March 2010.

The business scope of the Bank is all of the following foreign exchange services and Renminbi services to customers other than Chinese citizens as follows: (1) taking public deposits; (2) issuing short-term, medium-term and long-term loans; (3) handling the acceptance and discount of bills; (4) purchasing and selling government bonds, financial bonds, and securities denominated in foreign currency other than stocks; (5) providing L/C service and guarantee; (6) handling domestic and foreign settlements; (7) purchasing and selling foreign exchanges by itself or as agent; (8) insurance agent service; (9) inter-bank placement; (10) providing safe-deposit box service; (11) providing credit investigation and consulting service; and (12) other business approved by the CBIRC.

As of 31 December 2018, besides Head Office incorporated in Nanjing, the Bank has set up 5 branches respectively in Shanghai, Nanjing, Changzhou, Quanzhou and Xiamen.

2. Basis of preparation

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

The financial statements are presented on a going concern basis.

Notes to Financial Statement

The Bank's financial statements have been prepared under the historical cost as the basis of measurement, except for some financial instruments. If the assets are impaired, corresponding provisions should be recognized in accordance with relevant standards.

Statement of Compliance

The financial statements of the Bank have been prepared in accordance with the Accounting Standards for Business Enterprises, and present fairly and fully, the financial position of the Bank as at 31 December 2019 and the results of the operations and the cash flows for the year then ended.

3. Significant accounting policies and estimates

The financial information in the financial statements is prepared in accordance with the following significant accounting policies and estimates.

(1) Accounting year

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

(2) Functional currency

Both the reporting currency and the presentation currency for financial statements are the Renminbi ("RMB"). All amounts are stated in RMB, unless otherwise stated.

(3) Cash and cash equivalents

Cash refers to the cash on hand of the Bank. Cash equivalents refer to short term highly liquid assets, which are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value. Cash equivalents comprise unrestricted balances with the central bank, due from and placements with banks and other financial institutions and reverse repurchase agreements with original maturity of less than three months.

(4) Foreign currency transactions and translations

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

Foreign currency transactions are recorded in the respective functional currency at the exchange rates ruling at the transaction date. Monetary items denominated in foreign currencies are translated into the functional currency at the applicable exchange rates ruling at the balance sheet date. Exchange differences arising are recognized in the income statement. Non-monetary items measured at historical cost in a foreign currency are translated using the exchange rates ruling at the dates of the initial transactions, so their amounts in reporting currency are stable. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates when the fair value is determined, the exchange difference thus resulted should be recognized in the income statement or other comprehensive income of the current period.

Cash flows arising from transactions in foreign currencies are translated using the weighted average exchange rates for the year. The effect of exchange rate movements on cash is presented separately in statement of cash flows as a reconciling item.

Notes to Financial Statement

(5) Financial instruments

Recognition and derecognition of financial instruments

A financial instrument will be recognized as a financial asset or a financial liability when the Bank becomes a party to the contractual provisions of the instrument.

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- (i) the rights to receive cash flows from the financial assets have expired; or
- (ii) the Bank has transferred its rights to receive cash flows from the assets; or has assumed an obligation to pay cash flows in full without material delay to a third party under a “pass-through” arrangement; and (a) the Bank has transferred substantially all the risks and rewards of ownership of the financial asset; or (b) the Bank has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but has transferred control of the asset.

The financial liabilities are derecognized when the obligation over them has been discharged, or cancelled, or has expired. If the original financial liabilities are replaced with substantively different terms in essence by the same creditor, or the provisions of the contract are substantively modified in its nature, such replacement or modifications are treated as derecognition of original liabilities and recognition of new liabilities, with the difference recorded in the income statement.

All financial assets and liabilities in “regular way trades” are initially recognized and derecognized on the trade date. Trade date is the date when the Bank is obliged to purchase or sell financial assets.

Classification and measurement of financial instruments

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are measured at fair value when recognized initially and relevant transaction costs are directly charged to the profit and loss of the current period. For such kind of financial assets, fair values are adopted for subsequent measurement. All the realized or unrealized gains or losses on these financial assets are recognized in the income statement of the current period and the dividend or interests received are recognized in profit or loss.

The Bank cannot reclassify a financial asset to another category if it designates, upon initial recognition, such a financial asset as at fair value through profit or loss. Neither can financial assets under other categories be reclassified into the fair value through profit or loss category.

Notes to Financial Statement

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity date that an enterprise has the positive intention and ability to hold to maturity. Held-to-maturity investments shall be measured at fair value at the time of initial confirmation, and the related transaction costs are included in the initial confirmation amount. The amortization or impairment of such kind of financial assets, as well as the profits or losses resulting from termination of confirmation, are recorded in current profits and losses by using the effective interest method and subsequent measurement according to the amortized cost.

If there is objective evidence that the financial asset is impaired, the Bank makes provision for the impairment loss. If a financial asset is individually significant, the Bank assesses the asset individually for impairment, and recognizes the amount of impairment in the income statement if there is objective evidence of impairment. For a financial asset that is not individually significant, the Bank can include the asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. For financial assets that are not impaired upon individual tests (including financial assets that are individually significant or insignificant), impairment tests should be conducted on them again by including them in the group of financial assets. Assets for which an impairment loss is individually recognized will not be included in a collective assessment of impairment.

When an impairment loss is incurred, the amount of the loss is measured, through use of an allowance account, as the difference between the financial asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). If there is objective evidence of a recovery in value of the financial asset which can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed and recognized in the income statement.

Loans and receivables

Loan and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables shall be measured at fair value at the time of initial confirmation, and the related transaction costs are included in the initial confirmation amount. The amortization or impairment of such kind of financial assets are recorded in current profits and losses by using the effective interest method and subsequent measurement according to the amortized cost.

If there is objective evidence that the financial asset is impaired, the Bank makes provision for the impairment loss. If a financial asset is individually significant, the Bank assesses the asset individually for impairment, and recognizes the amount of impairment in the income statement if there is objective evidence of impairment. For a financial asset that is not individually significant, the Bank can include the asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. For financial assets that are not impaired upon individual tests (including financial assets that are individually significant or insignificant), impairment tests should be conducted on them again by including them in the group of financial assets. Assets for which an impairment loss is individually recognized will not be included in a collective assessment of impairment.

Notes to Financial Statement

Loans and receivables (continued)

When an impairment loss is incurred, the amount of the loss is measured, through use of an allowance account, as the difference between the financial asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). If there is objective evidence of a recovery in value of the financial asset which can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed and recognized in the income statement.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets which are designated as such or are not classified in any of the above preceding categories. At the time of initial recognition, available-for-sale financial assets are measured at fair value and the related transaction costs are included in the initial confirmation amount, and the fair value is used for subsequent measurement. Premiums and discounts on available-for-sale financial assets are amortized using the effective interest rate method and are taken to the income statement as interest income. Changes in fair value of available-for-sale financial assets are recognized as other comprehensive income until the financial asset is derecognized at which time the cumulative gains or losses previously reported in other comprehensive income are included in the income statement. Impairment losses and foreign exchange gains or losses on available-for-sale financial assets which are monetary items are recognized in the income statement.

If there is objective evidence that the financial asset is impaired, the cumulative loss from declines in fair value that had been recognized directly in other comprehensive income are removed from equity and recognized in the income statement. The amount of the cumulative loss is measured as the difference between the acquisition cost (net off any principal repayment and amortization), current fair value and any impairment loss on that financial asset previously recognized in the income statement.

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be related objectively to an event occurring after the impairment was recognized in the income statement, the previously recognized impairment loss shall be reversed with the amount of the reversal recognized in the income statement.

If objective evidence shows that the financial assets carried at cost are impaired, the difference between the present value discounted at the prevailing rate of return of similar financial assets and the book value of the financial asset is provided as a provision. The impairment loss recognized cannot be reversed.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and those designated as at fair value through profit or loss. Financial liabilities are measured at fair value when recognized initially and relevant transaction costs are directly charged to the profit and loss of the current period. For such kind of financial liabilities, fair values are adopted for subsequent measurement. All the realized or unrealized gains or losses on these financial assets are recognized in the income statement of the current period.

The Bank cannot reclassify a financial liability to another category if it designates, upon initial recognition, such a financial liability as at fair value through profit or loss. Neither can financial liabilities under other categories be reclassified into the fair value through profit or loss category.

Notes to Financial Statement

Other financial liabilities

For such kind of financial liabilities, they are measured at fair value at the time of initial confirmation, and the related transaction costs are included in the initial confirmation amount. After initial measurement, such financial liabilities are measured at amortized cost using the effective interest method.

Financial guarantee contracts

Financial guarantee contract is a contract that requires the guarantee to make specified payments to reimburse the creditors for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original convention. Financial guarantee contracts are measured at the fair value on initial recognition. For financial guarantee contracts that are not designated as at fair value through profit or loss, after initial recognition they are subsequently measured at the higher of the initial fair value less cumulative amortization, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when and only when the Bank currently has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Transfer of financial assets

If the Bank transfers substantially all the risks and rewards of ownership of the financial asset, the Bank derecognizes the financial asset; and if the Bank retains substantially all the risks and rewards of the financial asset, the Bank does not derecognize the financial asset.

If the Bank neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the Bank determines whether it has retained control of the financial asset. In this case: (i) if the Bank has not retained control, it derecognizes the financial asset and recognize separately as assets or liabilities of any rights and obligations created in the transfer; (ii) if the Bank has retained control, it continues to recognize the financial asset to the extent of its continuing involvement in the transferred financial asset and recognizes an associated liability.

Derivatives

Derivatives are initially recognized at fair value of the contract date and are subsequently measured at fair value. Derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Derivatives embedded in other financial instruments are treated separately as derivatives when their economic characteristics and risks are not closely related to those of the host contract and the hybrid instrument is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with the changes in fair value recognized in the income statement.

Notes to Financial Statement

(6) Fixed assets

Fixed assets can be recognized only when the economic benefits related to fixed assets are likely to flow into the Bank, and the cost of fixed assets can be measured reliably. Subsequent expenditure can be recognized in the cost of fixed assets when the recognition criteria set above is met, and the replaced carrying amount should be derecognized. Otherwise, such expenditure is normally charged to the income statement in the period when it is incurred.

Fixed assets are initially measured at cost. The cost of a purchased fixed asset comprises the purchase price, relevant taxes and any other directly attributable expenditure for bringing the asset to working condition for its intended use.

Depreciation is calculated using the straight-line method. The estimated useful lives, estimated residual values and annual depreciation rates of fixed assets are as follows:

	Estimated Useful Life	Estimated Residual Value	Annual Depreciation Rate
Motor vehicles	5 years	10%	18%
Computers	5 years	10%	18%
Office equipment	5 years	10%	18%

Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each year end.

(7) Construction in progress

The cost of construction in progress is determined according to the actual expenditure for the construction, including all necessary expenditure incurred during the construction period.

The costs are transferred out when the asset is ready for its intended use.

(8) Intangible assets

An intangible asset is recognized only when it is probable that economic benefits associated with the asset will flow to the Bank and the cost of the asset can be measured reliably.

The useful life is determined according to the economic useful lives. The useful life of the intangible assets as shown below:

	Useful life
Software	10 years

An intangible asset with definite useful life is amortized over its useful life with the straight-line method. The useful life and amortization method of intangible assets with finite useful lives are reviewed at each balance sheet date. If the expected useful life of the asset or the amortization method differs significantly from previous assessments, the amortization period or amortization method is changed accordingly as a change in accounting estimate.

Notes to Financial Statement

(9) Long-term deferred assets

Long-term deferred assets are amortized using the straight-line method. Amortization period is as follow:

	Amortization period
Leasehold improvements	5 – 10 years

(10) Repurchase and reverse repurchase agreements

Assets sold under agreements to repurchase at a specified future date (“repos”) are not derecognized from the statement of financial position. The corresponding cash received, including accrued interest, is recognized on the statement of financial position as a “repurchase agreement”. The difference between the sale and repurchase prices is treated as an interest expense and is accrued over the life of the agreement using the effective interest rate method.

Conversely, assets purchased under agreements to resell at a specified future date (“reverse repos”) are not recognized on the statement of financial position. The corresponding cash paid, including accrued interest, is recognized on the statement of financial position as a “reverse repurchase agreement”. The difference between the purchase and resale prices is treated as an interest income and is accrued over the life of the agreement using the effective interest rate method.

(11) Settled assets

Settled assets are initially recognized at fair value, and are subsequently measured at the lower of the carrying value and net recoverable amount. If the recoverable amount is lower than the carrying value of the Settled assets, the assets are written down to the recoverable amount.

(12) Impairment of asset

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

The Bank assesses at the balance sheet date whether there is any indication that an asset may be impaired. If any, the Bank estimates the recoverable amount of the asset and perform impairment tests.

The recoverable amount of an asset is the higher of its fair value less costs to sell and the present value of the future cash flow expected to be derived from the asset. The Bank estimates the recoverable amount on an individual basis. If it is not possible to estimate the recoverable amount of the individual asset, the Bank determines the recoverable amount of the asset group to which the asset belongs. Identification of an asset group is based on whether major cash flows generated by the asset group are largely independent of the cash flows from other assets or asset groups.

