



首都銀行 Metrobank

2020 Annual Report



You're in good hands

Original Intention & Mission

Time back to April 22, 2010. On this day, Metrobank (China) Head Office and Nanjing Branch officially opened with approval of China Banking Insurance Regulatory Commission (hereinafter referred to as “CBIRC”), and the first batch of Yangtze River Delta SME customers were welcomed at the Nanjing branch located at the Olympic Stadium in Hexi. It marks not only the beginning of Metrobank's roots in China, but also the beginning of Metrobank Group's founder and Chairman, Dr. George Ty, bringing back to his home country to extend and develop his legendary career.

This is not the first time that Metrobank has entered China, as it established representative offices in Shanghai and Beijing as early as 1992 and 1994. Nowadays, Metrobank (China) is the first foreign bank to locate its China headquarters in Jiangsu province. In the year of its opening, Metrobank (China) made a breakthrough by making a profit in the same year of its opening. This “First” is due to the fact that Metrobank (China) has been able to fulfill its strategic positioning and win the trust of local enterprises with its excellent services, unique products and favorable prices. A year is just a snap of the fingers in history, but for a newborn Metrobank (China), it is a journey of continuous progress through thick and thin.

The year 2020 is a milestone year, and our original intention and mission will be the driving force for us to enter the next decade. By adhering to and deepening our core values based on “Integrity, Service, Efficiency, Professionalism and Innovation”, Metrobank (China) will start the journey of “Meaningful Banking” in next decade.



10th Anniversary

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A man with short dark hair, wearing a blue suit, white shirt, and patterned tie, is sitting on a metal stool. He is smiling and looking towards the camera. His hands are clasped in his lap. He is wearing a watch on his left wrist and black shoes.

Chairman's Statement

In the past year, owing to the pandemic, the world has experienced unprecedented difficulties and challenges, and many things have been changed, but we are very happy that the forward movement of Metrobank (China) has not been stagnant and the spirit of our efforts has not been changed. In spite of the adversity, Metrobank (China) has achieved continuous and stable growth and profitability in all its businesses and operation management. Under the pandemic, our colleagues have supported each other and tackled the challenges together by supporting our communities and customers. We are confident in the uncertainty of the future and will continue to provide a convenient, efficient and customer-focused experience, and we are committed You're Always In Good Hands.

The year 2020 coincided with the 10th anniversary of the establishment of Metrobank (China). As a major milestone of the first decade, the Bank successfully achieved a substantial breakthrough of CNY10 billion in total assets at the end of the year, with a steady expansion of assets and liabilities and a significant increase in net profit compared with the previous year. In 2021, at the macro level, we have renewed our strategic focus, and our new business strategy will be more focused on "Digitalization, Focalization, Internationalization, Low Cost" business policy based on corporate business, financial market business and international business to drive force for steady development. The Bank will continue to adhere to the baseline of risk prevention and control, adhere to the premise of compliant operation, and ensure the "safety" of customer assets, shareholders' investment and staff development platform.

In terms of business development, relying on the good fundamentals in China, and based on the business objectives of "customer-oriented, employee-oriented and profit-oriented", the Bank successfully opened its 6th branch, Suzhou Branch in 2020, which is a very important part of the layout of the Yangtze River Delta region and a professional trade finance team is stationed in Xiamen branch, relying on its resource advantages in Southeast Asia and based on serving local trade growth, with the ambition to make Metrobank's brand bigger and stronger.

Chairman's Statement



In terms of talent development, the Bank has always focused on talent acquisition and cultivation. Helping employees grasp their career future is one of Metrobank (China)'s important development strategies, giving them more opportunities for progress and development while supporting their long-term development. In 2020, we launched "Meaningful Banking" which align with the concept launched by the Parent Bank., "Meaningful Banking" consists of 4 pillars including "Trust", "Honor", "Development" and "Care". Metrobank (China) has always been employee-oriented and committed to becoming a trustworthy employer, continuously improving employee engagement and growing together with them.

While achieving business development, Metrobank (China) has always been mindful of its social responsibility as a company. During the COVID-19 pandemic, the Bank made every effort to prevent and control the pandemic, and took practical actions to maintain the financial order and support the development and stability of enterprises. Since the signing of the "Meaningful Future" strategic plan with the Shanghai Soong Ching Ling Foundation in 2019, we have continued to implement the "Guardian of Rural Children's Growth Program" and the scholarship program for underprivileged children in 2020, and successfully distributed the "Happy Growth Scholarship" during the pandemic, and successfully held the "Empowering Rural Teachers" training program.

In 2021, Metrobank (China) stands at the new starting point of its second decade of development. We will always keep our original intention and mission in mind and live up to the expectations of our customers and employees, move forward to achieve 'Meaningful Banking'.

Arthur TY
April 2021



President's Message

2020 surely was an unusual and difficult year. The COVID-19 pandemic was rampant worldwide, negatively affecting the industrial chain, supply chain and capital chain of various countries. Uncertainties and complexities fulfilled in global economy. Financial risks accumulated. The Chinese government carried out in time strong pandemic prevention and control measures as well as introduced a series of macro policies. In 2020 Q2, China became the first major economy in the world to achieve positive growth since the outbreak of COVID-19. Then it showed strong development resilience and maintained the momentum of sustained recovery. The annual GDP exceeded 100 trillion yuan, indicating that China had entered a new stage of economic development.

Thanks to the sound fundamentals of China's economy, and with the joint efforts of all staff of the Bank, we have successfully achieved the 2020 business objectives required by the Board of Directors: our annual operating income ascended 12% to CNY235 million, while through a series of effective cost control measures, the cost-to-income ratio declined by 1.7% to 64.37%; profit before provision rose to CNY81.841 million, up by 17% year on year; net profit achieved a growth rate of 42%, reaching CNY42.499 million; balance of non-performing loan decreased and non-performing loan ratio eased from 0.55% in 2019 to 0.42% in 2020, showing steadily improved asset quality; scale of deposits and loans expanded. The Bank's total deposits stood at CNY7.266 billion, growing 10% in 2020; under the premise of strict risk control, we posted a modest 7% growth in loans to CNY4.58 billion; total assets expanded 8% to CNY11.052 billion, successfully reaching the 2020 yearly goal of substantial breakthrough of CNY10 billion. At the meantime, we also successfully opened our 6th branch, Suzhou Branch, an important step of the complete layout in the Yangtze River Delta region in the year.

We have always been devoting ourselves to be a foreign-funded bank with "Excellent Service", "High Efficiency", "Good Reputation" and "Small-sized yet Exquisite", and a high-quality enterprise trusted by customers, employees and the shareholder. In early 2020, on the occasion of the 10th anniversary of the Bank's founding, we launched the development theme of "Meaningful Banking" following the Parent Bank. In 2021, at the beginning of the new decade of Metrobank (China), we launch a new development theme-"Better Metrobank, Better Me" and upgrade "Meaningful Banking" to version 2.0 - Better Me. Me represents not only the Bank, but also the staff, showing our faith and confidence in continuously achieving well beyond the past.



President's Message

In 2021, strategically, the Bank will still stick to the bottom line of risk prevention and control, and adhere to the premise of compliance operation, to ensure "safety" and "health" of customers' assets, shareholder's investment and employees' development platform. Tactically, in accordance with the specific measures in the 2021-2023 Strategic Development Plan formally implemented since 2021, we will follow the upgraded business policy of "Digitalization, Focalization, Internationalization and Low Cost", take corporate business, financial market business and international business as the engine, and take multiple measures to build a process bank with efficient internal management, so as to realize all-round and in-depth improvements in quality and efficiency.

Challenges and difficulties are sure to be waiting for us in 2021. But then we know that where there are challenges, there will be opportunities; where there are difficulties, there will be breakthroughs. We are grateful to our dear customers and shareholder, for your unwavering trust and staunch support. To all fellow members, we sincerely thank you for your consistent efforts and contributions. Relying on your trust, support and dedications, we are full of courage to face challenges and remain confident in seizing opportunities. We strive to keep our promise and aim to elevate it through realizing Better Me and creating a more meaningful bank, to put You Always in Good Hands.

David Lin

April 2021

Our Mission

Metrobank committed to being a leading financial group that helps our clients achieve their development goals and realize their potentials. In response to the needs of our beneficiaries, we continue to expand our scope of business by creating and customizing exclusive financial solutions to meet our mission of serving the community. We are guided by our commitment to “You’re in good hands”.

About Metrobank (China)

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

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 our Customer Value Proposition. 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, Janye District, Nanjing 210019, China
Date of Incorporation :	14 January 2010
Paid up Share Capital :	CNY1,500,000,000
Customer Service Line:	4008649000

About Parent Bank

Metropolitan Bank & 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 nearly 60 years of development and operation, the Metrobank Group has become a large-scale universal bank, including a number of savings bank, investment bank, finance company, securities company, credit card company, exchange company, insurance company, leasing company, etc. The group is listed on the Philippine Stock Exchange under the symbol "MBT".

At present, 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.

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.

Head Office

L21/22, One IFC, Nanjing IFC,
No.347 Jiangdong Middle Road,
Jianye District, Nanjing, Jiangsu
Province
Tel: (025) 6858 4194
Fax: (025) 6858 4141
Postcode: 210019

Head Office (Based in Shanghai)

3F, Metrobank Plaza, 1160 West
Yan'an Road, Changning District,
Shanghai
Tel: (021) 3183 2500
Fax: (021) 3183 3376
Postcode: 200052

Nanjing Branch

Building 32, Baguio Garden, 189
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Nanjing, Jiangsu Province
Tel: (025) 8966 7870
Fax: (025) 8966 7862
Postcode: 210019

Shanghai Branch

1F, Metrobank Plaza, 1152 West
Yan'an Road, Changning District,
Shanghai
Tel: (021) 3183 2500
Fax: (021) 3183 3379
Postcode: 200052

Shanghai Pudong Sub-Branch

Building D, 12F, New Shanghai
International Tower, No.360
South Pudong Rd., Pudong New
Area, Shanghai
Tel: (021) 3183 3336
Postcode: 200122

Changzhou Branch

No.88-103, Jingchenghaoyuan,
Beida Street, Zhonglou District,
Changzhou, Jiangsu Province
Tel: (0519) 8806 1611
Fax: (0519) 8806 1617(1F)
(0519) 8806 1616(2F)
Postcode: 213003

Changzhou Wujin Sub-Branch

No.101-102, Building 13, Wanda
Plaza, Wujin District, Changzhou,
Jiangsu Province
Tel: (0519) 8988 3198
Fax: (0519) 8988 2621
(0519) 8988 2631
Postcode : 213100

Changzhou Xinbei Sub-Branch

No.8 Fudijulongyuan, Tongjiang
Middle Road, Xinbei District,
Changzhou, Jiangsu Province
Tel: (0519) 8806 1564
Fax: (0519) 8806 1598
Postcode: 213022

Quanzhou Branch

Unit 1302-1303, South Asia
Plaza, 666 Fengze Street,
Fengze District, Quanzhou,
Fujian Province
Tel: (0595) 2988 9372
Fax: (0595) 2988 9377
Postcode: 362000

Xiamen Branch

Unit 05-07, 11F, Yishan Business
Center(Xiamen Fortune Center),
100 Lujiang Road, Siming District,
Xiamen, Fujian Province
Tel: (0592) 2110 265
Fax: (0592) 2113 275
Postcode: 361001