When the recoverable amount of an asset or asset group is less than its carrying amount, the carrying amount is reduced to the recoverable amount. The impairment of asset is provided for and the impairment loss is recognized in the income statement for the current period.

Once an impairment loss is recognized, it should not be reversed in a subsequent period.

Notes to Financial Statement

(13) Employee Benefits

Employee benefits are all forms of consideration given by the Bank in exchange for service rendered by employees or for the termination of employment, including short-term employee benefits, post-employment benefits, termination benefits and other long-term benefits.

Short-term employee benefits

Short-term employee benefits are accrued in the period in which services have been rendered by the employees of the Bank, and recognized in the income statement.

Post-employment benefits (defined contribution plan)

Employees of the Bank participate in the retirement insurance and unemployment insurance plans administered by the local government, and the contribution is recognized to income statement of that period.

(14) Accrued liability

An obligation related to a contingency is recognized as accrued liability when all of the following conditions are satisfied (except for contingent liability recognized in a business combination not under common control):

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

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

(15) Revenue and expense recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and when the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Interest income and interest expense

Notes to Financial Statement

For all financial instruments measured at amortized cost and interest-generating financial instruments classified as available-for-sale financial assets, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but excludes future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded in profit or loss.

Once a financial asset is impaired, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Commission income

Commission income is recognized when the services have been rendered and the proceeds can be reasonably estimated.

(16) Income taxes

Income tax comprises current and deferred tax. Income tax is recognized as income or an expense and include in the income statement for the current period, except to the extent that the tax relates to a transaction or event which is recognized directly in equity.

Current income tax liabilities or assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the tax authorities according to the requirements of the tax laws.

For temporary differences at the balance sheet date between the tax bases of assets and liabilities and their book values, and temporary differences between the book values and the tax bases of items which have not been recognized as assets and liabilities but the tax bases of which can be determined for tax purposes, deferred taxes are provided using the liability method.

A deferred tax liability is recognized for all taxable temporary differences, except that the transaction which the deferred tax liability arises from is not a business combination and at the time of the transaction, it affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recognized for deductible temporary differences carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized, except that the deferred tax asset relating to the deductible temporary differences arises from a transaction which affects neither the accounting profit nor taxable profit or loss.

Notes to Financial Statement

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, according to the requirements of tax laws. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Bank expects at the balance sheet date, to recover the assets or settle the liabilities.

At the balance sheet date, the Bank reviews the book value of deferred tax assets. If it is probable that sufficient taxable income cannot be generated to use the tax benefits of deferred tax assets, the book value of deferred tax assets should be reduced. Conversely, at the balance sheet date, the Bank reviews previously unrecognized deferred tax assets. Deferred tax assets are recognized to the extent that it has become probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax assets and deferred tax liabilities are offset and the net amount is reported in the statement of financial position if, and only if, the Bank has a legally enforceable right to offset current tax assets and current tax liabilities, and the deferred taxes relate to the same taxable entity and the same taxation authority, or although the deferred taxes are related to different taxable entities, related entities intend to counteract those deferred taxes and report them in net value while acquire the asset and pay off the liabilities at the same time in every significant period to switch back.

(17) Leases

A finance lease is a lease that transfers in substance all the risks and rewards incident to ownership of an asset. An operating lease is a lease other than a finance lease.

Recording the operating lease as a lessee

Lease payments under an operating lease are recognized by a lessee on a straight-line basis over the lease term, and charged to the income statement for the current period. Contingent rent is recognized in the income statement for the current period as incurred.

Recording the operating lease as a lessor

Lease income from operating leases is recognized by the lessor in profit or loss for the period on a straight-line basis over the lease term. Contingent rent is recognized in the income statement for the current period as incurred.

(18) Fiduciary activities

Where the Bank acts in a fiduciary capacity such as custodian or agent, assets arising thereon together with related undertakings to return such assets to customers are excluded from the balance sheet statement.

The Bank grants entrusted loans on behalf of trustors, which are recorded off-balance sheet. The Bank, as a trustee, grants such entrusted loans to borrowers under the direction of those trustors who fund these loans. The Bank has been contracted by those trustors to manage the administration and collection of these loans on their behalf. Those trustors determine both of the underwriting criteria for and the terms of all entrusted loans including their purposes, amounts, interest rates, and repayment schedules. The Bank charges a commission related to its activities in connection with entrusted loans which are recognized on a straight-line basis over the period in which the service is provided. The risk of loss is borne by those trustors.

Notes to Financial Statement

(19) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank. It can also be a present obligation arising from past events that is not recognized because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably. Contingent liabilities are disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable and can be reliably estimated, it will then be recognized as a provision.

(20) Dividends

Dividends are recognized as a liability and deducted from equity when they are approved by the Bank's shareholder and declared. Interim dividends are deducted from equity when they are approved and declared, and no longer at the discretion of the Bank. Dividend for the year that is approved after the balance sheet date is disclosed as an event after the balance sheet date.

(21) Fair value measurement

At each balance sheet date, the Bank measures its financial assets at fair value through profit or loss, available-for-sale financial assets and derivatives at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the assumption that the orderly transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Bank. The fair value of an asset or a liability is measured using the assumption that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure the fair value. Use of observable inputs is maximized and unobservable inputs will only be used when observable inputs are not available or obtaining observable inputs becomes unpractical.

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

For assets and liabilities held at the end of the balance sheet date that are measured at fair value on a recurring basis, the Bank continues to make assessment as to whether there is transfer between different levels of the fair value hierarchy.

Notes to Financial Statement

(22) Significant accounting judgements and estimates

In the process of applying the accounting policies, the management has used its judgments and made estimates and assumptions of the effects of uncertain future events on the financial statements. The use of judgements, estimates and assumptions will affect the amount of income, expense, assets and liabilities presented and disclosed. The uncertainty of such estimates and assumptions might have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the future.

Judgements

During the process of applying the Bank's accounting policies, management has made the following judgements which have significant effects on the amounts recognized in financial statements:

Classification of financial assets

Management is required to determine the classification of financial assets. Different classifications of financial assets will have effect on the related accounting and correspondingly the financial position and performance of the Bank.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting period, are listed below.

Impairment losses of loans and advances, due from banks and placements with banks

The Bank determines periodically whether there is any objective evidence that impairment losses have occurred on loans and advances, due from banks and placements with banks. If any such evidence exists, the Bank assesses the amount of impairment losses, which is measured as the difference between the carrying amount and the present value of estimated future cash flows. Assessing the amount of impairment losses requires significant judgement on whether the objective evidence for impairment exists and also significant estimates when determining the present value of the expected future cash flows.

Impairment losses of available-for-sale investments

In determining whether there is any objective evidence that impairment losses have occurred on available-for-sale investments, the Bank assesses periodically whether there has been a significant or prolonged decline in the fair value below its cost or carrying amount, or whether other objective evidence of impairment exists based on the investee's financial conditions and business prospects, including industry environment, change of technology as well as operating and financing cash flows. This requires a significant level of judgement of management, which would affect the amount of impairment losses.

Notes to Financial Statement

Income tax

Determining income tax provisions requires the Bank to estimate the future tax treatment of certain transactions. The Bank carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. This requires significant estimation on the tax treatments of certain transactions and also significant assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered.

Fair value of financial instruments

If the market for a financial instrument is not active, the Bank establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable and willing parties, if available, reference to the current fair value of another instrument that is substantially the same, or discounted cash flow analysis. To the extent practicable, valuation technique makes maximum use of market inputs. However, where market inputs are not available, management needs to make estimates on such unobservable market inputs.

4. Taxes

The major categories of taxes applicable to the Bank and the related tax rates for the current accounting year are listed as follows:

Value Added Tax	- Taxable income is subjected to a 6% output VAT tax less deductible input tax
City Maintenance and Construction Tax	- 7% of amount of paid-up turnover tax
Education Surcharge	- 3% of amount of paid-up turnover tax
Local Education Surcharge	- 2% of amount of paid-up turnover tax
Corporate Income Tax	- Corporate taxable income is subjected to a tax rate of 25%.

Notes to Financial Statement

5. Notes to financial statements

(1) Cash and balances with the central bank

	<u>2019</u>	<u>2018</u>
Cash on hand	327,039.37	387,657.75
Balances with the central bank		
Statutory reserve fund		
- RMB	531,970,543.85	509,052,792.36
- foreign currency	105,797,261.89	34,015,918.00
Excess reserves	<u>475,468,344.38</u>	<u>123,670,435.66</u>
Subtotal	<u>1,113,236,150.12</u>	<u>666,739,146.02</u>
Total	<u><u>1,113,563,189.49</u></u>	<u><u>667,126,803.77</u></u>

In accordance with relevant regulations issued by the People's Bank of China ("PBOC"), the Bank should place with the PBOC a reserve fund, which could not be used for daily operations.

For customer deposits denominated in foreign currencies, the statutory reserve fund is calculated at 5% (31 December 2018: 5%) of the balance of customer deposits as of the end of December 2019. For customer deposits denominated in RMB, the statutory reserve fund is calculated at 11% (31 December 2018: 12.5%) of the balance of customer deposits as at 31 December 2019.

(2) Due from banks

	<u>2019</u>	<u>2018</u>
Domestic banks	557,695,943.97	138,652,842.84
Overseas banks	<u>85,115,711.86</u>	<u>76,800,970.96</u>
Subtotal	642,811,655.83	215,453,813.80
Less: provisions (Note 5.(14))	<u>480,623.26</u>	<u>509,262.24</u>
Total	<u><u>642,331,032.57</u></u>	<u><u>214,944,551.56</u></u>

Notes to Financial Statement

(3) Placements with banks

	<u>2019</u>	<u>2018</u>
Domestic banks	1,362,048,400.00	834,056,000.00
Other domestic financial Institutions	<u>1,241,048,000.00</u>	<u>2,114,051,360.00</u>
Subtotal	2,603,096,400.00	2,948,107,360.00
Less: provisions (Note 5.(14))	-	-
Total	<u>2,603,096,400.00</u>	<u>2,948,107,360.00</u>

(4) Financial assets at fair value through profit or loss

	<u>2019</u>	<u>2018</u>
Held-for-trading financial assets		
Debt securities		
Bonds issued by policy banks	<u>20,757,160.00</u>	-
Total	<u>20,757,160.00</u>	-

(5) Reverse repurchase agreements

	<u>2019</u>	<u>2018</u>
By collateral		
Bonds	<u>139,944,000.00</u>	-
By counterparty		
Banks	<u>139,944,000.00</u>	-

(6) Interest receivables

	<u>2019</u>	<u>2018</u>
Interest receivables		
- from investments	24,052,209.70	15,754,987.64
- from loans	6,384,993.36	4,464,304.88
- from financial institutions	11,537,747.83	19,149,513.30
- from reverse repurchase agreements	<u>100,069.55</u>	-
Total	<u>42,075,020.44</u>	<u>39,368,805.82</u>

Notes to Financial Statement

(7) Loans and advances to customers

(7.1) By types of loans

	<u>2019</u>	<u>2018</u>
Corporate loans and advances		
Loans	4,158,480,653.37	2,900,461,901.71
Discounted bills	19,347,831.05	-
Trade finance	<u>96,997,569.15</u>	<u>8,366,226.18</u>
Subtotal	<u>4,274,826,053.57</u>	<u>2,908,828,127.89</u>
Less: provisions of loans (Note 5.(7.4) & (14))		
Collectively assessed	54,260,737.08	34,069,631.02
Individually assessed	<u>20,697,185.16</u>	<u>21,480,707.24</u>
Subtotal	<u>74,957,922.24</u>	<u>55,550,338.26</u>
Net value	<u>4,199,868,131.33</u>	<u>2,853,277,789.63</u>

(7.2) By types of collateral or guarantee

	<u>2019</u>	<u>2018</u>
Unsecured loans	344,352,173.50	107,415,876.42
Guaranteed loans	2,147,447,628.60	1,872,966,973.26
Secured by mortgages	458,441,063.36	301,047,203.89
Secured by pledges	<u>1,324,585,188.11</u>	<u>627,398,074.32</u>
Total	<u>4,274,826,053.57</u>	<u>2,908,828,127.89</u>

(7.3) Overdue Loans by types of collateral or guarantee

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

As of 31 December 2019, the overdue loans of the Bank analyzed by types of collateral or guarantee are as follows:

	<u>2019</u>				
	Overdue 1day to 90 days (included)	Overdue 90 days to 1 year (included)	Overdue 1 year to 3 years (included)	Overdue 3 years above	Total
Guaranteed loans	<u>3,926,628.55</u>	-	-	<u>9,000,000.00</u>	<u>12,926,628.55</u>

As of 31 December 2018, the overdue loans of the Bank analyzed by types of collateral or guarantee are as follows:

	<u>2018</u>				
	Overdue 1day to 90 days (included)	Overdue 90 days to 1 year (included)	Overdue 1 year to 3 years (included)	Overdue 3 years above	Total
Guaranteed loans	-	-	<u>16,609,979.28</u>	<u>9,000,000.00</u>	<u>25,609,979.28</u>

Notes to Financial Statement

(7.4) Provisions of loans

	2019		
	Individually assessed	Collectively assessed	Total
Opening balance	21,480,707.24	34,069,631.02	55,550,338.26
Accrual	4,095,778.33	20,699,931.50	24,795,709.83
Write-off	(5,815,215.25)	-	(5,815,215.25)
Exchange difference	935,914.84	(508,825.44)	427,089.40
Closing balance	<u>20,697,185.16</u>	<u>54,260,737.08</u>	<u>74,957,922.24</u>
	2018		
	Individually assessed	Collectively assessed	Total
Opening balance	22,742,429.23	27,783,196.54	50,525,625.77
Accrual	13,723,490.01	6,243,309.65	19,966,799.66
Write-off	(15,000,000.00)	-	(15,000,000.00)
Exchange difference	14,788.00	43,124.83	57,912.83
Closing balance	<u>21,480,707.24</u>	<u>34,069,631.02</u>	<u>55,550,338.26</u>

(8) Available-for-sale financial assets

	2019	2018
Debt securities, at fair value		
Bonds issued by commercial banks	35,394,385.53	135,715,662.08
Bonds issued by policy banks	421,867,230.00	422,557,630.01
Bonds issued by business enterprises	497,510,786.37	120,075,250.00
Bonds issued by foreign government	<u>30,665,550.00</u>	<u>44,799,631.58</u>
Subtotal	985,437,951.90	723,148,173.67
Less: provision (Note 5.(14))	<u>1,983,779.05</u>	<u>447,996.32</u>
Net Value	<u>983,454,172.85</u>	<u>722,700,177.35</u>

Impairment provisions for available-for-sale financial assets represented the country risk reserve provided for a foreign government bond held by the Bank at the year-end according to Yin Jian Fa [2010] No. 45" Circular of the China Banking Regulatory Commission on Printing and Distributing the Guidelines for Country Risk Management of the Banking Financial Institutions".