Suzhou Branch

1805-1808, China Life Finance
Center, Building 24A, Harmony
Times Square, Suzhou Industrial
Park, Suzhou, Jiangsu Province
Tel: (0512) 8885 9159
Fax: (0512) 8885 9159
Postcode: 215000

Milestone in 2020

April

10th Anniversary of Metrobank (China)



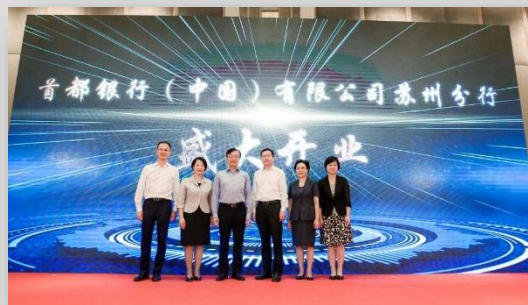
First Customer Appreciation Seminar



Aug

Sep

Suzhou Branch Grand Opening



Quanzhou Banking and Enterprises Strategic Cooperation Summit Forum and Signing Ceremony

Nov



Financial Highlights

	2020	2019	Increase/ (Decrease)
Operating result		CNY '000	%
Net interest income	146,420	139,754	4.77
Total operating income	234,897	209,293	12.23
Total operating expense	151,199	138,282	9.34
Impairment losses	23,510	29,735	(20.93)
Profit before tax	57,347	40,236	42.53
Net Profit	42,499	29,918	42.05
Balance Sheet		CNY '000	%
Total assets	11,051,981	10,229,287	8.04
Financial indicators	%	%	%
Return on equity	2.54	1.82	0.72
Return on assets	0.40	0.34	0.06
Cost/income ratio	64.37	66.07	(1.70)
Loan-to-deposit ratio	63.04	64.62	(1.58)
Liquidity ratio	77.46	75.95	1.51
Leverage ratio	12.78	13.31	(0.53)
Non-performing loan ratio	0.42	0.55	(0.13)
Loan provision ratio (note 1)	1.97	1.75	0.22
Provision coverage ratio (note 1)	467.84	316.06	151.78
Capital adequacy ratio (CAR)			
Core Tier 1 CAR	17.76	20.99	(3.23)
Tier 1 CAR	17.76	20.99	(3.23)
CAR	18.51	21.66	(3.15)

Note 1: In 2020, regulatory requirements on the Bank's loan provision ratio and provision coverage ratio are 1.50% and 120% respectively.

Board Member

Arthur V. TY



Lin Guixian



David Lin



Stanley Lo



Robin A. King



Peter Pang



First Row (From Left to Right) :

Chairman	Arthur V. TY
Vice Chairman	Lin Guixian
Executive Director	David Lin

Second Row (From Left to Right) :

Independent Director	Stanley Lo
Independent Director	Robin A. King
Independent Director	Peter Pang

Board Member

Michael Ong



Charles Cheung



**Richard Benedict
S. So**



**Fernand Antonio
A. Tansingco**



Larry Chan



George Tsai



First Row (From Left to Right) :

Non-executive Director	Michael Ong
Non-executive Director	Charles Cheung
Non-executive Director	Richard Benedict S. So

Second Row (From Left to Right) :

Advisor	Fernand Antonio A. Tansingco
Advisor	Larry Chan
Advisor	George Tsai

Board Member

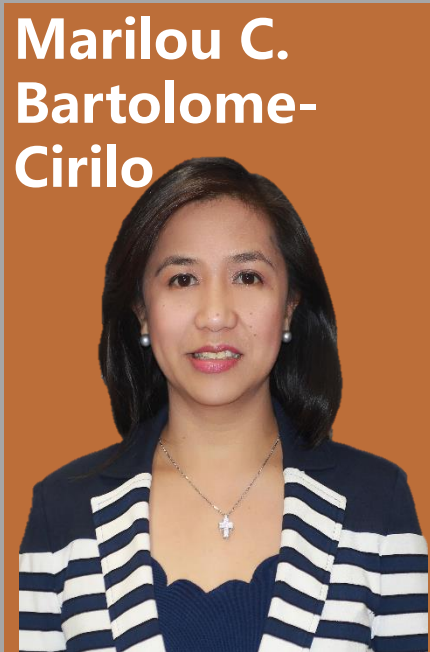
Thomas Huang



Solomon Cua



**Marilou C.
Bartolome-
Cirilo**



First Row (From Left to Right) :

Advisor	Thomas Huang
Advisor	Solomon Cua
Supervisor	Marilou C. Bartolome-Cirilo

About Management Team

Arthur V. TY



Chairman

David Lin



President

Thomas Huang



**Executive
Vice President**

About Management Team

Billy Lau



Wesley Chen



Alice Shi



Raymond Yang



Crystal Yang



Quan Lin



First Row (From Left to Right) :

Chief Financial Officer
Head of Credit Control
Head of Human Resources

Billy Lau
Wesley Chen
Alice Shi

Second Row (From Left to Right) :

Head of Corporate Banking & Business
Head of Internal Audit
Head of Financial Markets

Raymond Yang
Crystal Yang
Quan Lin

About Management Team

Phoenix Zhao



Katherine Gao



Willson Chen



Tomas Wei



Li Bin



First Row (From Left to Right) :

Head of Compliance Phoenix Zhao
Head of Operations Katherine Gao
Head of IT Wilson Chen

Second Row (From Left to Right) :

Head of Administration & Security Tomas Wei
Head of Risk Management Li Bin

About Management Team

Tang Junjun



Alex Hong



Paul Zhang



Honda Huang



Duke Luo



Angel Hang



First Row (From Left to Right) :

GM of Changzhou Branch
GM of Shanghai Branch
GM of Nanjing Branch

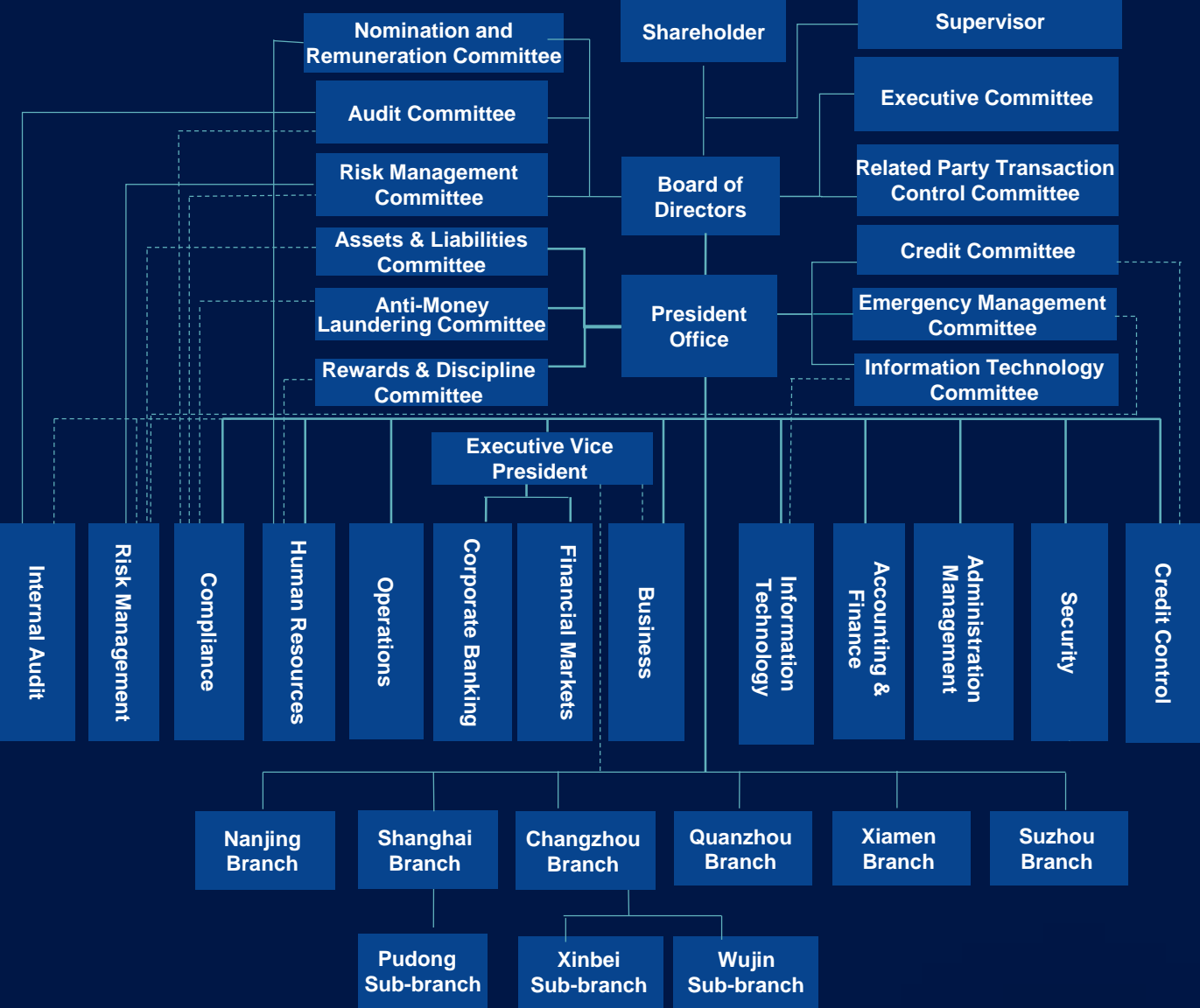
Tang Junjun
Alex Hong
Paul Zhang

Second Row (From Left to Right) :

GM of Quanzhou Branch
GM of Xiamen Branch
GM of Suzhou Branch

Honda Huang
Duke Luo
Angel Hang

Metrobank (China) Organization Structure



Version No: V-20200818



Corporate Banking

In 2020, we focus on the business strategies of "Risk prevention", "Promotion of Transformation", "Structural Adjustment" and "Steady Growth". The Bank has always put risk prevention and compliance control in the forefront of our business development, adhere to the business policy of "Digitalization", "Focalization", "Internationalization" & "Low Cost", and implement the business development strategy of "corporate banking business and financial market business".

In 2020, Metrobank (China) continued to strengthen risk prevention and business development revolved around the strategy of regional focus, industry focus, customer focus and product focus.

In terms of business expansion, Metrobank (China) focuses on the Yangtze River Delta economic circle, with its branches radiating a 200-kilometer customer base, while relying on our Parent Bank's financial layout in the Philippines and Southeast Asia, and responding to the "One Belt, One Road" regional development plan to develop cross-border financial services in Quanzhou and Xiamen, providing services to overseas Filipinos. In terms of industry expansion targets, Metrobank (China) focuses on emerging industries such as infrastructure construction, new infrastructure industries, green finance, high-end manufacturing, and biomedical industries, and devotes deeper and stronger efforts to strengthen leading enterprises in these industries. In terms of customer development types, Metrobank (China) focuses on government credit, industrial credit and trade credit, with local government platforms, central enterprises and local state-owned enterprises as the core, supports the private economy related to the industrial chain, expands high-quality upstream and downstream customers of core enterprises, and carries out trade financing, accounts receivable financing, supply chain financing and other businesses. In terms of product development strategy, Metrobank (China) focuses on the portfolio solutions of financial instruments of foreign banks and provides diversified financial services such as corporate bond investment business, cross-border financing business, bill business, investment banking business and syndicated fund-raising business.