(9) Held-to-maturity investment

	2019	2018
Debt securities		
Bonds issued by policy banks	<u>21,102,973.77</u>	<u>-</u>

Notes to Financial Statement

(10) Receivables investments

	<u>2019</u>	<u>2018</u>
Fund trust plan	404,400,000.00	100,000,000.00
Less: provision (Note 5.(14))	<u>4,448,400.00</u>	<u>1,000,000.00</u>
Net Value	<u>399,951,600.00</u>	<u>99,000,000.00</u>

The main investment portfolio of the fund trust plan is the trust loans which are managed and operated by the trust company as a fund trustee.

(11) Fixed assets

2019	<u>Motor vehicles</u>	<u>Computers</u>	<u>Office equipment</u>	<u>Total</u>
Cost				
Opening balance	2,134,128.65	45,209,462.66	4,125,346.54	51,468,937.85
Additions	-	2,936,414.60	566,571.59	3,502,986.19
Transfer from construction in progress	-	289,962.47	489,008.78	778,971.25
Disposals	<u>(429,744.42)</u>	<u>(2,568,110.66)</u>	<u>(672,354.75)</u>	<u>(3,670,209.83)</u>
Closing balance	<u>1,704,384.23</u>	<u>45,867,729.07</u>	<u>4,508,572.16</u>	<u>52,080,685.46</u>
Accumulated depreciation				
Opening balance	1,858,426.79	33,691,376.52	3,116,551.47	38,666,354.78
Additions	50,610.04	2,533,909.34	332,476.26	2,916,995.64
Disposals	<u>(386,770.04)</u>	<u>(2,276,325.02)</u>	<u>(584,509.14)</u>	<u>(3,247,604.20)</u>
Closing balance	<u>1,522,266.79</u>	<u>33,948,960.84</u>	<u>2,864,518.59</u>	<u>38,335,746.22</u>
Net book value				
Opening balance	<u>275,701.86</u>	<u>11,518,086.14</u>	<u>1,008,795.07</u>	<u>12,802,583.07</u>
Closing balance	<u>182,117.44</u>	<u>11,918,768.23</u>	<u>1,644,053.57</u>	<u>13,744,939.24</u>

Notes to Financial Statement

2018	<u>Motor vehicles</u>	<u>Computers</u>	<u>equipment</u>	<u>Total</u>
Cost				
Opening balance	2,299,128.65	42,839,973.20	3,959,236.92	49,098,338.77
Additions	-	2,390,985.06	363,875.83	2,754,860.89
Transfer from construction in progress	-	194,904.05	-	194,904.05
Disposals	<u>(165,000.00)</u>	<u>(216,399.65)</u>	<u>(197,766.21)</u>	<u>(579,165.86)</u>
Closing balance	<u>2,134,128.65</u>	<u>45,209,462.66</u>	<u>4,125,346.54</u>	<u>51,468,937.85</u>
Accumulated depreciation				
Opening balance	1,960,209.77	29,993,284.64	2,981,688.49	34,935,182.90
Additions	46,717.02	3,779,023.76	303,862.38	4,129,603.16
Disposals	<u>(148,500.00)</u>	<u>(80,931.88)</u>	<u>(168,999.40)</u>	<u>(398,431.28)</u>
Closing balance	<u>1,858,426.79</u>	<u>33,691,376.52</u>	<u>3,116,551.47</u>	<u>38,666,354.78</u>
Net book value				
Opening balance	<u>338,918.88</u>	<u>12,846,688.56</u>	<u>977,548.43</u>	<u>14,163,155.87</u>
Closing balance	<u>275,701.86</u>	<u>11,518,086.14</u>	<u>1,008,795.07</u>	<u>12,802,583.07</u>

(12) Deferred tax assets/(liabilities)

2019	<u>Opening balance</u>	<u>Charged to profit and loss</u>	<u>Charged to equity</u>	<u>Closing balance</u>
Impairment losses	1,249,793.77	3,443,782.75	-	4,693,576.52
Changes in fair value of available-for-sale financial assets	(390,111.51)	-	(734,430.96)	(1,124,542.47)
Changes in fair value of held-for-trading financial assets	-	5,575.00	-	5,575.00
Changes in fair value of forward foreign exchange contracts	(122,196.98)	110,400.75	-	(11,796.23)
Payroll payables	2,322,394.69	351,962.65	-	2,674,357.34
Accounting-tax difference of fixed assets	(267,736.08)	(960,795.44)	-	(1,228,531.52)
Deductible losses	<u>54,379.71</u>	<u>(54,379.71)</u>	<u>-</u>	<u>-</u>
Total	<u>2,846,523.60</u>	<u>2,896,546.00</u>	<u>(734,430.96)</u>	<u>5,008,638.64</u>

Notes to Financial Statement

2018	<u>balance</u>	<u>profit and loss</u>	<u>equity</u>	<u>balance</u>
Impairment losses	2,396,922.05	(1,147,128.28)	-	1,249,793.77
Changes in fair value of available-for-sale financial assets	5,087,134.47	-	(5,477,245.98)	(390,111.51)
Changes in fair value of held-for-trading financial assets	25,679.14	(25,679.14)	-	-
Changes in fair value of forward foreign exchange contracts	-	(122,196.98)	-	(122,196.98)
Payroll payables	1,060,866.33	1,261,528.36	-	2,322,394.69
Accounting-tax difference of fixed assets	-	(267,736.08)	-	(267,736.08)
Deductible losses	<u>4,839,548.51</u>	<u>(4,785,168.80)</u>	-	<u>54,379.71</u>
Total	<u>13,410,150.50</u>	<u>(5,086,380.92)</u>	<u>(5,477,245.98)</u>	<u>2,846,523.60</u>

(13) Other assets

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
Settled assets	13.1	24,974,414.50	24,974,414.50
Other receivables	13.2	5,551,287.10	6,060,298.64
Long-term deferred expenses	13.3	9,994,127.02	5,169,001.98
Intangible assets	13.4	9,079,515.74	7,666,805.65
Construction in progress	13.5	952,595.45	1,364,596.62
Deductible input VAT		-	2,272,090.99
Prepayment of corporate income tax		-	<u>2,189,829.65</u>
Subtotal		50,551,939.81	49,697,038.03
Less: Provision (Note 5.(14))		<u>6,209,071.58</u>	<u>6,192,892.83</u>
Total		<u>44,342,868.23</u>	<u>43,504,145.20</u>

Notes to Financial Statement

(13.1) Settled assets

	<u>2019</u>	<u>2018</u>
Buildings	<u>24,974,414.50</u>	<u>24,974,414.50</u>

As at 31 December 2019, the Bank has made provision of RMB5,304,209.50 for settled assets (31 December 2018: RMB5,304,209.50).

(13.2) Other receivables

(i) By Aging

	<u>2019</u>			
	<u>Book value</u>	<u>%</u>	<u>Provision</u>	<u>Net value</u>
Within 1 year	3,420,231.95	62%	-	3,420,231.95
1-2 years	716,637.32	13%	-	716,637.32
2-3 years	15,225.90	0%	-	15,225.90
Over 3 years	<u>1,399,191.93</u>	<u>25%</u>	<u>(904,862.08)</u>	<u>494,329.85</u>
Total	<u>5,551,287.10</u>	<u>100%</u>	<u>(904,862.08)</u>	<u>4,646,425.02</u>

	<u>2018</u>			
	<u>Book value</u>	<u>%</u>	<u>Provision</u>	<u>Net value</u>
Within 1 year	3,892,411.19	64%	-	3,892,411.19
1-2 years	40,010.72	1%	(2,000.00)	38,010.72
2-3 years	240,174.65	4%	-	240,174.65
Over 3 years	<u>1,887,702.08</u>	<u>31%</u>	<u>(886,683.33)</u>	<u>1,001,018.75</u>
Total	<u>6,060,298.64</u>	<u>100%</u>	<u>(888,683.33)</u>	<u>5,171,615.31</u>

As at 31 December 2019, the Bank has made a provision for rental deposits of settled assets amounting to RMB850,833.33 (31 December 2018: RMB850,833.33) and a provision for other receivables amounting to RMB54,028.75 (31 December 2018: RMB37,850.00).

(ii) By nature

	<u>2019</u>	<u>2018</u>
Rental deposits	3,091,850.15	2,122,017.30
Prepayments	1,475,325.47	2,698,534.82
Others	<u>984,111.48</u>	<u>1,239,746.52</u>
Total	<u>5,551,287.10</u>	<u>6,060,298.64</u>

Notes to Financial Statement

(13.3) Long-term deferred expenses

2019	Opening balance	Additions	Amortizations	Closing balance
Leasehold improvements	<u>5,169,001.98</u>	<u>7,226,721.59</u>	<u>(2,401,596.55)</u>	<u>9,994,127.02</u>
2018	Opening balance	Additions	Amortizations	Closing balance
Leasehold improvements	<u>5,555,718.37</u>	<u>1,634,147.44</u>	<u>(2,020,863.83)</u>	<u>5,169,001.98</u>

(13.4) Intangible assets

	<u>2019</u>	<u>2018</u>
Cost		
Opening balance	13,595,168.81	12,088,711.37
Additions	3,048,842.82	1,506,457.44
Disposal	<u>(8,302.50)</u>	<u>-</u>
Closing balance	<u>16,635,709.13</u>	<u>13,595,168.81</u>
Amortizing		
Opening balance	5,928,363.16	4,685,699.52
Additions	1,633,918.95	1,242,663.64
Disposal	<u>(6,088.72)</u>	<u>-</u>
Closing balance	<u>7,556,193.39</u>	<u>5,928,363.16</u>
Net carrying amount		
Opening balance	<u>7,666,805.65</u>	<u>7,403,011.85</u>
Closing balance	<u>9,079,515.74</u>	<u>7,666,805.65</u>

(13.5) Construction in progress

	<u>2019</u>	<u>2018</u>
Opening balance	1,364,596.62	763,589.60
Additions	6,042,851.93	1,794,420.29
Transfers	<u>(6,454,853.10)</u>	<u>(1,193,413.27)</u>
Closing balance	<u>952,595.45</u>	<u>1,364,596.62</u>

Notes to Financial Statement

(14) Provision for impairment losses

2019	<u>Opening balance</u>	<u>Accrual/ (Reverse)</u>	<u>Write-off</u>	<u>Exchange difference</u>	<u>Closing balance</u>
Provision for due from banks (Note 5.(2))	509,262.24	(33,176.74)	-	4,537.76	480,623.26
Provision for loans (Note 5.(7.1))	55,550,338.26	24,795,709.83	(5,815,215.25)	427,089.40	74,957,922.24
Provision for available-for-sale financial assets (Note 5.(8))	447,996.32	1,508,342.36	-	27,440.37	1,983,779.05
Provision for receivables investments (Note 5.(10))	1,000,000.00	3,448,400.00	-	-	4,448,400.00
Provision for other assets (Note 5.(13))	<u>6,192,892.83</u>	<u>16,178.75</u>	<u>-</u>	<u>-</u>	<u>6,209,071.58</u>
Total	<u>63,700,489.65</u>	<u>29,735,454.20</u>	<u>(5,815,215.25)</u>	<u>459,067.53</u>	<u>88,079,796.13</u>
2018	<u>Opening balance</u>	<u>Accrual</u>	<u>Write-off</u>	<u>Exchange difference</u>	<u>Closing balance</u>
Provision for due from banks (Note 5.(2))	33,526.03	440,709.98	-	35,026.23	509,262.24
Provision for loans (Note 5.(7.1))	50,525,625.77	19,966,799.66	(15,000,000.00)	57,912.83	55,550,338.26
Provision for available-for-sale financial assets (Note 5.(8))	143,119.89	298,005.79	-	6,870.64	447,996.32
Provision for receivables investments (Note 5.(10))	1,000,000.00	-	-	-	1,000,000.00
Provision for other assets (Note 5.(13))	<u>5,638,812.90</u>	<u>554,079.93</u>	<u>-</u>	<u>-</u>	<u>6,192,892.83</u>
Total	<u>57,341,084.59</u>	<u>21,259,595.36</u>	<u>(15,000,000.00)</u>	<u>99,809.70</u>	<u>63,700,489.65</u>