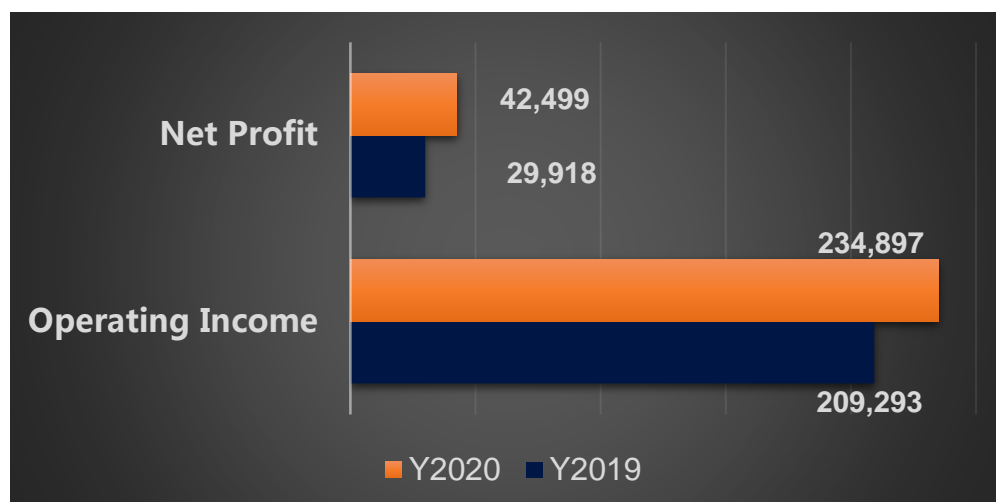


2020 in Review

Corporate Banking

In 2020, the Bank achieved double growth in the scale of deposits and loans, with an annual operating income of around CNY235 million, up 12% YOY from the previous year; profit before provisions of CNY81,841 thousand and net profit of CNY42,499 thousand, up 17% and 42% respectively. Meanwhile, our bank's asset quality has been steadily improving, with the non-performing loan ratio dropping from 0.55% in 2019 to 0.42% in 2020. The scale of deposits and loans of our bank climbed, with a deposit balance of CNY7.27 billion as the end of December 2020, an increase of 10% over the previous year; the scale of loans steadily improved while strictly controlling risks, with a loan balance of CNY4.58 billion as the end of December, an increase of 7% over 2019, and total assets amounting to CNY11.05billion end of 2020.

Unit: CNY thousand



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-2020, the outstanding balance of interbank assets stood at CNY2.831 billion, accounting for 25.61% of total assets; outstanding balance of investments amounted to CNY2.659 billion, accounting for 24.06% of total assets; outstanding balance of interbank borrowings were CNY1.994 billion, accounting for 21.30% of total liabilities. Interest income from interbank businesses is one of the main income sources of Metrobank (China).

Interbank loans to non-bank financial institutions (NBFI) comprise majority of the Bank's interbank assets. These NBFI 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 2020, the Financial Markets Division explored a new funding channel for diversity and liquidity assurance; in addition to the previous interbank borrowing and pledged repo, for the first time, it has linked with overseas branches of Chinese state-owned banks and obtained committed loans through signing four party agreements with onshore and offshore entities.



Financial Markets

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) allocated 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 2020, the outstanding trust investment balance amounted to CNY530million. The Bank's foreign exchange and derivative trading business includes spot deals and also products for hedging purposes like forwards and options. In 2020, Metrobank (China) dealt commercial derivative deals of up to an USD60million volume with USD2.7million outstanding deals remaining by the end of 2020.



Information Technology

In 2020, the Bank's IT work continue to ensure the stable operation of the business system, continuously improve the risk management capability and actively develop the construction of business system on the premise of adhering to the strategic route of developing "application, infrastructure, process and people". At the same time, we worked with the whole bank to promote data governance level, and strengthen the support capability of information technology for business.

Major IT Activities and Projects

In the aspect of system construction, the dual live structure of CNAPS and CFXPS system is realized, which provides guarantee for the stable development of business. The upgrading of treasury system, development of credit system and construction of financial management system have continuously improved the Bank's electronic processing ability and management level.

In the infrastructure construction, the migration of the production data center is completed, and the automation operation and maintenance capability is improved.

In terms of data governance, we have improved the systematic construction, established a top-down framework, and continuously standardized the management system, while building effective tools to support. The data quality has been specially improved to meet the needs of business, supervision and risk control.

In terms of information technology services, our Bank has established a service system and architecture based on ITIL, relying on office automation system to manage scientific and effective information technology service process.

IT Risk Management

In 2020, IT risk related systems are continuously improved and business continuity plans updated. The system log management system was successfully launched, and the automatic detection functions such as centralized log management, centralized monitoring and risk warning were realized. Continuously carry out system security assessment, vulnerability scanning, baseline configuration inspection, penetration test and business continuity test, effectively improve the Bank's IT risk management and security capabilities.



2020 in Review

Develop Our People

In 2020, we further upgraded organization & people development in line with the development strategy of the Bank in order to achieve the goal of Meaningful Banking. We implemented the "70-20-10" training framework. Believing that 70% knowledge and skill were continuously learned and improved from on-job practice, 20% were acquired through coaching and guidance, and 10% can be obtained via online and offline courses. Through the revision and improvement of Training Management Guidelines, the innovation of training delivery methods and the launch of training courses, we had achieved a series of breakthroughs and improvements in training in 2020.

In 2020, we launched the "Meaningful Career", which divided the training and development of employees into five stages, mainly covering:



- **New Join:** Send out the e-manual of "Meaningful Career in Meaningful Banking" on the day of new joiners' entry, and arrange all new joiners to attend the orientation programme in the head office, to help them learn the policy, procedure and corporate culture quickly, so as to be integrated into the team as soon as possible;
- **Pass Probation:** After completing a series of training courses and exams, employees pass probation successfully. Then, we provided a learning roadmap to them according to their job role;
- **Talent Review:** Conduct talent review based on performance and potential;
- **Leadership Academy :** Clear talent development direction and goals, and customize immersion learning modules to help talents become future managers;
- **Succession Plan:** Ensure business continuity and make succession planning for key positions.

In 2020, although part of our training courses were affected by the pandemic, our staff development was still notable:

● Multi-Platform Linkage

Organized video conference, offline face-to-face training, online E-learning and examination, on-job attachment, micro-courses, enterprise WeChat live broadcast and other delivery methods of training to enrich the learning content and forms. In 2020, a total of 58 offline/video training courses, 36 online courses and 14 micro courses had been delivered to enhance learners' experience and interest, facilitate them to learn and watch in spare time.



2020 in Review

● The Implementation of Internal Transferred Training

The implementation of internal transferred training in 2020 was also a big breakthrough "from Zero to One". A total of 8 external training courses has been transferred to internal courses throughout the year, with a total of 382 person-times of audiences. The completion rate reached 100%.

● Training Follow-up and Feedback

Since April 2020, staff training had been conducted with reminders and feedbacks, which not only provided feedback on the training participation, but also reviewed the key points of training content, and won wide praise from employees. At the same time, the regular communication and interaction with the training coordinators from each department/branch also laid a solid foundation for the smooth implementation of the training courses in 2020.

As a warm bank, we always focus on the growth and development of our employees. Through the further improvement of the training system, establishment of comprehensive talent pool, give employees Growth Mindset, so as to obtain more development space, we will launch the competency model BEST+S in 2021, to facilitate talent training, and further create "Meaningful Career".



2020 in Review

Meaningful Award

To undertake the holding of "Metrobank (China) Service Star" in 2019, we continue to encourage all staff to further practice the core values of Metrobank (China). In 2020, we will encourage and recognize "high performance" teams and employees who have made outstanding contributions to the Bank through a comprehensive evaluation of cross-divisions, cross-regions, process optimization, proactivity, contribution to the Bank's productivity and promotion of the Bank's brand.



All divisions/branches actively participated and submitted a total of 63 cases. Finally, 6 teams and 6 employees stood out and won the first, second and third prizes for Efficiency Awards respectively.

At the same time, this year marks the 10th anniversary of the founding of Metrobank (China). 21 employees have been dedicated and selfless with the Bank for 10 years. This year we also present the "Service Award" to recognize their dedication and commitment to the Bank.



2020 in Review

Care our Employees

We are committed to the concept of "We care you and you cared. ", people-oriented, with the greatest enthusiasm to care for the physical and mental health of each employee.

首都银行 Metrobank

Staff Club

悦读荟

活动介绍

狂想曲
我最想看书

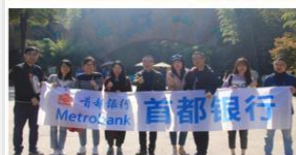
活动时间：5月
活动形式：
● 票选3本好书
● 抢书获得好书

小夜曲
陪伴我的好书

活动时间：5月-11月
活动形式：
● 好书读后感投稿
● 选中刊登获得神秘礼物

圆舞曲
分享与收获

活动时间：12月
活动形式：
● 票选最佳读后感
● 抢书获得好书



2020 in Review

To build a better working environment, we had held a number of staff activities, such as: "the First Mid-Autumn Festival Gala", "Voice of Metrobank (China)" & "Dance in Metrobank (China)" Final Festival, "Metrobank (China) Christmas Party" and all kinds of team building activities, which were full of variety. Throughout the year, we also had staff club "Reading Club " which enhance staff art and cultural accomplish.



2020 in Review

Brand & Opportunity

In 2020, the Bank held a series of events to promote its brand and help the enterprises to know market trends and explore opportunities for cooperation between the Bank and the enterprises.

In August, Shanghai Branch was successfully held the customer appreciation seminar in Shangri-La Shanghai, during the meeting we shared the trend of exchange rate and interest rate during the pandemic and to award prizes to our long-term customers, which enhanced the intercommunication with customers and successfully enhanced the brand value of our bank.



In September, Suzhou Branch was officially opened. The establishment of the branch in Suzhou is an important part of the Bank's layout in the Yangtze River Delta, and as the first foreign bank to settle in Suzhou Industrial Park (SIP) in the year, the Bank has been making great efforts to promote the credit business to local high-quality state-owned enterprise customers, expand the local and foreign currency settlement business of listed companies, take advantage of the resources of foreign banks in international letters of credit, and continuously promote our trade financing business with the help of the rich industrial base and excellent financial environment of SIP.



Brand & Opportunity

In November, following the national "One Belt, One Road" layout and the core area of the Fujian Provincial Maritime Silk Road, Quanzhou Branch, together with the Quanzhou Municipal Finance Administration and the Xiamen Banking Association, Metrobank (China) organized the "Maritime Silk Road be Back to the Start and Set Sail Again - Quanzhou Banking and Enterprises Strategic Cooperation Summit Forum". The forum invited representatives from 6 state-owned enterprises and more than 20 foreign banks in Xiamen, focusing on the theme of financial reform in Quanzhou City and promoting financial and trade cooperation in Fujian, sharing with invited guests the latest status of "One Belt, One Road", as well as the market and industrial prospects after the pandemic, and providing professional answers to customers in cross-border business.



Corporate Social Responsibility

Keep the Good Going through Guarding the growth of rural children

Metrobank (China) insists on giving back to the community through public welfare and promoting sustainable social development.

In 2020, we continue to focus on the main direction of protecting the growth of rural children by improving the school environment, fostering rural education and supporting children in need to complete their education, with fostering rural education as a key project in cooperation with the Shanghai Soong Ching Ling Foundation Family Education Special Fund as the main sponsor. The Bank helps Fujian Yongding County Education Bureau on how to raise children scientifically to popularize the correct family education concept to the local teachers' team through the Empowering Rural Teachers Program, and clarifies the direction and ideas of family education public welfare cooperation in 2020. We hope to provide assistance to children's growth and development in a more direct way through the improvement of the environment of the soft environment.

On August 11, 2020, the public welfare training for empowered rural teachers was officially launched in Yongding District, Longyan City, Fujian Province, which supports the development of national education and promotes the cultivation of senior talents needed for socialist modernization through empowered teachers and stable funding, hoping that local teachers can benefit themselves while passing on their public welfare hearts and promoting the correct family education concepts and tools to more families. We hope that the local teachers can benefit themselves and pass on the public service, and spread the correct family education concept and tools to more families, so that more children can grow up with scientific family education!



Corporate Social Responsibility

Meaningful Future-Laying the hope for the future

In 2020, Metrobank (China) continued its "Growing Happiness" scholarship and bursary program to help students in poor areas of Fujian achieve their dreams of education. From June to December, we entrusted the school and Shanghai Soong Ching Ling Foundation to award 58 students with scholarships and bursaries respectively, as a way to encourage the children's academic achievements throughout the year.



Consumer Rights Protection

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 2020, we continued to build on our customer-centric approach, whose foundation is based upon our core values of "Integrity, Service, Efficiency, Professionalism and Innovation".

During the special period of pandemic, we continued to share tips with consumers through WeChat and website 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 2020, the Board of Directors in the Bank is composed of 9 directors, including 3 independent directors. The Board of Directors is authorized to decide all substantial matters except for those to be decided by the shareholder. The Board of Directors conducts procedures in the aspects of decision-making, authorizing, and voting in strict compliance with laws, regulations and the Articles of Association. All the directors attend the board meeting in an earnest and responsible manner. They know the rights, obligations and responsibilities as a director, keep diligence to fulfill their responsibilities and pay attention to guarantee the interest of the Bank and the shareholder. The Board has built up an effective decision-making and supervising mechanism. During the year of 2020, the Bank held 4 regular board meetings and 3 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
Peter Pang	Male	Independent Director
Stanley Lo	Male	Independent Director
Charles W.B. Cheung	Male	Non-executive Director
Richard Benedict S. So	Male	Non-executive Director
Michael Ong	Male	Non-executive Director

Corporate Governance

Supervisor

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

The supervisor attended all the board meetings and reviewed meeting materials and minutes of the Board of Directors and all of the committees meetings under the Board, and actively fulfilled her responsibilities.

Committees under the Board of Directors

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

The committees fulfilled their roles and responsibilities as authorized by the Board of Directors. In 2020, the Executive Committee held 12 regular meetings and 3 interim meetings; The Risk Management Committee held 6 regular meetings and 7 interim meetings; The Audit Committee held 4 regular meetings and 1 interim meeting; The Related Party Transactions Control Committee held 4 regular meetings and the Nomination and Remuneration Committee held 4 regular meetings.

Committees under the management team

To ensure that management's execution of Board decisions is in accordance with the Board resolutions, the daily operation is in accordance with relevant regulatory policies, indicators and the daily business is conducted in accordance with the requirements of business development and risk control, the Bank set up Credit Committee, Assets and Liabilities Committee, Information Technology Committee, Anti-Money Laundering Committee, Rewards and Discipline Committee and Emergency Management Committee under the management team. In 2020, all the committees actively fulfilled their responsibilities.

Corporate Governance

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.

The conduct of the internal audit activity is done in accordance with the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics. As the third line of defense, IAD 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 performing our audits, we generally received management cooperation and there were no cases of scope limitation or interference with either the accomplishment of our tasks or our responsibilities to report to the BOD through the AUDITCOM. As of year-end, the number of internal auditors took 2.3% of total employees of the Bank, over the minimal requirement of 1% from the regulator.

IAD always complies with the requirements of Metrobank Group supervision on internal audit framework and stays abreast of the Institute of Internal Auditors' (IIA) International Standards, Internal Audit Manual has been fine-tuned regarding audit techniques and procedures, as appropriate, to meet the changing environment of the Bank and external regulators. e.g., (1) Widely adopting business process audit instead of separate department audit at head office level to enhance the connection among business lines, to increase the communication efficiency, to reduce the work load stems from audit inspection, and eventually improve the audit efficiency. (2) Joint audit inspections by business audit and IT audit have also been implemented to carry out a more computerized audit approach, and the results are impressive. (3) The scope and frequency of IT application audit was adjusted by updating the risk assessment methodology in order to facilitate a more risk-based approach by concentrating on more significant risk areas with limited resources.

Corporate Governance

Internal Audit

IAD adopts risk-based approach and globally accepted standards. Comprehensive audit engagements have been conducted involving Head Office units, Branches/Sub-branches and Application systems while following all regulatory requirements. The coverage of auditable units has been increased compared with Year 2019, by covering higher-risk and major areas, to deeply meet the strategic goals of “Risk Prevention, Transformation Promotion, Structural Adjustment, Steady Growth”. In the past year, IAD has been committed to facilitating the review and update of the Bank's internal policies and regulations, conducting reviewing on more than one hundred internal policies, so as to facilitate and supervise the update of policy mechanism, among which, the new version of Credit Manual as the dominant one.

During the audit inspection, a flexible philosophy has been adopted in audit approach and audit scope management. IAD not only adheres to the audit rating framework from Parent Bank, but also shows utmost solicitude for the auditee during the communication, so as to ensure that all the actions taken for risk control, risk mitigation or rectification purposes has been fully considered. At the same time, audit comments would also be issued carefully to take the overall background of the Bank regarding its business/personnel volume into account, which could enable IAD an appropriate approach to minimize staffs' direct accountability for non-recurring observations, but to emphasize more on the business process optimization, which as a matter of course the audit recommendations can be practical and valuable. Internally, in completing the approved audit plan, IAD adopts various internal/external trainings, team building activities, regular review of audit approaches throughout the year in order to improve professional skills and tools, keep updated with the latest regulatory requirements and enhance team chemistry and department cohesion. The IAD personnel remains stable in year 2020.

IAD always focus on risky areas with the change of macro environment and internal business. The audit plan was 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 continuously affirm its commitment to the Bank by providing solid and high-quality service, while also help the Bank for preventive measures on the potential risks.

Corporate Governance

Senior Management

Name	Position	Gender	Assignment Commencement	Highest Academic Degree	Years of Experience
David Lin	President	M	2017.06.08	Fu Jen Catholic University Bachelor of Commerce in Business Administration	42
Thomas Huang	Executive Vice President	M	2015.05.11	Tamkang University Master Degree of International Business Management	27
Billy Lau	Chief Financial Officer	M	2012.07.13	City University of Hong Kong Bachelor Degree of Arts (Honors)	24
Wesley Chen	Head of Credit Control	M	2018.06.01	National Taiwan University Bachelor of Economics	32
Alice Shi	Head of Human Resources	F	2018.08.06	Shanghai University of Finance and Economics Master of International Economics	15
Quan Lin	Head of Financial Markets	M	2016.01.13	University of Durham Master of Science Finance and Investment	15
Katherine Gao	Head of Operations	F	2010.11.01	Nantong Industry College Bachelor Degree of Foreign Industrial Trade	27
Phoenix Zhao	Head of Compliance	M	2012.08.28	Nanjing University MBA	17
Tomas Wei	Head of Administration Management & Security	M	2011.06.20	Beijing Institute of Machinery Industry Bachelor of Mechanical and Electrical Engineering	20
Willson Chen	Head of Information Technology	M	2020.03.01	Shanghai Jiaotong University Bachelor of Engineering in Computer Science and Technology	25
Crystal Yang	Head of Internal Audit	F	2019.11.14	Shanghai University of Finance and Economics Bachelor Degree of Financial Management & Business English	16
Raymond Yang	Head of Corporate Banking & Business	M	2018.10.08	Shandong University Bachelor of Business Administration	19
Li Bin	Head of Risk Management	M	2020.07.01	East China Normal University Bachelor of Science in Information and Computing Sciences	14

Corporate Governance

Senior Management

Name	Position	Gender	Assignment Commencement	Highest Academic Degree	Years of Experience
Tang Junjun	GM of Changzhou Branch	M	2015.07.20	Hefei University of Technology Bachelor of Engineering	25
Paul Zhang	GM of Nanjing Branch	M	2015.10.15	Auckland Institute of Studies, MBA	18
Alex Hong	GM of Shanghai Branch	M	2016.05.18	National Central University Master of Management	23
Honda Huang	GM of Quanzhou Branch	M	2017.06.13	National Chung-Cheng University Master of Finance	30
Duke Luo	GM of Xiamen Branch	M	2018.01.12	Yang'en University Bachelor of Economics	20
Angle Hang	GM of Suzhou Branch	F	2020.07.22	Suzhou University Bachelor of Economics	23

Risk Management

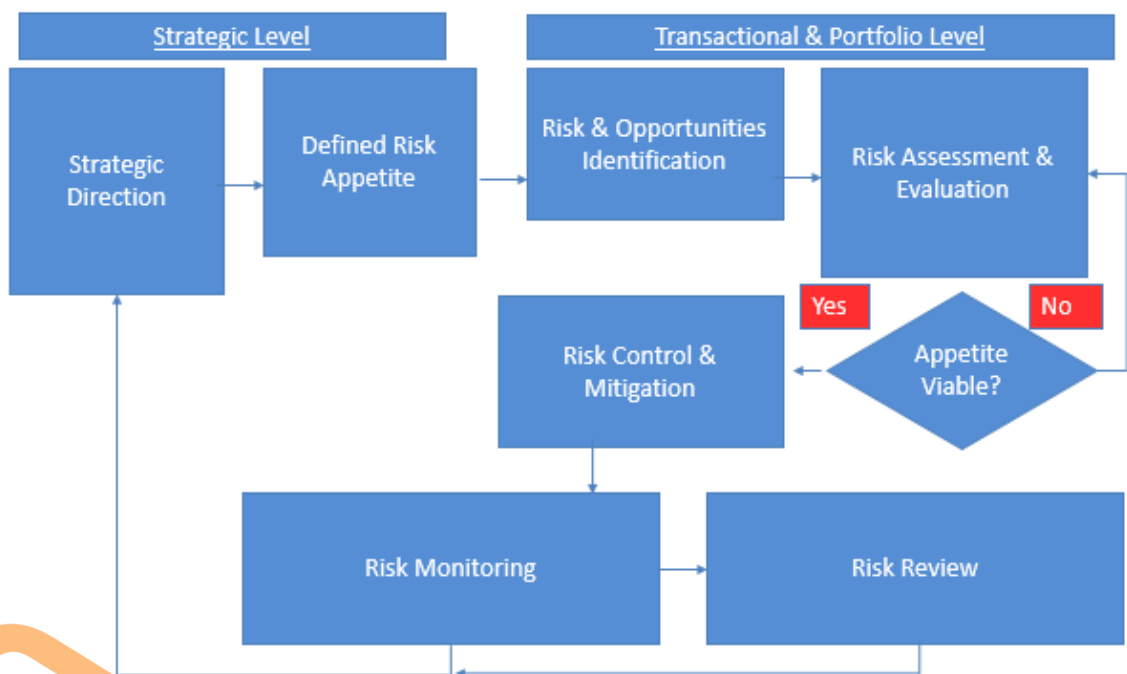
Risk Governance

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

The Risk Management Committee (RMC) is set up under the Board of Directors(BOD). The committee members are appointed by BOD annually. The chairman of the committee is Robin King, Independent Director. The other 4 members are Guixian Lin, the vice chairman, Doctor Huibin Zhang, the non-executive director, Stanley Lo, an independent director and Dr. Pang Tsz Kit, an independent director.