Notes to Financial Statement

(15) Due to banks

	<u>2019</u>	<u>2018</u>
Overseas banks	14,018,408.39	18,701,541.31
Domestic banks	200,000,000.00	-
Domestic financial institutions	4,535,792.04	9,344,983.01
Total	<u>218,554,200.43</u>	<u>28,046,524.32</u>

(16) Placements from banks

	<u>2019</u>	<u>2018</u>
Domestic banks	409,286,000.00	208,726,400.00
Overseas banks	850,059,928.00	732,540,600.00
Total	<u>1,259,345,928.00</u>	<u>941,267,000.00</u>

(17) Financial assets sold for repurchase

	<u>2019</u>	<u>2018</u>
By collateral		
Bonds	<u>98,000,000.00</u>	-
By counterparty		
Banks	<u>98,000,000.00</u>	-

(18) Customer deposits

	<u>2019</u>	<u>2018</u>
Demand deposits		
Corporate customers	2,704,268,360.45	1,888,467,267.20
Personal customers	14,711,059.15	16,135,366.10
Time deposits		
Corporate customers	2,878,418,113.24	2,338,920,507.75
Personal customers	1,017,220,749.21	667,079,881.52
Others	200,000.00	2,399,500.00
Total	<u>6,614,818,282.05</u>	<u>4,913,002,522.57</u>

(19) Payroll payables

	<u>2019</u>	<u>2018</u>
Amount unpaid		
Salary, bonus, subsidy and allowance	<u>30,997,429.36</u>	<u>19,003,614.86</u>
Amount payable		
Salary, bonus, subsidy and allowance	80,397,172.35	66,427,796.02
Employee benefits	508,747.46	349,219.97
Social insurance	3,363,496.14	2,909,836.23
Including: Medical insurance	2,988,324.74	2,598,763.60
Injury insurance	83,880.59	92,469.24
Maternity insurance	291,290.81	218,603.39
Housing fund	3,462,798.24	2,953,760.44
Defined contribution plan	5,904,682.41	5,733,801.27
Including: Retirement insurance	5,742,056.18	5,616,339.88
Unemployment insurance	162,626.23	117,461.39
Total	<u>93,636,896.60</u>	<u>78,374,413.93</u>

Notes to Financial Statement

(20) Tax payables

	<u>2019</u>	<u>2018</u>
VAT	3,108,799.26	4,525,819.11
Corporate Income Tax	5,338,236.90	-
Others	669,920.85	546,933.13
Total	<u>9,116,957.01</u>	<u>5,072,752.24</u>

(21) Interest payables

	<u>2019</u>	<u>2018</u>
Interest payables		
- to customer deposit	33,437,091.47	27,932,192.93
- to banks	1,627,158.47	3,103,612.18
- to repurchase by pledge	4,564.38	-
Total	<u>35,068,814.32</u>	<u>31,035,805.11</u>

(22) Bonds payables

	<u>2019</u>	<u>2018</u>
Issuance of IBNCD	299,947,683.27	-
Total	<u>299,947,683.27</u>	<u>-</u>

As of 31 December 2019, the balance of bonds payables is as follows:

Date of issuance	Duration	Amount	Opening balance	Issuance	Interest accrued	Amortization of discount/premium	Reimbursement	Closing balance
2019/12/3	1 month	300,000,000.00	-	299,189,100.00	-	758,583.27	-	299,947,683.27

In 2019, the Bank issued RMB interbank negotiable certificates of deposit in the national interbank market, with a face value of RMB 100 and discount interest.

There is no default on the principal, interest or redemption of the bonds payables.

(23) Other liabilities

	<u>2019</u>	<u>2018</u>
Accounts payable	4,875,381.27	41,605,814.21
Accrued expenses	2,032,811.05	1,052,636.92
Deferred income	347,801.53	-
Commission payables	24,486.46	44,542.17
Total	<u>7,280,480.31</u>	<u>42,702,993.30</u>

Notes to Financial Statement

(24) Paid-up capital

	2019		2018	
	RMB equivalent	%	RMB equivalent	%
Metrobank	<u>1,500,000,000.00</u>	<u>100%</u>	<u>1,500,000,000.00</u>	<u>100%</u>

The original registered capital has been verified by Deloitte Touche Tohmatsu Hua Yong CPA Ltd., and the capital verification report De Shi Bao Yan Zi (10) No. 0039 and De Shi Bao Yan Zi (14) No. 0822 were issued.

(25) Capital reserves

2019	Opening balance	Additions	Closing balance
Excess of contributed capital	<u>453,890.00</u>	<u>-</u>	<u>453,890.00</u>
2018	Opening balance	Additions	Closing balance
Excess of contributed capital	<u>453,890.00</u>	<u>-</u>	<u>453,890.00</u>

(26) Other comprehensive income

Accumulated balance of other comprehensive income on the balance sheet:

2019	Opening balance	Changes during the year	Closing balance
Accumulated fair value changes of available-for-sale financial assets	<u>1,170,466.16</u>	<u>2,203,292.88</u>	<u>3,373,759.04</u>
2018	Opening balance	Changes during the year	Closing balance
Accumulated fair value changes of available-for-sale financial assets	<u>(15,261,271.77)</u>	<u>16,431,737.93</u>	<u>1,170,466.16</u>

Other comprehensive income on the income statement:

2019	Before tax	Tax	After tax
Items that may be reclassified to the income statement			
Fair value changes of available-for-sale financial assets	4,337,626.35	(1,084,406.59)	3,253,219.76
Less: Transfer to the income statement	<u>1,399,902.51</u>	<u>(349,975.63)</u>	<u>1,049,926.88</u>
Total	<u>2,937,723.84</u>	<u>(734,430.96)</u>	<u>2,203,292.88</u>

Notes to Financial Statement

(26) Other comprehensive income (continued)

2018	<u>Before tax</u>	<u>Tax</u>	<u>After tax</u>
Items that may be reclassified to the income statement			
Fair value changes of available-for-sale financial assets	21,211,493.75	(5,302,873.44)	15,908,620.31
Less: Transfer to the income statement	<u>(697,490.16)</u>	<u>174,372.54</u>	<u>(523,117.62)</u>
Total	<u>21,908,983.91</u>	<u>(5,477,245.98)</u>	<u>16,431,737.93</u>

(27) Surplus reserves

2019	<u>Opening balance</u>	<u>Additions</u>	<u>Closing balance</u>
Statutory surplus reserves	<u>10,493,411.45</u>	<u>2,991,792.84</u>	<u>13,485,204.29</u>
2018	<u>Opening balance</u>	<u>Additions</u>	<u>Closing balance</u>
Statutory surplus reserves	<u>9,035,864.58</u>	<u>1,457,546.87</u>	<u>10,493,411.45</u>

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

(28) General reserves

2019	<u>Opening balance</u>	<u>Additions</u>	<u>Closing balance</u>
General reserves	<u>94,403,636.63</u>	<u>8,793,064.49</u>	<u>103,196,701.12</u>
2018	<u>Opening balance</u>	<u>Additions</u>	<u>Closing balance</u>
General reserves	<u>93,982,383.23</u>	<u>421,253.40</u>	<u>94,403,636.63</u>

In accordance with Cai Jin [2012] No. 20 "Impairment Loss on Loans for Financial Institutions", the Bank is required to set aside general reserves from net profit as profit appropriation. The balance of general reserves should be no less than 1.5% of the balance of risk-bearing assets as at year-end.

(29) Retained earnings

	<u>2019</u>	<u>2018</u>
Opening balance	17,514,911.27	4,818,242.88
Net profit	29,917,928.37	14,575,468.66
Less: Appropriations to		
- statutory surplus reserves	2,991,792.84	1,457,546.87
- general reserves	<u>8,793,064.49</u>	<u>421,253.40</u>
Closing balance	<u>35,647,982.31</u>	<u>17,514,911.27</u>

Notes to Financial Statement

(30) Net interest income

	<u>2019</u>	<u>2018</u>
Interest income		
Balances with the central bank	8,902,918.45	8,991,502.70
Due from banks and placements with banks	72,691,373.05	95,819,977.38
Reverse repurchase agreements	100,069.55	53,379.46
Loans and advances	181,825,910.10	124,333,812.42
Including:		
Corporate loans	181,247,889.94	122,425,321.84
Discounted bills	<u>578,020.16</u>	<u>1,908,490.58</u>
Subtotal	<u>263,520,271.15</u>	<u>229,198,671.96</u>
Interest expenses		
Due to banks and placements from banks	(16,745,030.06)	(16,420,653.54)
Customer deposit	(106,400,719.88)	(92,565,065.99)
Repurchase agreements	<u>(620,345.13)</u>	<u>(369,936.31)</u>
Subtotal	<u>(123,766,095.07)</u>	<u>(109,355,655.84)</u>
Net interest income	<u>139,754,176.08</u>	<u>119,843,016.12</u>

(31) Net fee and commission income

	<u>2019</u>	<u>2018</u>
Fee and commission income		
Settlement and clearing fees	5,292,675.60	8,758,295.57
Commitment and agency fees	1,399,922.23	1,475,032.29
Others	<u>1,471,025.46</u>	<u>1,024,611.95</u>
Subtotal	<u>8,163,623.29</u>	<u>11,257,939.81</u>
Fee and commission expenses		
Service charge expenses	<u>(1,941,128.14)</u>	<u>(2,452,334.35)</u>
Net fee and commission income	<u>6,222,495.15</u>	<u>8,805,605.46</u>

(32) Investment income

	<u>2019</u>	<u>2018</u>
Net gain/(loss) on disposal of available-for-sale bond investments	3,495,417.28	12,703.69
Net gain/(loss) on disposal of held-for-trading bond investments	205,896.54	817,833.01
Bond Interest income	39,020,361.54	28,846,025.40
Receivables investments interest income	16,612,177.92	5,637,071.42
Others	<u>263,897.39</u>	<u>-</u>
Total	<u>59,597,750.67</u>	<u>35,313,633.52</u>

Notes to Financial Statement

(33) Foreign exchange loss

	<u>2019</u>	<u>2018</u>
Realized exchange gain	12,155,721.58	15,028,746.89
Unrealized exchange loss	<u>(7,670,707.33)</u>	<u>(20,038,733.84)</u>
Total	<u>4,485,014.25</u>	<u>(5,009,986.95)</u>

Foreign exchange gain or loss includes exchange gain from spot foreign exchanges deals with customers and for proprietary trading, realized gain or loss from foreign exchange swaps, and exchange gain or loss of translation of monetary assets and liabilities in foreign currencies.

(34) General and administrative expenses

	<u>2019</u>	<u>2018</u>
Staff costs	93,636,896.60	78,374,413.93
Depreciation	2,916,995.64	4,129,603.16
Amortization	4,035,515.50	3,263,527.47
Other operating expenses	<u>37,670,979.06</u>	<u>33,835,515.89</u>
Total	<u>138,260,386.80</u>	<u>119,603,060.45</u>

(35) Impairment losses

	<u>2019</u>	<u>2018</u>
Impairment losses/(reverses) for		
Due from banks	(33,176.74)	440,709.98
Loans and advances	24,795,709.83	19,966,799.66
Available-for-sale		
financial assets	1,508,342.36	298,005.79
Receivables investments	3,448,400.00	-
Others	<u>16,178.75</u>	<u>554,079.93</u>
Total	<u>29,735,454.20</u>	<u>21,259,595.36</u>

(36) Income tax expense

	<u>2019</u>	<u>2018</u>
Current income tax expenses	13,214,555.62	-
Deferred income tax expenses	<u>(2,896,546.00)</u>	<u>5,086,380.92</u>
Total	<u>10,318,009.62</u>	<u>5,086,380.92</u>

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

	<u>2019</u>	<u>2018</u>
Profit before tax	<u>40,235,937.99</u>	<u>19,661,849.58</u>
Tax charge at the statutory tax rate of 25%	10,058,984.50	4,915,462.40
Adjustments of prior years	-	-
Tax exempted income	(31,278.24)	-
Non-deductible items	428,069.18	308,684.34
Software R&D super-deduction	<u>(137,765.82)</u>	<u>(137,765.82)</u>
Income tax expense	<u>10,318,009.62</u>	<u>5,086,380.92</u>

Notes to Financial Statement

(37) Cash flows from operating activities

Reconciliation of net profit to cash flows from operating activities:

	<u>2019</u>	<u>2018</u>
Net profit	29,917,928.37	14,575,468.66
Add: Provision for impairment losses	29,735,454.20	21,259,595.36
Depreciation	2,916,995.64	4,129,603.16
Amortization for intangible assets	1,633,918.95	1,242,663.64
Amortization for long-term deferred expenses	2,401,596.55	2,020,863.83
Loss on disposal of fixed assets	302,867.25	21,170.54
Unrealized exchange gain	(17,502,095.74)	(48,803,579.38)
Loss/(Gain) from changes in fair value	463,902.96	(580,579.22)
Interest on bonds payables	758,583.27	-
Investment income	(59,597,750.67)	(35,313,633.52)
(Increase)/decrease in deferred tax assets	(2,896,546.00)	5,086,380.92
Increase in operating receivables	(782,733,437.08)	(963,061,164.48)
Increase in operating payables	<u>2,291,822,954.83</u>	<u>381,111,669.35</u>
Net cash flows generated/(used) from operating activities	<u><u>1,497,224,372.53</u></u>	<u><u>(618,311,541.14)</u></u>

(38) Cash and Cash Equivalents

	<u>2019</u>	<u>2018</u>
Cash	<u>327,039.37</u>	<u>387,657.75</u>
Cash equivalents		
Non-restricted deposits with the central bank	475,468,344.38	123,670,435.66
With original maturity less than three months		
- Due from banks	642,811,655.83	215,453,813.80
- Placement with banks	2,151,096,400.00	1,823,489,600.00
- Reverse repurchases agreements	<u>139,944,000.00</u>	<u>-</u>
Subtotal	<u>3,409,320,400.21</u>	<u>2,162,613,849.46</u>
Total	<u><u>3,409,647,439.58</u></u>	<u><u>2,163,001,507.21</u></u>

6. Segment report

Based on the internal structure, management requirement and internal reporting system, the Bank divides its business lines into two reporting segments. The management of the Bank assesses the financial performance of these reporting segments periodically to decide the allocation of resources and make performance appraisal. The services provided by the Bank's two reporting segments are mainly credit and deposit business and financial markets business.