The RMC held 6 regular meetings and 7 Emails meetings in year 2020. 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 risks, and conducted a regular and comprehensive review of the Bank's risk profile.

Risk Management Framework



Risk Management

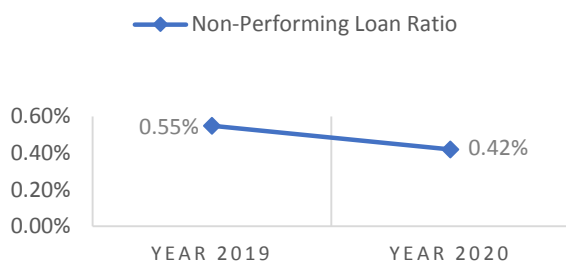
Credit Risk Management

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

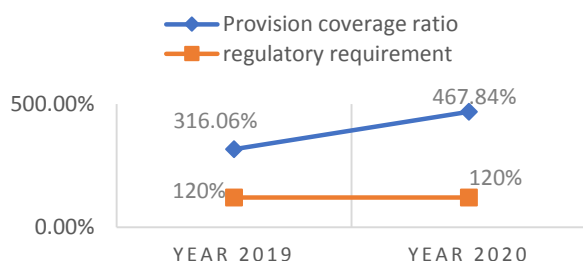
According to our Bank's credit management and credit risk management system, our Bank's credit risks mainly exist in loans, trade financing and acceptance bills, interbank transactions, fixed income securities, derivative financial instruments and other on-balance-sheet and off-balance-sheet businesses. In recent years, guided by New Basel Capital Accord and CBIRC's risk policy, and learning from Metrobank Group's risk management system and risk management experience, Metrobank (China) has established credit risk management mechanism including risk exposure limit, facility approval limit, and management of mortgaged and pledged properties for various kinds of business. Meanwhile, Metrobank (China) continuously adjusts and improves its credit risk management system according to the macroeconomic financial environment and its business development goals.

In 2020, the Bank continued to strictly follow the regulatory authorities' regulatory guidance requirements on provision coverage ratio, loan provisioning ratio and non-performing loans, strengthen loan classification management and actively dispose of non-performing loans, so as to lay a solid foundation for the Bank's sound operation. As of the end of December, the non-performing ratio decreased from 0.55% at the end of 2019 to 0.42% at the end of 2020; the provision coverage ratio increased to 467.84% (end of 2019: 316.06%) and the loan provisioning ratio increased to 1.97% (end of 2019: 1.75%).

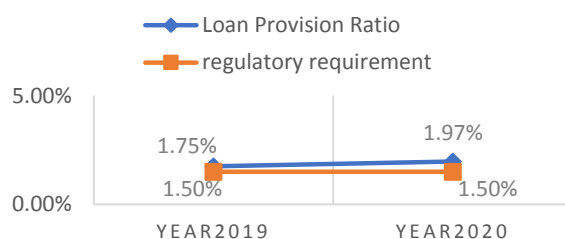
NPL RATIO



NPL PROVISION COVERAGE



LOAN PROVISION RATIO



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



Risk Management

Market Risk Management

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

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

The BOD 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 bank account 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 repricing configuration. The risk-return limit is the difference between the target net interest income (NII) for the year and the actual 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 (ALCO) and reviewed by the RMC before it is sent to the BOD for final approval.



Risk Management

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.

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 control the liquidity risk according to the different maturity of assets and liabilities

Governance Structure of Liquidity Risk Management

1) The Board and senior management understand the liquidity risk inherent in the business the Bank engages in through the approval of policies, processes and limits. The Board and senior management impose liquidity risk limits and approve relevant guidelines on liquidity risk.

2) For liquidity management, the risk approval process for Maximum Cumulative Outflow (MCO), assets and liabilities limit and other liquidity Limits is done at least annually. This is presented by the Bank's Risk Management Division and Financial Markets Division to its ALCO, for confirmation of the RMC and final approval of the Board.

3) The ALCO holds meetings every month, discussing strategy for market risk and liquidity risk management, investment portfolio management policy, structure optimization of assets and liabilities, and forecast of market risk trend. The balance sheet committee also holds weekly capital meetings to discuss bank liquidity and to determine the level of transfer pricing (FTP);



Risk Management

Liquidity Risk Management

4) Financial Market Division closely monitors 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

5) Accounting and Finance Division prepares daily liquidity ratio report including daily reserve funds and loan to deposit ratio, which is sent to Financial Market Division and Risk Management Division, to check if the Bank comply with the CBIRC's minimum liquidity compliance ratios.

6) Risk Management Division prepares the MCO report. There is a MCO limit in terms of both absolute liquidity gap amount. These limits are set and approved by ALCO, RMC and BOD. Any breach against these limits is reported to the ALCO, Risk Management Committee and management is required to take corrective measures;

7) Financial Market Division ensures the internal and regulatory limits are complied with at any time.

Liquidity Risk Management Strategy and Policies

In the year of 2020, the limits and policies were reviewed and confirmed by the RMC and approved by the Board.

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

Major Liquidity Risk Identification, Measurement, Monitoring and Control Methods

1) MCO limit

The MCO limit will vary depending on the remaining portion of the Bank's funding capacity. The funding capacity is the amount that Financial Market Division can generate on a Business-as-Usual (BAU) scenario to ensure that the Bank can comply with all its funding obligations within the specified amount of time.

2) Management Action Triggers (MAT)

Funding Utilization Triggers are set as an early alert of an impending liquidity squeeze.

Liquidity Ratio, Liquidity Matching Ratio and High Quality Liquid Assets Adequacy Ratio: This trigger is set as an early warning alert to ensure that the ratios will not fall below the regulatory requirement.

This trigger aims to provide an early warning alert on the potential funding concentration risk from a group of identified Large Fund Providers. The tolerance is set based on the capacity of the Bank to support a deposit run-off and considering also defined industry standards.

Additional Trigger on interbank liabilities reliance ratio is set as an early warning alert to ensure that the ratio will not fall below the regulatory requirement.



Risk Management

Liquidity Risk Management

3) Product Cap

The Product Cap can take various forms: volume limit or limit on number of deals. As a tertiary limit, the product cap serves as a supplementary control. The Bank uses the product cap to minimize market liquidity risk.

4) Qualitative Limits

Qualitative limits are set to ensure that the transactions entered into by the Financial Market Division adheres to regulatory and accounting standards and are in accordance to all internally set policies and guidelines.

Major Liquidity Risk Indicators and Assessment

The Bank's monitoring of Internal Risk Management Indicators and Limits in 2020 is summarized below:

1) In the year of 2020, the Bank's actual levels of liquidity related ratios are all within the regulatory requirement.

Key indicators	12/2020	9/2020	6/2020	3/2020	Regulatory requirement
Liquidity Ratio	77.46%	71.25%	80.51%	81.19%	$\geq 25\%$
Liquidity Matching Ratio	131.05%	132.55%	138.85%	134.35%	$\geq 100\%$
High-Quality Liquid Assets Adequacy Ratio	172.44%	135.87%	135.25%	178.22%	$\geq 100\%$

2) In the year of 2020, the Bank conducted regular monitoring of the internal MCO limits, Interbank Lending/Borrowing position Limit and Top 10/3/1 Depositors Concentration Risk Trigger. There is no breach on these limits/triggers in 2020

Major Factors impact Liquidity Risk

- 1) The regulatory requirements High Quality Liquid Assets Adequacy Ratio was effective from June end 2019 but there is also an increasing trend in the asset size. The Bank shall maintain sufficient high quality liquid assets, i.e. government bonds and policy bank bonds with comparatively lower risk and high liquidity. However, it may affect the Bank's overall return from assets.
- 2) The level of assets extending one year is increasing as a proportion of total risk assets. However, the Bank funding resources from deposit and interbank will be in shorter term.



Risk Management

Liquidity Risk Management

Stress Test

In the year of 2020, the Bank conducted liquidity risk stress test quarterly and checked if the identified contingent funding sources can cover the liquidity requirement under these stressed scenarios. The stress test result shows that the current contingent funding sources are sufficient and can cover urgent liquidity emergency situations (i.e., within one month). In a prolonged liquidity crisis, liquidity support will be required from the Parent Bank.

Compliance Risk Management

The BOD approved and promulgated the Bank's Compliance Manual, which defines compliance management as a core risk management activity of the Bank, authorizing the RMC and Audit Committee (AC) 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 Division 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 Year 2020, 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 conducted by the People's Bank of China, the CBIRC and the SAFE, and 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.

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.

Risk Management

Operational Risk 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 2020, there were no major operational risk and information security breach events that occurred in the Bank.

IT Risk Management

IT risk is business risk – specifically, the business risk associated with the use, ownership, operation, involvement, influence and adoption of IT within the Bank; e.g., potential adverse outcome, damage, loss, violation, failure or disruption. IT-related risk events can potentially impact the business and occur with uncertain frequency and magnitude, which creates challenges in meeting strategic objectives.

Metrobank (China) conducts the whole process of IT risk closed-loop management from risk identification, risk assessment, risk response and mitigation to risk control monitoring and reporting.

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



Risk Management

Country Risk Management

Country-specific risk covers all risks arising from the inability or unwillingness of a sovereign borrower or a specific country borrower to meet its foreign currency or local currency foreign debt repayment obligations as a result of regulation imposed by a country or a region due to possible or actual lack of foreign currency, regulations or political factors, which impose restrictions on foreign exchange transactions.

The Bank has formulated Internal Guidelines on Country Risk Management in accordance with the "Guidelines on Country Risk Management for Banking Financial Institutions" issued by the CBRC [2010] No. 45, established relevant risk management systems and strengthened relevant management procedures to manage cross-border risk exposures and avoid excessive concentration of international credit or other businesses that generate cross-border risk exposures. Country risk limits are approved by the BOD and reviewed annually.



Metropolitan Bank (China) Ltd.

31 December 2020

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 (2021) Shen Zi No 60928836_B01
Metropolitan Bank (China) Ltd.

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

Opinion

We have audited the financial statements of Metropolitan Bank (China) Ltd., which comprise the balance sheets as at 31 December 2020, 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 2020, and the financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises (“ASBEs”).

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.

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.