The segment of credit and deposit business covers services of corporate and personal deposits and loans, remittances, and trade finance, etc.

The segment of financial markets business covers placements with and from banks in inter-bank market, fixed income investment, and service of purchasing and selling foreign exchanges, etc.

The disclosure of the segments is based on the accounting policy and basis of preparation which individual segment adopts to report to the management. The basis of preparation is consistent with that adopted by the Bank when preparing the financial statements. Segment revenues, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The basis for allocation is mainly based on occupation of or contribution to resources. Income taxes are managed on a group basis and are not allocated to operating segments.

Notes to Financial Statement

2019	<u>Credit and deposit</u>	<u>Financial Markets</u>	<u>Total</u>
Net interest income	75,425,190.22	64,328,985.86	139,754,176.08
Net fee and commission income	6,222,495.15	-	6,222,495.15
Other income, net (i)	2,483,766.29	61,296,133.26	63,779,899.55
General and administrative expenses and non-operating expenses	(95,645,453.81)	(42,973,491.69)	(138,618,945.50)
Including: Depreciation and amortization	(4,797,151.51)	(2,155,359.63)	(6,952,511.14)
Tax and surcharges	(892,427.20)	(273,805.89)	(1,166,233.09)
Impairment losses	<u>(24,811,910.36)</u>	<u>(4,923,543.84)</u>	<u>(29,735,454.20)</u>
(Loss)/profit before tax	<u>(37,218,339.71)</u>	<u>77,454,277.70</u>	<u>40,235,937.99</u>
Less: Income tax expense			<u>10,318,009.62</u>
Net profit			<u>29,917,928.37</u>

2019	<u>Credit and deposit</u>	<u>Financial Markets</u>	<u>Total</u>
Segment assets	<u>4,655,975,483.50</u>	<u>5,573,434,024.98</u>	<u>10,229,409,508.48</u>
Segment liabilities	<u>6,681,275,478.96</u>	<u>1,891,976,492.76</u>	<u>8,573,251,971.72</u>
Credit commitments	<u>1,855,434,294.42</u>	<u>-</u>	<u>1,855,434,294.42</u>

2018	<u>Credit and deposit</u>	<u>Financial Markets</u>	<u>Total</u>
Net interest income	31,768,746.43	88,074,269.69	119,843,016.12
Net fee and commission income	8,805,605.46	-	8,805,605.46
Other income, net (i)	(7,630,750.84)	40,675,276.19	33,044,525.35
General and administrative expenses and non-operating expenses	(65,083,775.03)	(54,892,557.33)	(119,976,332.36)
Including: Depreciation and amortization	(4,010,564.76)	(3,382,565.87)	(7,393,130.63)
Tax and surcharges	(795,369.63)	-	(795,369.63)
Impairment losses	<u>(20,520,879.59)</u>	<u>(738,715.77)</u>	<u>(21,259,595.36)</u>
(Loss)/profit before tax	<u>(53,456,423.20)</u>	<u>73,118,272.78</u>	<u>19,661,849.58</u>
Less: Income tax expense			<u>5,086,380.92</u>
Net profit			<u>14,575,468.66</u>

2018	<u>Credit and deposit</u>	<u>Financial Markets</u>	<u>Total</u>
Segment assets	<u>3,004,404,420.90</u>	<u>4,599,763,107.01</u>	<u>7,604,167,527.91</u>
Segment liabilities	<u>4,979,212,008.95</u>	<u>1,000,919,203.45</u>	<u>5,980,131,212.40</u>
Credit commitments	<u>1,128,631,316.70</u>	<u>-</u>	<u>1,128,631,316.70</u>

Notes to Financial Statement

(i) Included investment income, gain or loss from changes in fair value, foreign exchange gain or loss, other operating expenses, non-operating income and assets disposal loss.

Geographical information

The Bank's external operating income is mainly attributable to China for the year 2019 and year 2018. Non-current assets are all located in China.

Information about major customers

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Bank's total revenue in the year 2019 and year 2018.

7. Financial Risk Management

(1) Overview of risk management

(1.1) Overview of risks

The Bank is exposed to various types of risks in business operations. The key risks currently faced by the Bank include credit risk, liquidity risk, market risk and operational risk. Market risk includes foreign exchange risk and interest rate risk.

The Bank's risk management objective is to minimize the negative risk impact while maximizing the benefits or return to the Bank. To control risk, the fundamental risk management strategy of the Bank is to identify and analyze the Bank's exposure to various risks, to establish appropriate risk tolerance limits, and to monitor these risks in a timely and effective manner.

(1.2) Risk management structure

The Board of Directors of the Bank is responsible for establishing and implementing the Bank's overall risk management strategies given business objectives, The Board of Directors implements its management oversight on the overall risk management strategy through the functions of its various board committees. These include the Executive Committee, Risk Management Committee, Audit Committee, Related Party Transactions Control Committee and Nomination and Remuneration Committee. Management committees include Credit Committee, Assets and Liabilities Committee, Information Technology Committee, Anti Money Laundry Committee and Reward and Discipline Committee.

(2) Credit Risk

(2.1) Credit Risk Management

Credit risk refers to the potential loss born by the Bank when its borrowers or counterparties fail to meet their contractual obligations on due date. The Bank's on-balance sheet credit risk mainly arises from loan and other credit businesses. The Bank's off-balance sheet credit risk mainly arise from bank acceptance, letters of credit issued, letters of guarantee issued and confirmed letters of credit. The management of the Bank closely monitors and manages the credit risk from these types of exposures.

The Bank manages credit risk by establishing credit risk management system, which includes:

- (i) Credit policy covers mortgage and pledge requirements, credit and financial analysis, risk rating and reporting, and regulatory requirements;
- (ii) The limit of credit authorization and review;
- (iii) The exposure limit for loan applicants, certain industries and countries, and bond issuers (bond investments);
- (iv) Supervise and control the compliance status of those approved exposure limit.

Notes to Financial Statement

(2.2) Maximum credit risk exposure without consideration of any collateral and other credit enhancements

Concentration of credit risk arises when a number of the Bank's customers perform similar operating activities or locate in the same geographical region, or have similar economic characteristics, and their ability to fulfill contractual obligation will be affected by similar economic events. Concentration of credit risk reflects the sensitivity of the Bank's business performance towards certain industries or regions.

As of balance sheet date, the maximum credit risk exposure of the Bank without taking into consideration of collaterals and other credit enhancements is as follows:

	<u>2019</u>	<u>2018</u>
Balances with the central bank	1,113,236,150.12	666,739,146.02
Due from banks	642,331,032.57	214,944,551.56
Placements with banks	2,603,096,400.00	2,948,107,360.00
Financial assets at fair value		
through profit or loss	20,757,160.00	-
Derivative financial assets	47,184.95	488,787.91
Reverse repurchase agreements	139,944,000.00	-
Loans and advances to customers	4,199,868,131.33	2,853,277,789.63
Available-for-sale financial assets	983,454,172.85	722,700,177.35
Held-to-maturity investment	21,102,973.77	-
Receivables investments	399,951,600.00	99,000,000.00
Other financial assets	45,231,381.09	41,839,160.41
Total	<u>10,169,020,186.68</u>	<u>7,547,096,972.88</u>
Credit commitments	<u>1,855,434,294.42</u>	<u>1,128,631,316.70</u>
Maximum credit risk exposure	<u>12,024,454,481.10</u>	<u>8,675,728,289.58</u>

(2.3) Risk concentration

The concentration of counterparties in the same industry sector, geographical location or having similar economic characteristics would expose the Bank to higher credit risk. Credit risk may vary from different industries or geographical regions due to their unique economic development characteristics.

The Bank mainly provides loans and other credit facilities to domestic customers.

Notes to Financial Statement

Loans distributed by industries are listed below:

	2019		2018	
	<u>Book Value</u>	<u>%</u>	<u>Book Value</u>	<u>%</u>
Manufacturing	668,959,305.47	16%	408,628,374.63	14%
Wholesale and retail	651,056,238.56	15%	523,474,956.16	18%
Construction	579,647,162.19	14%	321,366,226.14	11%
Agriculture, forestry, farming and fishing	103,500,000.00	2%	18,800,000.00	1%
Transportation	244,568,478.00	6%	220,000,000.00	8%
Leasing and business services	1,337,688,776.99	31%	879,319,895.67	30%
Paper-making and paper products	13,000,000.00	0%	-	0%
Culture, sports and entertainment	148,000,000.00	4%	150,000,000.00	5%
Water conservancy, environment and public facilities management	436,375,000.00	10%	333,750,000.00	11%
Real estate	<u>92,031,092.36</u>	<u>2%</u>	<u>53,488,675.29</u>	<u>2%</u>
Total	<u>4,274,826,053.57</u>	<u>100%</u>	<u>2,908,828,127.89</u>	<u>100%</u>

Loans distributed by regions are shown below:

	2019	2018
Shanghai	1,662,724,650.82	1,031,349,935.67
Jiangsu	2,037,549,098.03	1,502,944,796.18
Fujian	<u>574,552,304.72</u>	<u>374,533,396.04</u>
Total	<u>4,274,826,053.57</u>	<u>2,908,828,127.89</u>

(2.4) Collateral

The amount and types of collateral that the Bank needs to acquire depends on its credit risk evaluation of its counterparties. The Bank establishes related guidelines on the types of collateral and evaluation criteria.

The management will monitor the market value of collateral periodically and may require borrowers to increase collateral based on the related contracts. When reviewing the adequacy of loss provision, the change in the collateral's market value will be monitored and carefully considered.

For commercial loans, collateral mainly includes deposits, receivables, real estates, etc.

Notes to Financial Statement

(2.5) Credit quality

The credit quality of financial assets of the Bank (excluding impairment provision) is analyzed as follows:

2019	Neither overdue nor impaired	Overdue but not impaired	Impaired	Total
Balances with the central bank	1,113,236,150.12	-	-	1,113,236,150.12
Due from banks	642,811,655.83	-	-	642,811,655.83
Placements with banks	2,603,096,400.00	-	-	2,603,096,400.00
Financial assets at fair value through profit or loss	20,757,160.00	-	-	20,757,160.00
Derivative financial assets	47,184.95	-	-	47,184.95
Reverse repurchases agreements	139,944,000.00	-	-	139,944,000.00
Loans and advances to customers	4,251,109,425.02	-	23,716,628.55	4,274,826,053.57
Available-for-sale financial assets	985,437,951.90	-	-	985,437,951.90
Held-to-maturity investment	21,102,973.77	-	-	21,102,973.77
Receivables investments	404,400,000.00	-	-	404,400,000.00
Other financial assets	45,231,381.09	-	904,862.08	46,136,243.17
Total	<u>10,227,174,282.68</u>	<u>-</u>	<u>24,621,490.63</u>	<u>10,251,795,773.31</u>
2018	Neither overdue nor impaired	Overdue but not impaired	Impaired	Total
Balances with the central bank	666,739,146.02	-	-	666,739,146.02
Due from banks	215,453,813.80	-	-	215,453,813.80
Placements with banks	2,948,107,360.00	-	-	2,948,107,360.00
Derivative financial assets	488,787.91	-	-	488,787.91
Loans and advances to customers	2,883,218,148.61	-	25,609,979.28	2,908,828,127.89
Available-for-sale financial assets	723,148,173.67	-	-	723,148,173.67
Receivables investments	100,000,000.00	-	-	100,000,000.00
Other financial assets	41,839,160.41	-	888,683.33	42,727,843.74
Total	<u>7,578,994,590.42</u>	<u>-</u>	<u>26,498,662.61</u>	<u>7,605,493,253.03</u>

As at 31 December 2019, the Bank has no overdue but not impaired financial assets (31 December 2018: the fair value of the collateral of the overdue but not impaired financial assets was RMB0).