Auditor's Report

Ernst & Young Hua Ming (2021) Shen Zi No 60928836_B01
Metropolitan Bank (China) Ltd.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

Balance Sheet

Y2020

Unit: CNY yuan

	<u>Note 5</u>	<u>31 December 2020</u>	<u>31 December 2019</u>
ASSETS			
Cash and balances with the central bank	1	931,161,020.70	1,113,563,189.49
Due from banks	2	413,795,792.60	642,331,032.57
Placements with banks	3	2,414,147,887.50	2,603,096,400.00
Financial assets at fair value through profit or loss	4	-	20,757,160.00
Derivative financial assets	5	2,529,610.69	47,184.95
Reverse repurchase agreements	6	-	139,944,000.00
Interest receivables	7	76,235,486.75	42,075,020.44
Loans and advances to customers	8	4,490,671,946.16	4,199,868,131.33
Available-for-sale financial assets	9	2,110,234,857.48	983,454,172.85
Held-to-maturity investment	10	20,988,034.87	21,102,973.77
Receivables investments	11	519,883,000.00	399,951,600.00
Fixed assets	12	11,155,493.41	13,744,939.24
Deferred tax assets	13	12,783,843.46	5,008,638.64
Other assets	14	<u>48,394,099.85</u>	<u>44,342,868.23</u>
TOTAL ASSETS		<u>11,051,981,073.47</u>	<u>10,229,287,311.51</u>

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

Balance Sheet

Y2020

Unit: CNY yuan

	Note 5	31 December 2020	31 December 2019
LIABILITIES			
Due to banks	15	61,482,886.42	218,554,200.43
Placements from banks	16	1,683,905,320.00	1,259,345,928.00
Financial assets sold for repurchase	17	-	98,000,000.00
Customer deposits	18	7,266,629,719.63	6,614,818,282.05
Derivative financial liabilities	5	3,649,651.13	-
Payroll payables	19	36,136,432.15	30,997,429.36
Tax payables	20	15,903,169.29	9,116,957.01
Interest payables	21	35,008,435.45	35,068,814.32
Bonds payables	22	249,341,917.06	299,947,683.27
Other current liabilities	23	8,645,809.23	7,280,480.31
TOTAL LIABILITIES		9,360,703,340.36	8,573,129,774.75
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	(4,004,896.15)	3,373,759.04
Surplus reserves	27	17,735,089.44	13,485,204.29
General reserves	28	135,893,825.83	103,196,701.12
Retained earnings	29	41,199,823.99	35,647,982.31
TOTAL EQUITY		1,691,277,733.11	1,656,157,536.76
TOTAL LIABILITIES AND EQUITY		11,051,981,073.47	10,229,287,311.51

Income Sheet

Y2020

Unit: CNY yuan

	Note 5	2020	2019
1. OPERATING INCOME			
Net interest income	30	146,420,040.54	139,754,176.08
Interest income	30	262,201,619.79	263,520,271.15
Interest expenses	30	(115,781,579.25)	(123,766,095.07)
Net fee and commission income	31	6,394,383.84	6,222,495.15
Fee and commission income	31	8,004,386.42	8,163,623.29
Fee and commission expenses	31	(1,610,002.58)	(1,941,128.14)
Investment income	32	93,081,716.00	59,597,750.67
Net loss from changes in fair value		(1,144,925.39)	(463,902.96)
Foreign exchange (loss)/gain	33	(9,853,929.36)	4,485,014.25
Assets disposal loss		-	(302,867.25)
TOTAL OPERATING INCOME		234,897,285.63	209,292,665.94
2. OPERATING EXPENSES			
Tax and surcharges		(1,857,811.76)	(1,166,233.09)
General and administrative expenses	34	(151,177,508.43)	(138,260,386.80)
Impairment losses	35	(23,510,387.48)	(29,735,454.20)
Other operating expenses		(21,388.13)	(21,573.01)
TOTAL OPERATING EXPENSES		(176,567,095.80)	(169,183,647.10)
3. OPERATING PROFIT		58,330,189.83	40,109,018.84
Add: Non-operating income		316,117.47	485,477.85
Less: Non-operating expenses		1,299,276.37	358,558.70
4. PROFIT BEFORE TAX		57,347,030.93	40,235,937.99
Less: Income tax expense	36	14,848,179.39	10,318,009.62
5. NET PROFIT		42,498,851.54	29,917,928.37
6. OTHER COMPREHENSIVE INCOME			
<i>Item to be reclassified to profit or loss:</i>			
Fair value changes of available-for-sale financial assets	26	(7,378,655.19)	2,203,292.88
7. TOTAL COMPREHENSIVE INCOME		35,120,196.35	32,121,221.25

Statement of Changes in Equity

Y2020

Unit: CNY yuan

For the year ended 31 December 2020

	Paid-up capital	Capital reserves	Other comprehensive income	Surplus reserves	General reserves	Retained earnings	Total
Balance as at 1 January 2020	1,500,000,000.00	453,890.00	3,373,759.04	13,485,204.29	103,196,701.12	35,647,982.31	1,656,157,536.76
Movements during the year	-	-	(7,378,655.19)	4,249,885.15	32,697,124.71	5,551,841.68	35,120,196.35
(i) Total comprehensive income	-	-	(7,378,655.19)	-	-	42,498,851.54	35,120,196.35
(ii) Profit appropriation							
1. Appropriation to surplus reserves	-	-	-	4,249,885.15	-	(4,249,885.15)	-
2. Appropriation to general reserves	-	-	-	-	32,697,124.71	(32,697,124.71)	-
Balance as at 31 December 2020	1,500,000,000.00	453,890.00	(4,004,896.15)	17,735,089.44	135,893,825.83	41,199,823.99	1,691,277,733.11

For the year ended 31 December 2019

	Paid-up capital	Capital reserves	Other comprehensive income	Surplus reserves	General reserves	Retained earnings	Total
Balance as at 1 January 2019	1,500,000,000.00	453,890.00	1,170,466.16	10,493,411.45	94,403,636.63	17,514,911.27	1,624,036,315.51
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	1,500,000,000.00	453,890.00	3,373,759.04	13,485,204.29	103,196,701.12	35,647,982.31	1,656,157,536.76

Statement of Changes in Equity

Y2020

Unit: CNY yuan

	Note 5	2020	2019
1. Cash Flows From Operating Activities:			
Net decrease in placements with banks		-	672,617,760.00
Net increase in placements from banks	454,135,365.85		318,078,928.00
Net increase in customer deposits and due to banks	566,946,462.12		1,892,323,435.59
Net increase in financial assets sold for repurchase		-	98,000,000.00
Cash received from interest, service fee and commission income	281,361,179.17		289,002,426.83
Cash received from other operating activities		346,232.48	1,020,287.64
Subtotal of cash inflows from operating activities		1,302,789,239.62	3,271,042,838.06
Net increase in due from central bank and due from banks		(26,456,170.62)	(94,699,095.38)
Net increase in loans and advances to customers		(322,634,486.53)	(1,371,813,140.93)
Net increase in placements with banks		(278,000,000.00)	-
Net decrease in financial assets sold for repurchase		(98,000,000.00)	-
Cash paid for interest, service fee and commission expense		(116,656,531.63)	(121,063,154.71)
Cash paid to and on behalf of employees		(97,949,571.91)	(81,519,710.38)
Cash paid for taxes and surcharges		(30,092,765.31)	(14,498,979.38)
Cash paid for other operating activities		(61,636,004.99)	(90,224,384.75)
Subtotal of cash outflows from operating activities		(1,031,425,530.99)	(1,773,818,465.53)
Net cash flows generated from operating activities	37	271,363,708.63	1,497,224,372.53

Statement of Cash Flow

Y2020

Unit: CNY yuan

	Note 5	2020	2019
2. Cash Flows From Investing Activities:			
Proceeds from disposal/maturity of Investment securities		2,240,468,289.85	1,676,416,636.42
Cash received from investment income		58,538,440.48	48,634,114.93
Net cash for disposal of fixed assets and intangible assets		<u>1,063,028.70</u>	<u>121,952.16</u>
Subtotal of cash inflows from investing activities		<u>2,300,069,759.03</u>	<u>1,725,172,703.51</u>
Cash paid for investments		(3,480,210,016.96)	(2,277,132,123.82)
Cash paid to acquire fixed assets, intangible assets and other long-term assets		<u>(10,134,221.21)</u>	<u>(15,310,215.59)</u>
Subtotal of cash outflows from investing activities		<u>(3,490,344,238.17)</u>	<u>(2,292,442,339.41)</u>
Net cash flows used in investing activities		<u>(1,190,274,479.14)</u>	<u>(567,269,635.90)</u>
3. Cash Flows From Financing Activities:			
Cash received from bond issuance		<u>248,500,050.00</u>	<u>299,189,100.00</u>
Subtotal of cash inflows from financing activities		<u>248,500,050.00</u>	<u>299,189,100.00</u>
Cash paid from bond repayment		<u>(300,000,000.00)</u>	<u>-</u>
Subtotal of cash outflows from financing activities		<u>(300,000,000.00)</u>	<u>-</u>
Net cash flows (used in)/generated from financing activities		<u>(51,499,950.00)</u>	<u>299,189,100.00</u>
4. Effect of Exchange Rate Changes on Cash and Cash Equivalents		<u>(66,799,632.87)</u>	<u>17,502,095.74</u>
5. Net (Decrease) / Increase in Cash and Cash Equivalents		<u>(1,037,210,353.38)</u>	<u>1,246,645,932.37</u>
Add: Opening Balances of Cash and Cash Equivalents		<u>3,409,647,439.58</u>	<u>2,163,001,507.21</u>
6. Closing Balances of Cash and Cash Equivalents	38	<u>2,372,437,086.20</u>	<u>3,409,647,439.58</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 CNY1.3 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 CNY0.2 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 2020, besides Head Office incorporated in Nanjing, the Bank has set up 6 branches respectively in Shanghai, Nanjing, Changzhou, Quanzhou, Xiamen and Suzhou.

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.

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

Notes to Financial Statement

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 2020 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 according 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 ("CNY"). All amounts are stated in CNY, 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.

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.

Notes to Financial Statement

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.

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.

Notes to Financial 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.

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.

Notes to Financial Statement

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.

(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 equipments	5 years	10%	18%

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

Notes to Financial Statement

(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.

(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) Foreclosed assets

Foreclosed 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 foreclosed assets, the assets are written down to the recoverable amount.

Notes to Financial Statement

(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.

(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.

Notes to Financial Statement

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

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.

Notes to Financial Statement

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.

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.

Notes to Financial 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.

(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 impractical.

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

Y2020

Unit: CNY yuan

5. Notes to financial statements

(1) Cash and balances with the central bank

	2020	2019
Cash on hand	351,491.78	327,039.37
Balances with the central bank		
Statutory reserve fund		
- RMB	587,705,968.26	531,970,543.85
- foreign currency	71,567,952.62	105,797,261.89
Excess reserves	271,535,608.04	475,468,344.38
Subtotal	930,809,528.92	1,113,236,150.12
Total	931,161,020.70	1,113,563,189.49

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 2019: 5%) of the balance of customer deposits as of the end of December 2020. For customer deposits denominated in RMB, the statutory reserve fund is calculated at 10.5% (31 December 2019: 11%) of the balance of customer deposits as at 31 December 2020.

(2) Due from banks

	2020	2019
Domestic banks	132,960,671.41	557,695,943.97
Overseas banks	282,225,814.97	85,115,711.86
Subtotal	415,186,486.38	642,811,655.83
Less: provisions	1,390,693.78	480,623.26
Total	413,795,792.60	642,331,032.57

(3) Placements with banks

	2020	2019
Domestic banks	330,498,000.00	1,362,048,400.00
Other domestic financial institutions	1,841,743,000.00	1,241,048,000.00
Overseas banks	243,122,500.00	-
Subtotal	2,415,363,500.00	2,603,096,400.00
Less: provisions	1,215,612.50	-
Total	2,414,147,887.50	2,603,096,400.00

Notes to Financial Statement

Y2020

Unit: CNY yuan

5. Notes to financial statements (continued)

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

	2020	2019
Held-for-trading financial assets		
Debt securities		
Bonds issued by policy banks	-	20,757,160.00
Total	-	20,757,160.00

(5) Derivative financial instruments

Derivative financial instruments refer to a financial product whose value depends on the value of another "basic" financial product index or other variables on which it is attached. Usually these "basic" products include stocks, commodities, bond market prices, index market prices or exchange rates, and interest rates.

The nominal amount of derivative financial instruments refers to the contract value of the "basic" assets on which they are attached, and reflects the unsettled part of the balance sheet date. The contract value reflects the risk exposure of the Bank's derivative financial instruments at the end of the accounting period rather than the fair value.