Notes to Financial Statement

Loans and advances that are neither overdue nor impaired

Loans and advances that are neither overdue nor impaired are classified as pass or special mention on the balance sheet date.

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

2019	<u>Pass</u>	<u>Special Mention</u>	<u>Total</u>
Unsecured loans	441,349,742.65	-	441,349,742.65
Guaranteed loans	2,134,521,000.05	-	2,134,521,000.05
Loans secured by mortgages	447,651,063.36	-	447,651,063.36
Loans secured by pledges	<u>1,227,587,618.96</u>	-	<u>1,227,587,618.96</u>
Total	<u>4,251,109,425.02</u>	-	<u>4,251,109,425.02</u>

2018	<u>Pass</u>	<u>Special Mention</u>	<u>Total</u>
Unsecured loans	115,782,102.60	-	115,782,102.60
Guaranteed loans	1,843,106,528.56	4,250,465.42	1,847,356,993.98
Loans secured by mortgages	301,047,203.89	-	301,047,203.89
Loans secured by pledges	<u>619,031,848.14</u>	-	<u>619,031,848.14</u>
Total	<u>2,878,967,683.19</u>	<u>4,250,465.42</u>	<u>2,883,218,148.61</u>

Loans and advances that are overdue but not impaired

As at 31 December 2019, the Bank has no overdue but not impaired loans and advances.

Impaired loans and advances

If there is objective evidence that a single or multiple negative event occurred after the initial recognition of loans and advances and the impact on the expected future cash flows from the events can be estimated reliably, the relevant loans and advances should be recognized as impaired. These loans are classified as "Substandard", "Doubtful" or "Loss". As of balance sheet date, the balance of impaired loans and advances is RMB23,716,628.55, among which the balance of guaranteed loans is RMB12,926,628.55, the balance of loans secured by mortgages is RMB10,790,000.00.

Notes to Financial Statement

(3) Liquidity risk

Liquidity risk is defined as the risk that the Bank is unable to meet its financial obligations on the due date. Liquidity risk of the Bank mainly arises from early or concentrative withdrawal by customers, delayed loan repayment by borrowers, and amount or maturity mismatch of its assets and liabilities.

In accordance with the "Administrative Regulations of the People's Republic of China on Foreign-invested Banks" and the relevant regulations, the Bank must continuously meet the minimum regulatory standards for high-quality liquid assets adequacy ratio, liquidity ratio and liquidity matching ratio. The Bank manages liquidity risk according to the maturity of assets and liabilities.

The liquidity risk management policies established by the Bank are mainly as follows:

- (i) Financial Markets Division closely monitors the structure, term, limit, and funding cost of RMB and foreign currency positions to maintain liquidity;
- (ii) The Assets and Liabilities Committee holds meetings at least once per month to discuss management policies of market risk and liquidity risk, portfolio management policies, structure optimization of assets and liabilities, and exchange rate and interest rate pricing;
- (iii) The duties of Financial Markets Division of the Bank ensure that internal limits and liquidity regulatory requirements are complied with at any time.

Notes to Financial Statement

The undiscounted cash flows of the Bank's financial assets and liabilities by contractual maturities as at 31 December 2019 are as follows :

	<u>Overdue/ on demand</u>	<u>Within 1 month</u>	<u>1 month to 3 months</u>	<u>3 months to 1 year</u>	<u>1 year to 5 years</u>	<u>More than 5 years</u>	<u>Undated</u>	<u>Total</u>
Non-derivative cash flow								
Cash and balances with the central bank	475,795,383.75	-	360,298.51	-	-	-	637,767,805.74	1,113,923,488.00
Due from banks	442,419,338.13	200,251,506.84	-	-	-	-	-	642,670,844.97
Placements with banks	-	1,806,102,755.57	504,599,030.59	312,073,753.43	-	-	-	2,622,775,539.58
Financial assets at fair value through profit or loss	-	-	-	20,830,000.00	-	-	-	20,830,000.00
Derivative financial assets	-	1,010.93	46,174.02	-	-	-	-	47,184.95
Reverse repurchase agreements	-	140,099,663.74	-	-	-	-	-	140,099,663.74
Loans and advances to customers	441,922.33	206,618,391.98	653,599,590.49	2,502,678,782.12	1,064,432,710.01	10,652,626.19	-	4,438,424,023.12
Available-for-sale financial assets	-	14,893,856.33	173,916,000.00	299,682,429.44	461,341,161.39	161,204,000.00	-	1,111,037,447.16
Held-to-maturity investment	-	-	-	772,499.04	3,089,996.17	23,089,996.17	-	26,952,491.38
Receivables investments	-	-	5,323,426.39	163,496,320.41	274,967,493.35	-	-	443,787,240.15
Other financial assets	-	184,619.00	12,336.00	28,420.50	2,930,985.15	-	-	3,156,360.65
Total financial assets	918,656,644.21	2,368,151,804.39	1,337,856,856.00	3,299,562,204.93	1,806,762,346.07	194,946,622.36	637,767,805.74	10,563,704,283.70
Due to banks								
Placements from banks	18,554,200.43	200,881,095.89	-	-	-	-	-	219,435,296.32
Financial assets sold for repurchase	-	1,197,287,330.46	58,616,250.00	4,689,645.31	-	-	-	1,260,593,225.77
Customer deposits	2,729,115,319.84	98,009,128.77	-	-	-	-	-	98,009,128.77
Bonds payables	-	980,053,420.94	891,752,508.94	1,793,225,517.75	290,358,781.08	-	-	6,684,505,548.55
Other financial liabilities	-	300,000,000.00	-	-	-	-	-	300,000,000.00
Other financial liabilities	3,644,852.28	24,486.46	8,361.00	2,519,841.99	-	-	-	6,197,541.73
Total financial liabilities	2,751,314,372.55	2,776,255,462.52	950,377,119.94	1,800,435,005.05	290,358,781.08	-	-	8,568,740,741.14
Credit commitments	31,483,739.88	312,446,068.98	495,870,759.07	1,015,633,726.49	-	-	-	1,855,434,294.42

Notes to Financial Statement

The undiscounted cash flows of the Bank's financial assets and liabilities by contractual maturities as at 31 December 2018 are as follows:

	<u>Overdue/ on demand</u>	<u>Within 1 month</u>	<u>1 month to 3 months</u>	<u>3 months to 1 year</u>	<u>1 year to 5 years</u>	<u>More than 5 years</u>	<u>Undated</u>	<u>Total</u>
Non-derivative cash flow								
Cash and balances with the central bank	124,058,093.41	-	264,704.71	-	-	-	543,068,710.36	667,391,508.48
Due from banks	214,944,551.56	-	-	-	-	-	-	214,944,551.56
Placements with banks	-	1,150,316,646.56	944,487,405.84	902,683,276.72	-	-	-	2,997,487,329.12
Derivative financial assets	-	488,787.91	-	-	-	-	-	488,787.91
Loans and advances to customers	4,129,272.04	176,584,772.76	212,621,884.32	1,742,129,017.62	802,970,555.21	94,769,142.54	-	3,033,204,644.49
Available-for-sale financial assets	-	-	-	288,062,396.00	334,813,099.68	181,360,000.00	-	804,235,495.68
Receivables investments	-	-	1,487,500.00	4,545,138.89	105,272,361.11	-	-	111,305,000.00
Other financial assets	-	39,842.50	-	262,481.79	2,168,030.30	-	-	2,470,354.59
Total financial assets	343,131,917.01	1,327,430,049.73	1,158,861,494.87	2,937,682,311.02	1,245,224,046.30	276,129,142.54	543,068,710.36	7,831,527,671.83
Due to banks								
Due to banks	28,046,524.32	-	-	-	-	-	-	28,046,524.32
Placements from banks	-	655,276,901.39	291,298,177.78	-	-	-	-	946,575,079.17
Customer deposits	1,914,938,885.63	792,996,080.81	739,104,111.92	1,405,170,619.02	102,035,838.02	-	-	4,954,245,535.40
Other financial liabilities	40,641,623.25	44,542.17	452,066.93	512,124.03	-	-	-	41,650,356.38
Total financial liabilities	1,983,627,033.20	1,448,317,524.37	1,030,854,356.63	1,405,682,743.05	102,035,838.02	-	-	5,970,517,495.27
Credit commitments	4,266,101.11	81,009,082.09	304,046,049.85	739,310,083.65	-	-	-	1,128,631,316.70

Notes to Financial Statement

(4) Market risk

Market risk refers to the risk of losses occurred in the Bank's on and off-balance sheet business due to adverse changes of market prices. The Bank's market risk mainly includes currency risk and interest rate risk.

The Bank's risk management organizational structure consists of its Boards of Directors, senior management of different business units such as Branches and Financial Markets Division, risk control units such as Risk Management, Operation, Finance and Accounting and Internal Audit. The Bank has an established market risk limit management system and has refined and standardized management procedures and reporting process of market risk.

The Bank performs sensitivity analysis that considers effects of relevant market risk on assumption that only one single variable changes. As few variables of risks change alone, and correlations among risk variables have significant impact on final changes by one single risk variable, the results of sensitivity analysis may provide limited information on the amount of market risk.

(4.1) Currency risk

The Bank's currency risk arises mainly from currency mismatches of assets and liabilities and foreign currency trading business. The Bank makes appropriate adjustments of foreign currency net position to prevent currency risk caused by market exchange rate fluctuation.

As at 31 December 2019, the Bank's financial assets and financial liabilities by currency are as follows:

	<u>RMB</u>	<u>USD (RMB equivalent)</u>	<u>EUR (RMB equivalent)</u>	<u>Other (RMB equivalent)</u>	<u>Total</u>
Cash and balances with					
the central bank	1,002,808,831.24	110,754,358.25	-	-	1,113,563,189.49
Due from banks	391,303,766.58	239,411,483.13	4,787,883.39	6,827,899.47	642,331,032.57
Placements with banks	1,752,000,000.00	851,096,400.00	-	-	2,603,096,400.00
Financial assets at fair value					
through profit or loss	20,757,160.00	-	-	-	20,757,160.00
Derivative financial					
Assets	47,184.95	-	-	-	47,184.95
Reverse repurchase					
agreements	139,944,000.00	-	-	-	139,944,000.00
Loans and advances to					
customers	3,852,055,295.13	272,856,096.89	70,438,514.57	4,518,224.74	4,199,868,131.33
Available-for-sale					
financial assets	782,024,554.50	201,429,618.35	-	-	983,454,172.85
Held-to-maturity investment	21,102,973.77	-	-	-	21,102,973.77
Receivables investments	399,951,600.00	-	-	-	399,951,600.00
Other financial assets	41,927,670.99	3,254,464.83	47,532.00	1,713.27	45,231,381.09
Total financial assets	8,403,923,037.16	1,678,802,421.45	75,273,929.96	11,347,837.48	10,169,347,226.05
Due to banks	205,635,696.36	12,918,504.07	-	-	218,554,200.43
Placements from banks	850,000,000.00	338,345,700.00	66,431,750.00	4,568,478.00	1,259,345,928.00
Financial assets sold for					
repurchase	98,000,000.00	-	-	-	98,000,000.00
Customer deposits	5,405,315,717.43	1,207,803,755.61	1,669,172.75	29,636.26	6,614,818,282.05
Bonds payables	299,947,683.27	-	-	-	299,947,683.27
Other financial liabilities	29,845,785.87	11,283,692.29	46,498.94	90,378.95	41,266,356.05
Total financial liabilities	6,888,744,882.93	1,570,351,651.97	68,147,421.69	4,688,493.21	8,531,932,449.80
Net position	1,515,178,154.23	108,450,769.48	7,126,508.27	6,659,344.27	1,637,414,776.25
Credit commitments	1,552,887,068.68	267,127,379.74	35,419,846.00	-	1,855,434,294.42

Notes to Financial Statement

As at 31 December 2018, the Bank's financial assets and financial liabilities by currency are as follows:

	<u>RMB</u>	<u>USD (RMB equivalent)</u>	<u>EUR (RMB equivalent)</u>	<u>Other (RMB equivalent)</u>	<u>Total</u>
Cash and balances with the central bank	628,639,457.71	38,478,584.06	-	8,762.00	667,126,803.77
Due from banks	54,498,745.61	144,194,338.91	9,815,035.04	6,436,432.00	214,944,551.56
Placements with banks	1,920,000,000.00	1,028,107,360.00	-	-	2,948,107,360.00
Derivative financial Assets	488,787.91	-	-	-	488,787.91
Loans and advances to customers	2,672,670,127.83	20,171,484.65	160,436,177.15	-	2,853,277,789.63
Available-for-sale financial assets	572,867,984.90	149,832,192.45	-	-	722,700,177.35
Receivables investments	99,000,000.00	-	-	-	99,000,000.00
Other financial assets	36,012,435.85	5,822,218.79	4,505.68	0.09	41,839,160.41
Total financial assets	5,984,177,539.81	1,386,606,178.86	170,255,717.87	6,445,194.09	7,547,484,630.63
Due to banks	9,664,922.55	18,381,601.77	-	-	28,046,524.32
Placements from banks	315,000,000.00	626,267,000.00	-	-	941,267,000.00
Customer deposits	4,158,001,485.19	733,588,373.45	-	21,412,663.93	4,913,002,522.57
Other financial liabilities	25,452,851.24	45,428,934.53	1,804,353.39	22.33	72,686,161.49
Total financial liabilities	4,508,119,258.98	1,423,665,909.75	1,804,353.39	21,412,686.26	5,955,002,208.38
Net position	1,476,058,280.83	(37,059,730.89)	168,451,364.48	(14,967,492.17)	1,592,482,422.25
Credit commitments	1,067,322,398.93	59,951,334.87	1,357,582.90	-	1,128,631,316.70

As at 31 December 2019, based on the assumption that all other variables remain constant, if the foreign currency depreciates/appreciates by 1% against the standard currency, the Bank's net profit or loss will increase/decrease by RMB593,947.47 (2018: RMB1,096,314.33); the Bank's other comprehensive income after tax will decrease/increase by RMB1,510,722.14 (2018: RMB1,123,741.44).