Fair value refers to the price that market participants can receive for the sale of an asset or pay for the transfer of a liability in an orderly transaction that occurs on the measurement date.

The Bank has no derivative financial instruments designated as hedging instruments for hedging purposes.

Notes to Financial Statement

Y2020

Unit: CNY yuan

5. Notes to financial statements (continued)

(5) Derivative financial instruments (continued)

The derivative financial instruments held on 31 December 2020 and 2019 are as follows:

	2020		
	Nominal amount	Fair value	
		Assets	Liabilities
Foreign exchange derivatives			
Forward contract	292,929,445.20	1,799,868.47	1,758,556.57
Swap contract	528,377,069.05	51,892.05	1,202,574.88
Option contract	11,871,575.88	68,086.95	65,524.93
Currency swap	131,749,000.00	146,681.05	101,193.04
Subtotal	964,927,090.13	2,066,528.52	3,127,849.42
Interest rate derivatives			
Option contract	446,000,000.00	28.00	49,005.00
Interest rate swap	81,720,000.00	463,054.17	472,796.71
Subtotal	527,720,000.00	463,082.17	521,801.71
Total	1,492,647,090.13	2,529,610.69	3,649,651.13
2019			
	Nominal amount	Fair value	
		Assets	Liabilities
Foreign exchange derivatives			
Forward contract	2,801,651.51	1,010.93	-
Option contract	158,327,847.44	46,174.02	-
Subtotal	161,129,498.95	47,184.95	-
Total	161,129,498.95	47,184.95	-

(6) Reverse repurchase agreements

	2020	2019
By collateral		
Bonds	-	139,944,000.00
By counterparty		
Banks	-	139,944,000.00

Notes to Financial Statement

Y2020

Unit: CNY yuan

5. Notes to financial statements (continued)

(7) Interest receivables

	2020	2019
Interest receivables		
- from investments	55,336,919.93	24,052,209.70
- from loans	7,466,303.42	6,384,993.36
- from financial institutions	13,043,524.00	11,537,747.83
- from derivatives	388,739.40	-
- from reverse repurchase agreements	-	100,069.55
Total	<u>76,235,486.75</u>	<u>42,075,020.44</u>

(8) Loans and advances to customers

(8.1) By types of loans

	2020	2019
Corporate loans and advances		
Loans	4,366,255,149.65	4,158,480,653.37
Discounted bills	108,267,983.93	19,347,831.05
Trade finance	106,401,245.82	96,997,569.15
Subtotal	<u>4,580,924,379.40</u>	<u>4,274,826,053.57</u>
Less: provisions of loans (Notes5. (8.4))		
Collectively assessed	72,343,464.96	54,260,737.08
Individually assessed	<u>17,908,968.28</u>	<u>20,697,185.16</u>
Subtotal	<u>90,252,433.24</u>	<u>74,957,922.24</u>
Net value	<u><u>4,490,671,946.16</u></u>	<u><u>4,199,868,131.33</u></u>

Notes to Financial Statement

Y2020

Unit: CNY yuan

5. Notes to financial statements (continued)

(8) Loans and advances to customers (continued)

(8.2) By types of collateral or guarantee

	2020	2019
Unsecured loans	263,927,834.32	344,352,173.50
Guaranteed loans	2,902,039,454.92	2,147,447,628.60
Secured by mortgages	299,641,600.00	458,441,063.36
Secured by pledges	<u>1,115,315,490.16</u>	<u>1,324,585,188.11</u>
Total	<u>4,580,924,379.40</u>	<u>4,274,826,053.57</u>

(8.3) 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 2020, the overdue loans of the Bank analysed by types of collateral or guarantee are as follows:

	2020				
	Overdue 1 day 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>3,501,489.95</u>	<u>-</u>	<u>-</u>	<u>5,000,000.00</u>	<u>8,501,489.95</u>

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

	2019				
	Overdue 1 day 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>-</u>	<u>-</u>	<u>9,000,000.00</u>	<u>12,926,628.55</u>

(8.4) Provisions of loans

	2020		
	Individually assessed	Collectively assessed	Total
Opening balance	20,697,185.16	54,260,737.08	74,957,922.24
Accrual	1,211,783.12	18,347,966.47	19,559,749.59
Write-off	(4,000,000.00)	-	(4,000,000.00)
Exchange difference	-	(265,238.59)	(265,238.59)
Closing balance	<u>17,908,968.28</u>	<u>72,343,464.96</u>	<u>90,252,433.24</u>
	2019		
	Individually assessed	Collectively assessed	Total
Opening balance	21,480,707.24	34,069,631.02	55,550,338.26
Accrual	5,031,693.17	19,764,016.66	24,795,709.83
Write-off	(5,815,215.25)	-	(5,815,215.25)
Exchange difference	-	427,089.40	427,089.40
Closing balance	<u>20,697,185.16</u>	<u>54,260,737.08</u>	<u>74,957,922.24</u>

Notes to Financial Statement

Y2020

Unit: CNY yuan

5. Notes to financial statements (continued)

(9) Available-for-sale financial assets

	2020	2019
Debt securities, at fair value		
Bonds issued by government and central bank	49,968,050.00	-
Bonds issued by commercial banks	-	35,394,385.53
Bonds issued by policy banks	820,091,740.00	421,867,230.00
Bonds issued by business enterprises	1,107,471,051.63	497,510,786.37
Bonds issued by foreign government	30,107,730.00	30,665,550.00
Interbank certificates of deposit, at fair value		
NCD issued by commercial banks	99,892,700.00	-
Pension management products	3,004,663.15	-
Subtotal	2,110,535,934.78	985,437,951.90
Less: provision	301,077.30	1,983,779.05
Net Value	2,110,234,857.48	983,454,172.85

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".

(10) Held-to-maturity investment

	2020	2019
Debt securities		
Bonds issued by policy banks	20,988,034.87	21,102,973.77
	20,988,034.87	21,102,973.77

(11) Receivables investments

	2020	2019
Fund trust plan	527,800,000.00	404,400,000.00
Less: provision	7,917,000.00	4,448,400.00
Net Value	519,883,000.00	399,951,600.00

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.

Notes to Financial Statement

Y2020

Unit: CNY yuan

5. Notes to financial statements (continued)

(12) Fixed assets

2020	Motor vehicles	Computers	Office equipments	Total
Cost				
Opening balance	1,704,384.23	45,867,729.07	4,508,572.16	52,080,685.46
Additions	-	742,991.54	65,966.19	808,957.73
Transfer from construction in progress	-	31,609.76	310,000.00	341,609.76
Disposals	-	(10,069,950.88)	(184,355.13)	(10,254,306.01)
Closing balance	1,704,384.23	36,572,379.49	4,700,183.22	42,976,946.94
Accumulated depreciation				
Opening balance	1,522,266.79	33,948,960.84	2,864,518.59	38,335,746.22
Additions	11,679.24	2,320,474.62	344,830.76	2,676,984.62
Disposals	-	(9,059,856.09)	(131,421.22)	(9,191,277.31)
Closing balance	1,533,946.03	27,209,579.37	3,077,928.13	31,821,453.53
Net book value				
Opening balance	182,117.44	11,918,768.23	1,644,053.57	13,744,939.24
Closing balance	170,438.20	9,362,800.12	1,622,255.09	11,155,493.41
2019	Motor vehicles	Computers	Office equipments	Total
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	(429,744.42)	(2,568,110.66)	(672,354.75)	(3,670,209.83)
Closing balance	1,704,384.23	45,867,729.07	4,508,572.16	52,080,685.46
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	(386,770.04)	(2,276,325.02)	(584,509.14)	(3,247,604.20)
Closing balance	1,522,266.79	33,948,960.84	2,864,518.59	38,335,746.22
Net book value				
Opening balance	275,701.86	11,518,086.14	1,008,795.07	12,802,583.07
Closing balance	182,117.44	11,918,768.23	1,644,053.57	13,744,939.24

Notes to Financial Statement

Y2020

Unit: CNY yuan

5. Notes to financial statements (continued)

(13) Deferred tax assets/(liabilities)

2020	Opening balance	Charged to profit and loss	Charged to equity	Closing balance
Impairment losses	4,693,576.52	4,695,315.75	-	9,388,892.27
Changes in fair value of available-for-sale financial assets	(1,124,542.47)	-	2,459,551.72	1,335,009.25
Changes in fair value of held-for-trading financial assets	5,575.00	(5,575.00)	-	-
Changes in fair value of derivative financial instruments	(11,796.23)	291,806.35	-	280,010.12
Payroll payables	2,674,357.34	484,750.70	-	3,159,108.04
Accounting-tax difference of fixed assets	(1,228,531.52)	(150,644.70)	-	(1,379,176.22)
Total	5,008,638.64	5,315,653.10	2,459,551.72	12,783,843.46
2019	Opening balance	Charged to profit and loss	Charged to equity	Closing balance
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	54,379.71	(54,379.71)	-	-
Total	2,846,523.60	2,896,546.00	(734,430.96)	5,008,638.64

(14) Other assets

	Notes	2020	2019
Foreclosed assets	14.1	24,974,414.50	24,974,414.50
Other receivables	14.2	5,924,093.66	5,551,287.10
Long-term deferred expenses	14.3	10,319,863.98	9,994,127.02
Intangible assets	14.4	10,977,785.36	9,079,515.74
Construction in progress	14.5	2,407,013.93	952,595.45
Subtotal		54,603,171.43	50,551,939.81
Less: Provision		6,209,071.58	6,209,071.58
Total		48,394,099.85	44,342,868.23

Notes to Financial Statement

Y2020

Unit: CNY yuan

5. Notes to financial statements (continued)

(14) Other assets (continued)

(14.1) Foreclosed assets

	2020	2019
Buildings	<u>24,974,414.50</u>	<u>24,974,414.50</u>

As at 31 December 2020, the Bank has made provision of RMB5,304,209.50 for foreclosed assets (31 December 2019 RMB5,304,209.50).

(14.2) Other receivables

(i) By Aging

	2020			
	Book value	%	Provision	Net value
Within 1 year	2,329,315.77	39%	-	2,329,315.77
1-2 years	1,495,687.57	26%	-	1,495,687.57
2-3 years	710,385.34	12%	-	710,385.34
Over 3 years	1,388,704.98	23%	(904,862.08)	483,842.90
Total	<u>5,924,093.66</u>	<u>100%</u>	<u>(904,862.08)</u>	<u>5,019,231.58</u>

	2019			
	Book value	%	Provision	Net value
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	1,399,191.93	25%	(904,862.08)	494,329.85
Total	<u>5,551,287.10</u>	<u>100%</u>	<u>(904,862.08)</u>	<u>4,646,425.02</u>

As at 31 December 2020, the Bank has made a provision for rentals of foreclosed assets amounting to RMB850,833.33 (31 December 2019: RMB850,833.33) and a provision for other receivables amounting to RMB54,028.75 (31 December 2019: RMB54,028.75).