The sensitivity analysis above is performed on the basis that assets and liabilities have static currency risk structure. It shows the impact of a change in foreign exchange rates against RMB on the Bank's profit before tax and equity, given other variables remain constant.

The analysis is based on the following assumptions:

Exchange rate sensitivity refers to the gains and losses caused by the 1% change of the closing rate (mid-rate) of foreign currencies against RMB as at the balance sheet date;

Exchange rate fluctuation refers to the fluctuation of all foreign currencies against RMB in the same direction simultaneously;

Off-balance sheet items are excluded in net position.

Due to the assumptions mentioned above, the actual impact of exchange rate fluctuation on the Bank's foreign exchange gain or loss may differ from the above sensitivity analysis.

Notes to Financial Statement

As at 31 December 2019, the balance sheets of the Bank's foreign currency business in their original currencies are as follows:

	USD	HKD	EUR	JPY	GBP	PHP	AUD	SGD	CAD
ASSETS									
Cash and balances with the central bank	15,876,029.68	-	-	-	-	-	-	-	-
Due from banks	34,318,322.74	557,511.31	612,613.83	64,691,482.00	157,993.92	1,924,973.06	45,080.00	45,776.17	2,000.00
Placements with banks	122,000,000.00	-	-	-	-	-	-	-	-
Interest receivables	466,509.68	1,912.50	6,081.76	-	0.01	-	-	-	-
Available-for-sale financial assets	28,873,830.79	-	-	-	-	-	-	-	-
Loans and advances to Customers	39,112,424.66	5,043,900.00	9,012,669.00	-	-	-	-	-	-
Fixed assets	78,466.70	-	-	-	-	-	-	-	-
Deferred tax assets	28,074.38	-	-	-	-	-	-	-	-
Other assets	50,367.93	-	-	-	-	-	-	-	-
TOTAL ASSETS	240,804,026.56	5,603,323.81	9,631,364.59	64,691,482.00	157,993.93	1,924,973.06	45,080.00	45,776.17	2,000.00
LIABILITIES									
Due to banks	1,851,796.69	-	-	-	-	-	-	-	-
Placements from banks	48,500,000.00	5,100,000.00	8,500,000.00	-	-	-	-	-	-
Customer deposits	173,132,042.60	21,511.46	213,572.10	161,762.65	-	-	-	-	-
Tax payables	461,072.24	3,577.84	17,028.30	49,556.99	22.32	-	0.11	-	-
Interest payables	1,249,775.30	100,894.14	-	-	-	-	-	-	-
Other liabilities	367,680.09	-	5,949.58	-	-	-	-	-	-
TOTAL LIABILITIES	225,562,366.92	5,225,983.44	8,736,549.98	211,319.64	22.32	-	0.11	-	-
EQUITY									
Other comprehensive income (Accumulated losses)/ Retained earnings	500,513.59	-	-	-	-	-	-	-	-
TOTAL EQUITY	14,741,146.05	377,340.37	894,814.61	64,480,162.36	157,971.61	1,924,973.06	45,079.89	45,776.17	2,000.00
TOTAL LIABILITIES AND EQUITY	240,804,026.56	5,603,323.81	9,631,364.59	64,691,482.00	157,993.93	1,924,973.06	45,080.00	45,776.17	2,000.00

Note: Cross reference relationship does not exist for the above balance sheets.

Notes to Financial Statement

As at 31 December 2018, the balance sheets of the Bank's foreign currency business in their original currencies are as follows:

	USD	HKD	EUR	JPY	GBP	PHP	AUD	SGD
ASSETS								
Cash and balances with the central bank	5,606,507.76	10,000.00	-	-	-	-	-	-
Due from banks	21,009,782.45	485,587.75	1,250,753.13	60,681,253.00	174,624.86	1,921,035.37	52,217.24	46,476.17
Placements with banks	149,800,000.00	-	-	-	-	-	-	-
Interest receivables	747,981.82	-	574.17	-	0.01	-	-	-
Available-for-sale financial assets	21,831,243.80	-	-	-	-	-	-	-
Loans and advances to Customers	23,376,293.44	-	2,570,500.00	-	-	-	-	-
Fixed assets	82,302.86	-	-	-	-	-	-	-
Deferred tax assets	28,074.38	-	-	-	-	-	-	-
Other assets	100,342.40	-	-	-	-	-	-	-
TOTAL ASSETS	<u>222,582,528.91</u>	<u>495,587.75</u>	<u>3,821,827.30</u>	<u>60,681,253.00</u>	<u>174,624.87</u>	<u>1,921,035.37</u>	<u>52,217.24</u>	<u>46,476.17</u>
LIABILITIES								
Due to banks	2,678,284.44	-	-	-	-	-	-	-
Placements from banks	91,250,000.00	-	-	-	-	-	-	-
Customer deposits	106,887,220.75	361,219.68	2,654,081.80	4,238,781.79	-	-	1,339.20	-
Tax payables	184,574.06	-	3,426.19	12,025.01	20.45	-	-	-
Interest payables	966,240.18	17.91	0.02	2.00	-	-	1.35	-
Other liabilities	19,999,470.87	135,946.67	1,215,898.66	56,511,383.21	174,987.18	1,917,223.94	52,375.94	47,076.17
TOTAL LIABILITIES	<u>221,965,790.30</u>	<u>497,184.26</u>	<u>3,873,406.67</u>	<u>60,762,192.01</u>	<u>175,007.63</u>	<u>1,917,223.94</u>	<u>53,716.49</u>	<u>47,076.17</u>
EQUITY								
Other comprehensive income (Accumulated losses)/ Retained earnings	(138,779.79)	-	-	-	-	-	-	-
	755,518.40	(1,596.51)	(51,579.37)	(80,939.01)	(382.76)	3,811.43	(1,499.25)	(600.00)
TOTAL EQUITY	<u>616,738.61</u>	<u>(1,596.51)</u>	<u>(51,579.37)</u>	<u>(80,939.01)</u>	<u>(382.76)</u>	<u>3,811.43</u>	<u>(1,499.25)</u>	<u>(600.00)</u>
TOTAL LIABILITIES AND EQUITY	<u>222,582,528.91</u>	<u>495,587.75</u>	<u>3,821,827.30</u>	<u>60,681,253.00</u>	<u>174,624.87</u>	<u>1,921,035.37</u>	<u>52,217.24</u>	<u>46,476.17</u>

Note: Cross reference relationship does not exist for the above balance sheets.

Notes to Financial Statement

(4.2) Interest rate risk

The Bank's interest rate risk mainly arises from the mismatch of contractual maturity date and re-pricing date of interest-generating assets and interest-bearing liabilities.

Floating interest rate instruments expose the Bank to cash flow interest risk, whereas fixed interest rate instruments expose the Bank to fair value interest risk. Floating interest rate instruments are re-priced at intervals of less than one year. Fixed interest rate instruments are priced at the inception of financial instruments and are fixed until maturity. The Bank measures the re-pricing risk of interest-generating assets and interest-bearing liabilities by re-pricing date of floating interest rate instruments and maturity date of fixed interest rate instruments.

The Bank conducts timely assessment and monitoring on the macro-economic status during operation to reduce the risk caused by the interest rate fluctuation. It adjusts the structure and terms of relative assets and liabilities based on this assessment.

Notes to Financial Statement

As at 31 December 2019, the Bank's analysis of financial assets and liabilities by the earlier of maturity date and re-pricing date is as follows:

	<u>Within 1 month</u>	<u>1 month to 3 months</u>	<u>3 months to 1 year</u>	<u>1 year to 5 years</u>	<u>More than 5 years</u>	<u>Overdue/Non- interest bearing</u>	<u>Total</u>
Cash and balances with the central bank	1,002,692,214.99	-	-	-	-	110,870,974.50	1,113,563,189.49
Due from banks	642,331,032.57	-	-	-	-	-	642,331,032.57
Placements with banks	1,801,572,400.00	499,524,000.00	302,000,000.00	-	-	-	2,603,096,400.00
Financial assets at fair value through profit or loss	-	-	20,757,160.00	-	-	-	20,757,160.00
Derivative financial assets	1,010.93	46,174.02	-	-	-	-	47,184.95
Reverse repurchase agreements	139,944,000.00	-	-	-	-	-	139,944,000.00
Loans and advances to customers	158,842,936.28	650,857,313.89	2,400,502,535.45	978,722,638.94	10,652,626.19	290,080.58	4,199,868,131.33
Available-for-sale financial assets	13,985,467.19	160,234,160.00	267,421,653.47	391,742,432.19	150,070,460.00	-	983,454,172.85
Held-to-maturity investment	-	-	-	-	21,102,973.77	-	21,102,973.77
Receivables investments	-	-	148,350,000.00	251,601,600.00	-	-	399,951,600.00
Other financial assets	-	-	-	-	-	45,231,381.09	45,231,381.09
Total financial assets	<u>3,759,369,061.96</u>	<u>1,310,661,647.91</u>	<u>3,139,031,348.92</u>	<u>1,622,066,671.13</u>	<u>181,826,059.96</u>	<u>156,392,436.17</u>	<u>10,169,347,226.05</u>
Due to banks	205,635,696.36	-	-	-	-	12,918,504.07	218,554,200.43
Placements from banks	1,196,161,200.00	58,616,250.00	4,568,478.00	-	-	-	1,259,345,928.00
Financial assets sold for repurchase	98,000,000.00	-	-	-	-	-	98,000,000.00
Customer deposits	3,688,924,606.16	884,795,309.62	1,762,645,415.64	278,452,950.63	-	-	6,614,818,282.05
Bonds payables	299,947,683.27	-	-	-	-	-	299,947,683.27
Other financial liabilities	-	-	-	-	-	41,266,356.05	41,266,356.05
Total financial liabilities	<u>5,488,669,185.79</u>	<u>943,411,559.62</u>	<u>1,767,213,893.64</u>	<u>278,452,950.63</u>	<u>-</u>	<u>54,184,860.12</u>	<u>8,531,932,449.80</u>
Net position	<u>(1,729,300,123.83)</u>	<u>367,250,088.29</u>	<u>1,371,817,455.28</u>	<u>1,343,613,720.50</u>	<u>181,826,059.96</u>	<u>102,207,576.05</u>	<u>1,637,414,776.25</u>

Notes to Financial Statement

As at 31 December 2018, the Bank's analysis of financial assets and liabilities by the earlier of maturity date and re-pricing date is as follows:

	<u>Within 1 month</u>	<u>1 month to 3 months</u>	<u>3 months to 1 year</u>	<u>1 year to 5 years</u>	<u>More than 5 years</u>	<u>Overdue/Non- interest bearing</u>	<u>Total</u>
Cash and balances with the central bank	628,398,967.56	-	-	-	-	38,727,836.21	667,126,803.77
Due from banks	214,944,551.56	-	-	-	-	-	214,944,551.56
Placements with banks	1,146,013,600.00	930,424,000.00	871,669,760.00	-	-	-	2,948,107,360.00
Derivative financial assets	488,787.91	-	-	-	-	-	488,787.91
Loans and advances to customers	164,414,838.02	190,242,447.45	1,671,699,801.39	730,127,756.94	92,663,673.79	4,129,272.04	2,853,277,789.63
Available-for-sale financial assets	-	50,205,800.00	205,585,112.09	298,177,565.26	168,731,700.00	-	722,700,177.35
Receivables investments	-	-	-	99,000,000.00	-	-	99,000,000.00
Other financial assets	<u>39,842.50</u>	<u>-</u>	<u>262,481.79</u>	<u>2,168,030.30</u>	<u>-</u>	<u>39,368,805.82</u>	<u>41,839,160.41</u>
Total financial assets	<u>2,154,300,587.55</u>	<u>1,170,872,247.45</u>	<u>2,749,217,155.27</u>	<u>1,129,473,352.50</u>	<u>261,395,373.79</u>	<u>82,225,914.07</u>	<u>7,547,484,630.63</u>
Due to banks	9,664,922.55	-	-	-	-	18,381,601.77	28,046,524.32
Placements from banks	652,181,200.00	289,085,800.00	-	-	-	-	941,267,000.00
Customer deposits	2,707,795,426.22	734,933,246.81	1,372,759,300.30	97,514,549.24	-	-	4,913,002,522.57
Other financial liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>72,686,161.49</u>	<u>72,686,161.49</u>
Total financial liabilities	<u>3,369,641,548.77</u>	<u>1,024,019,046.81</u>	<u>1,372,759,300.30</u>	<u>97,514,549.24</u>	<u>-</u>	<u>91,067,763.26</u>	<u>5,955,002,208.38</u>
Net position	<u>(1,215,340,961.22)</u>	<u>146,853,200.64</u>	<u>1,376,457,854.97</u>	<u>1,031,958,803.26</u>	<u>261,395,373.79</u>	<u>(8,841,849.19)</u>	<u>1,592,482,422.25</u>

Notes to Financial Statement

As at 31 December 2019, based on the assumption that all other variables remain constant, if the deposit and loan interest rate increases/decreases by 100 basis points, the Bank's net profit or loss will decrease/increase by RMB6,275,795.00 (2018: RMB3,922,202.97); the Bank's other comprehensive income after tax will decrease/increase by RMB3,266,583.74 (2018: RMB9,393,469.44).

The sensitivity analysis above is performed on the basis that assets and liabilities have static interest rate risk structure. It reflects the impact of interest rate movement on the Bank's annualized interest income for over a one-year period. The key assumptions are as follows:

- (1) All assets and liabilities with re-pricing date or maturity date less than 1 month, 1 month to 3 months, and 3 months to 1 year are assumed to be re-priced or matured in the middle of the respective period;
- (2) There is a parallel yield curve move relative to current interest rates;
- (3) There are no other changes for the portfolio of assets and liabilities;
- (4) Off-balance sheet items are excluded.

Due to the assumptions mentioned above, the actual net interest income from interest rate movement may differ from the sensitivity analysis results.

The impact on equity is estimated from the change in market value of "Available-for-sale" financial assets caused by a parallel shift of yield curve arising from the interest rate change.

8. Capital Management

The Bank has adopted a strong capital management method to prevent and mitigate the inherent risk in business operation and complied with the requirements of regulatory authorities. The Bank also targets to maintain sufficient capital adequacy ratio for operations and maximizing shareholder's value. The Bank adjusts its capital structure actively to adapt to the change of economic environment and related risk characteristics.

The Bank calculates and discloses capital adequacy ratio according to "Regulations Governing Capital of Commercial Banks (Provisional)". CBIRC requires that a commercial bank's core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio should not be lower than 7.5%, 8.5%, and 10.5% respectively.

Core tier-one capital includes paid-up capital, capital reserve, qualified other comprehensive income, surplus reserves, general reserves and retained earnings. The Bank has no other tier-one capital. Tier-two capital mainly includes surplus provision for loan impairment.

Notes to Financial Statement

	<u>2019</u>	<u>2018</u>
Core tier-one capital	1,656,157,536.76	1,624,036,315.51
<i>Paid-up capital</i>	1,500,000,000.00	1,500,000,000.00
<i>Capital reserves</i>	453,890.00	453,890.00
<i>Qualified other</i>		
<i>comprehensive income</i>	3,373,759.04	1,170,466.16
<i>Surplus reserves</i>	13,485,204.29	10,493,411.45
<i>General reserves</i>	103,196,701.12	94,403,636.63
<i>Retained earnings</i>	35,647,982.31	17,514,911.27
Core tier-one capital deductions	9,079,515.74	7,666,805.65
<i>Other intangible assets</i>	9,079,515.74	7,666,805.65
<i>provision for loan impairment</i>	-	-
Net core tier-one capital	1,647,078,021.02	1,616,369,509.86
Net tier-one capital	1,647,078,021.02	1,616,369,509.86
Tier-two capital	53,081,100.00	13,685,980.40
<i>Surplus provision for</i>		
<i>loan impairment</i>	53,081,100.00	13,685,980.40
Net capital base	1,700,159,121.02	1,630,055,490.26
Weighted risk assets	7,847,967,522.24	6,728,909,822.05
Core tier-one capital adequacy ratio	20.99%	24.02%
Tier-one capital adequacy ratio	20.99%	24.02%
Capital adequacy ratio	21.66%	24.22%

The capital adequacy ratios and related components of the Bank are calculated based on the statutory financial statements prepared under the Chinese Accounting Standards for Business Enterprises. During the period, the Bank has complied with the capital requirements imposed by the regulator.

9. Fair Value

Fair value is the amount for which an asset could be exchanged, or a liability could be settled, between knowledgeable and willing parties at an arm's length transaction.

If an active market exists, such as an authorized securities exchange, the market value is the best reflection of the fair value of financial instruments. Since there is no available market value for part of the financial assets and liabilities held by the Bank, the discounted cash flow method or other valuation methods described below are used to determine the fair value for those assets and liabilities. However, the value determined by such methods is subject to the impact of future cash flows, time assumption and discount rates used.

Notes to Financial Statement

The following methods and assumptions have been used by the Bank in estimating fair values of each financial assets and liabilities:

- (1) The fair value of financial assets and financial liabilities at fair value through profit or loss (including derivative financial assets and liabilities) is measured at their market price. Where market price is not available, fair value is estimated using the discounted cash flows method or with reference to the quoted price of counterparties.
- (2) The fair value of fixed rate loans is estimated by comparing the market interest rates offered when the loans are granted, with the current market rates offered on similar loans. Changes in the credit quality of loans within the portfolio are not taken into consideration in determining the gross fair values. To measure the impact of deterioration in credit quality, the potential loss may be recognized separately by deducting the amount of loan impairment loss from the carrying amount and fair value of the loan facility;
- (3) Customer deposits are priced based on fixed rate or floating rate depending on the product type. The fair value of demand deposits is determined based on the amount payable on demand. The fair value of fixed deposits are estimated using the discounted cash flows method with the prevailing deposit rate for the remaining tenor of the fixed deposit as the discount rate.

Those financial instruments for which their carrying amounts are the reasonable approximations of their fair values because, for example, they are short term in nature or re-priced at current market rates periodically, are as follows:

Assets

Cash and balances with the central bank
Due from banks
Placements with banks
Reverse repurchase agreements
Interest receivable
Loans and advances to customers
Held-to-maturity investment
Receivables investments
Other assets

Liabilities

Due to banks
Placements from banks
Financial assets sold for repurchase
Customer deposits
Interest payable
Bonds payable
Other current liabilities

All the assumptions and methods mentioned above provide a consistent basis for determining of fair value of the Bank's assets and liabilities. However, other institutions may use different assumptions and methods. Therefore, the fair values disclosed by different financial institutions may not be comparable.

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

Level 1: Quoted active market price

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

Level 2: Valuation technique using observable inputs

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

Level 3: Valuation technique with significant non-observable inputs

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

Notes to Financial Statement

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

	Inputs in fair value measurement			Total
	Quoted active market price Level 1	Significant observable inputs Level 2	Significant non-observable inputs Level 3	
2019				
Financial assets at fair value through profit or loss	-	20,757,160.00	-	20,757,160.00
Derivative financial assets	-	47,184.95	-	47,184.95
Available-for-sale financial assets	-	<u>983,454,172.85</u>	-	<u>983,454,172.85</u>
Total	-	<u>1,004,258,517.8</u>	-	<u>1,004,258,517.80</u>
	Inputs in fair value measurement			Total
	Quoted active market price Level 1	Significant observable inputs Level 2	Significant non-observable inputs Level 3	
2018				
Derivative financial assets	-	488,787.91	-	488,787.91
Available-for-sale financial assets	-	<u>722,700,177.35</u>	-	<u>722,700,177.35</u>
Total	-	<u>723,188,965.26</u>	-	<u>723,188,965.26</u>

In 2019, there was neither transfer from level 1 and level 2 to level 3, nor transfer between level 1 and level 2 in the fair value hierarchy.

The Bank has established a market risk management regime governed ultimately by the Board of Directors, where the internal control framework for fair value measurement was established to meet the requirements of both internal management and information disclosure. Over time, the Bank has constructed the systematical management of market risk covering all procedures in identifying, measuring, monitoring, and verifying the fair value of its assets and liabilities with the combined effort of all related departments from front desk to back office.

10. Related party relationship and transactions

(1) Criteria of identifying related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party, or, both parties are subject to common control or common significant influence.

Details of the Bank's related parties are as follows:

- (i) the parent company of the Bank;
- (ii) the party subject to common control of the same parent company;
- (iii) the key management personnel of the Bank or the parent company, and their close relatives;
- (iv) the related individual directly or indirectly controls or works as the member of the board or senior management of the legal person which is not listed or subsidized by listed company.

Notes to Financial Statement

(2) Parent company

Name	Metrobank
Registered country	The Philippines
Business nature	bank
Percentage of shareholding	100%
Percentage of voting rights	100%
Common stock	Philippine Peso 89.95 billion

(3) Other related parties

Name	Relationship
Metropolitan Bank & Trust Company, Tokyo Branch ("Tokyo Branch")	Under the common control of parent company
Metropolitan Bank & Trust Company, Seoul Branch ("Seoul Branch")	Under the common control of parent company
Metropolitan Bank & Trust Company, New York Branch ("New York Branch")	Under the common control of parent company
Metropolitan Bank & Trust Company, Taipei Branch ("Taipei Branch")	Under the common control of parent company
Namche real estate development (Shanghai) Co., Ltd.	The related individual works as the member of the board of the company

(4) Main transactions between the Bank and related parties

(4.1) Major balances between the Bank and related parties

Due from banks	2019	2018
Metrobank	13,279,126.75	10,022,144.34
New York Branch	5,391,712.23	23,723,601.49
Total	<u>18,670,838.98</u>	<u>33,745,745.83</u>
Due to banks	2019	2018
Metrobank	14,018,408.39	18,701,541.31
Placements from banks	2019	2018
Metrobank	780,297,928.00	533,613,800.00
Interest payables	2019	2018
Metrobank	634,753.87	2,435,624.57
L/C confirmation	2019	2018
Metrobank	-	496,796.16
Customer deposits	2019	2018
Related individuals	1,750,344.50	1,311,994.62

Notes to Financial Statement

(4.2) Major transactions between the Bank and related parties

Interest income	<u>2019</u>	<u>2018</u>
Metrobank	<u>15,435.74</u>	<u>25,655.31</u>

Interest expenses	<u>2019</u>	<u>2018</u>
Metrobank	11,019,541.19	13,405,008.14
Related individuals	<u>17,585.69</u>	<u>6,809.53</u>

Lease expenses	<u>2019</u>	<u>2018</u>
Namche real estate development (Shanghai) Co., Ltd.	<u>4,781,801.02</u>	<u>4,453,820.28</u>

(4.3) Key management personnel

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

Salaries and benefits	<u>2019</u>	<u>2018</u>
	<u>23,046,621.71</u>	<u>20,919,867.93</u>

11. Contingency

As at 31 December 2019, there was no contingency to be disclosed.

12. Commitments

(1) Financial commitments

Capital commitments

The Bank has no material capital commitments as at 31 December 2019.

Operating lease commitments

The Bank leases certain premises and equipment under non-cancellable operating lease contracts. The total future minimum rental payments as at the balance sheet date are as follows:

Notes to Financial Statement

	<u>2019</u>	<u>2018</u>
Within 1 year (inclusive)	16,246,615.68	12,526,778.35
After 1 year but less than 2 years (inclusive)	12,521,628.93	9,408,245.01
After 2 years but less than 3 years (inclusive)	9,403,658.54	5,914,745.30
After 3 years	<u>17,003,213.62</u>	<u>4,443,911.43</u>
Total	<u><u>55,175,116.77</u></u>	<u><u>32,293,680.09</u></u>

(2) Credit commitments

	<u>2019</u>	<u>2018</u>
Financial guarantee contracts		
Letters of credit issued-usance	146,044,005.43	28,538,606.29
Letters of credit issued-at sight	156,503,220.31	32,273,515.32
Confirmed letters of credit	-	496,796.16
Bank acceptance	1,552,887,068.68	1,067,322,398.93
Letters of guarantee	<u>-</u>	<u>-</u>
Total	<u><u>1,855,434,294.42</u></u>	<u><u>1,128,631,316.70</u></u>

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

13. Post-balance-sheet events

2019 Annual profit distribution plan is approved by board of directors of Metro Bank at 2020 Second Interim Board Meeting on 23 April 2020.

The Bank will appropriate 10% of its net profits to the statutory surplus reserves, which is amount to RMB2,991,792.84.

In accordance with Cai Jin [2012] No. 20 "Impairment Loss on Loans for Financial Institutions", the Bank set aside general reserves from net profit as profit appropriation, which is amount to RMB32,697,124.71.

Since the Corona Virus Disease 2019 ("COVID-19") broke out in January 2020, the nationwide prevention and control has been continuing. Due to the impact of COVID-19 on commercial and economic activities, all kinds of business of the Bank may be affected to varying degrees. The Bank will pay close attention to the situation of COVID-19 and actively deal with its impact on the financial position, operating results and other aspects of the Bank.

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

14. Approval of the financial statements

The financial statements were approved for issue by the Board of Directors on 23 April 2020.