(ii) By nature

	2020	2019
Rental deposits	2,768,951.34	3,091,850.15
Prepayments	2,246,254.34	1,475,325.47
Others	<u>908,887.98</u>	<u>984,111.48</u>
Total	<u>5,924,093.66</u>	<u>5,551,287.10</u>

Notes to Financial Statement

Y2020

Unit: CNY yuan

5. Notes to financial statements (continued)

(14) Other assets (continued)

(14.3) Long-term deferred expenses

2020	Opening balance	Additions	Amortizations	Closing balance
Leasehold improvements	<u>9,994,127.02</u>	<u>3,371,238.81</u>	<u>(3,045,501.85)</u>	<u>10,319,863.98</u>
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>

(14.4) Intangible assets

	2020	2019
Cost		
Opening balance	16,635,709.13	13,595,168.81
Additions	3,781,530.81	3,048,842.82
Disposal	-	(8,302.50)
Closing balance	<u>20,417,239.94</u>	<u>16,635,709.13</u>
Amortizing		
Opening balance	7,556,193.39	5,928,363.16
Additions	1,883,261.19	1,633,918.95
Disposal	-	(6,088.72)
Closing balance	<u>9,439,454.58</u>	<u>7,556,193.39</u>
Net carrying amount		
Opening balance	<u>9,079,515.74</u>	<u>7,666,805.65</u>
Closing balance	<u>10,977,785.36</u>	<u>9,079,515.74</u>

(14.5) Construction in progress

	2020	2019
Opening balance	952,595.45	1,364,596.62
Additions	6,804,364.34	6,042,851.93
Transfers	<u>(5,349,945.86)</u>	<u>(6,454,853.10)</u>
Closing balance	<u>2,407,013.93</u>	<u>952,595.45</u>

(15) Due to banks

	2020	2019
Overseas banks	42,806,674.82	14,018,408.39
Domestic banks	-	200,000,000.00
Domestic financial institutions	<u>18,676,211.60</u>	<u>4,535,792.04</u>
Total	<u>61,482,886.42</u>	<u>218,554,200.43</u>

Notes to Financial Statement

Y2020

Unit: CNY yuan

5. Notes to financial statements (continued)

(16) Placements from banks

	2020	2019
Domestic banks	575,249,000.00	409,286,000.00
Overseas banks	1,108,656,320.00	850,059,928.00
Total	1,683,905,320.00	1,259,345,928.00

(17) Financial assets sold for repurchase

	2020	2019
By collateral		
Bonds	-	98,000,000.00
By counterparty		
Banks	-	98,000,000.00

(18) Customer deposits

	2020	2019
Demand deposits		
Corporate customers	3,467,748,463.10	2,704,268,360.45
Personal customers	15,086,040.69	14,711,059.15
Time deposits		
Corporate customers	2,980,286,040.20	2,878,418,113.24
Personal customers	803,275,859.62	1,017,220,749.21
Others	233,316.02	200,000.00
Total	7,266,629,719.63	6,614,818,282.05

(19) Payroll payables

	2020	2019
Amount unpaid		
Salary, bonus, subsidy and allowance	36,136,432.15	30,997,429.36
Amount payable		
Salary, bonus, subsidy and allowance	91,538,027.37	79,355,229.12
Employee benefits	1,251,218.02	508,747.46
Social insurance	3,267,975.99	3,363,496.14
Including: Medical insurance	3,035,128.80	2,988,324.74
Injury insurance	7,149.44	83,880.59
Maternity insurance	225,697.75	291,290.81
Housing fund	4,777,101.05	3,462,798.24
Defined contribution plan	2,289,048.16	6,946,625.64
Including: Retirement insurance	493,143.94	5,742,056.18
Enterprise annuity	1,775,791.00	1,041,943.23
Unemployment insurance	20,113.22	162,626.23
Total	103,123,370.59	93,636,896.60

Notes to Financial Statement

Y2020

Unit: CNY yuan

5. Notes to financial statements (continued)

(20) Tax payables

	2020	2019
VAT	3,679,809.26	3,108,799.26
Corporate Income Tax	11,520,797.86	5,338,236.90
Others	702,562.17	669,920.85
Total	<u>15,903,169.29</u>	<u>9,116,957.01</u>

(21) Interest payables

	2020	2019
Interest payables		
- to customer deposit	30,671,859.24	33,437,091.47
- to banks	3,956,891.75	1,627,158.47
- to derivatives	379,684.46	-
- to repurchase agreements	-	4,564.38
Total	<u>35,008,435.45</u>	<u>35,068,814.32</u>

(22) Bonds payables

	2020	2019
IBNCD	249,341,917.06	299,947,683.27
Total	<u>249,341,917.06</u>	<u>299,947,683.27</u>

As of 31 December 2020, the balance of bonds payables is as follows:

Date of issuance	Duration	Amount	Opening balance	Issuance	Amortization of discount/ premium	Reimbursement	Closing balance
2020/11/5	3 months	100,000,000.00	-	99,175,100.00	505,763.42	-	99,680,863.42
2020/11/9	3 months	50,000,000.00	-	49,587,550.00	240,885.93	-	49,828,435.93
2020/12/21	1 month	100,000,000.00	-	99,737,400.00	95,217.71	-	99,832,617.71
2019/12/3	1 month	300,000,000.00	299,947,683.27	-	52,316.73	300,000,000.00	-

In 2020, the Bank issued RMB interbank negotiable certificates of deposit in the national interbank market, with a face value of RMB 100 and discount interest.

(23) Other current liabilities

	2020	2019
Accounts payable	2,309,908.01	4,875,381.27
Accrued expenses	4,880,836.30	2,032,811.05
Deferred income	1,364,046.20	347,801.53
others	<u>91,018.72</u>	<u>24,486.46</u>
Total	<u>8,645,809.23</u>	<u>7,280,480.31</u>

Notes to Financial Statement

Y2020

Unit: CNY yuan

5. Notes to financial statements (continued)

(24) Paid-up capital

	2020		2019	
	RMB equivalent	%	RMB equivalent	%
Metrobank	1,500,000,000.00	100%	1,500,000,000.00	100%

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

2020	Opening balance	Additions	Closing balance
Excess of contributed capital	453,890.00	-	453,890.00
2019	Opening balance	Additions	Closing balance
Excess of contributed capital	453,890.00	-	453,890.00

(26) Other comprehensive income

Accumulated balance of other comprehensive income on the balance sheet:

2020	Opening balance	Changes during the year	Closing balance
Accumulated fair value changes of available-for-sale financial assets	3,373,759.04	(7,378,655.19)	(4,004,896.15)
2019	Opening balance	Changes during the year	Closing balance
Accumulated fair value changes of available-for-sale financial assets	1,170,466.16	2,203,292.88	3,373,759.04

Other comprehensive income on the income statement:

2020	Before tax	Tax	After tax
Items that may be reclassified to the income statement			
Fair value changes of available-for-sale financial assets	(5,717,779.64)	1,429,444.91	(4,288,334.73)
Less: Previously accrued OCI transfer to the income statement	4,120,427.28	(1,030,106.82)	3,090,320.46
Total	(9,838,206.92)	2,459,551.73	(7,378,655.19)

Notes to Financial Statement

Y2020

Unit: CNY yuan

5. Notes to financial statements (continued)

(26) Other comprehensive income (continued)

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: Previously accrued OCI transfer to the income statement	1,399,902.51	(349,975.63)	1,049,926.88
Total	<u>2,937,723.84</u>	<u>(734,430.96)</u>	<u>2,203,292.88</u>

(27) Surplus reserves

2020	Opening balance	Additions	Closing balance
Statutory surplus reserves	<u>13,485,204.29</u>	<u>4,249,885.15</u>	<u>17,735,089.44</u>
2019	Opening balance	Additions	Closing balance
Statutory surplus reserves	<u>10,493,411.45</u>	<u>2,991,792.84</u>	<u>13,485,204.29</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

2020	Opening balance	Additions	Closing balance
General reserves	<u>103,196,701.12</u>	<u>32,697,124.71</u>	<u>135,893,825.83</u>
2019	Opening balance	Additions	Closing balance
General reserves	<u>94,403,636.63</u>	<u>8,793,064.49</u>	<u>103,196,701.12</u>

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

Notes to Financial Statement

Y2020

Unit: CNY yuan

5. Notes to financial statements (continued)

(29) Retained earnings

	2020	2019
Opening balance	35,647,982.31	17,514,911.27
Net profit	42,498,851.54	29,917,928.37
Less: Appropriations to		
- statutory surplus reserves	4,249,885.15	2,991,792.84
- general reserves	32,697,124.71	8,793,064.49
Closing balance	41,199,823.99	35,647,982.31

(30) Net interest income

	2020	2019
Interest income		
Balances with		
the central bank	9,974,684.66	8,902,918.45
Due from banks and		
placements with banks	39,128,537.99	72,691,373.05
Reverse repurchase		
agreements	66,252.42	100,069.55
Loans and advances	213,032,144.72	181,825,910.10
Including:		
Corporate loans	204,027,503.54	177,750,229.68
Discounted bills	4,335,141.92	578,020.16
Trade finance	4,669,499.26	3,497,660.26
Subtotal	262,201,619.79	263,520,271.15
Interest expenses		
Due to banks and		
placements from banks	(5,251,619.69)	(15,986,446.79)
Customer deposit	(109,328,816.87)	(106,400,719.88)
Repurchase agreements	(306,958.90)	(620,345.13)
Interbank certificates of		
Deposit	(894,183.79)	(758,583.27)
Subtotal	(115,781,579.25)	(123,766,095.07)
Net interest income	146,420,040.54	139,754,176.08

Notes to Financial Statement

Y2020

Unit: CNY yuan

5. Notes to financial statements (continued)

(31) Net fee and commission income

	2020	2019
Fee and commission income		
Settlement and clearing fees	4,494,869.36	5,292,675.60
Commitment and agency fees	2,099,454.58	1,399,922.23
Others	1,410,062.48	1,471,025.46
Subtotal	8,004,386.42	8,163,623.29
Fee and commission expenses		
Service charge expenses	(1,610,002.58)	(1,941,128.14)
Net fee and commission income	6,394,383.84	6,222,495.15

(32) Investment income

	2020	2019
Net gain on disposal of available-for-sale financial assets	2,721,186.46	3,495,417.28
Net (loss)/gain on disposal of held-for-trading bond investments	(201,000.01)	205,896.54
Bond Interest income	57,768,510.35	39,020,361.54
Receivables investments interest income	32,121,359.12	16,612,177.92
Others	671,660.08	263,897.39
Total	93,081,716.00	59,597,750.67

(33) Foreign exchange (loss)/gain

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 forward and swap transactions, and exchange gain or loss of translation of monetary assets and liabilities in foreign currencies.

(34) General and administrative expenses

	2020	2019
Staff costs	103,123,370.59	93,636,896.60
Depreciation	2,676,984.62	2,916,995.64
Amortization	4,928,763.04	4,035,515.50
Other operating expenses	40,448,390.18	37,670,979.06
Total	151,177,508.43	138,260,386.80

Notes to Financial Statement

Y2020

Unit: CNY yuan

5. Notes to financial statements (continued)

(35) Impairment losses

	2020	2019
Impairment losses/(reverses) for		
Due from banks	974,077.17	(33,176.74)
Placements with banks	1,215,612.50	-
Loans and advances	19,559,749.59	24,795,709.83
Available-for-sale financial assets	(1,707,651.78)	1,508,342.36
Receivables investments	3,468,600.00	3,448,400.00
Others	-	16,178.75
Total	<u>23,510,387.48</u>	<u>29,735,454.20</u>

(36) Income tax expense

	2020	2019
Current income tax expenses	20,163,832.49	13,214,555.62
Deferred income tax expenses	<u>(5,315,653.10)</u>	<u>(2,896,546.00)</u>
Total	<u>14,848,179.39</u>	<u>10,318,009.62</u>

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

	2020	2019
Profit before tax	<u>57,347,030.93</u>	<u>40,235,937.99</u>
Tax charge at the statutory tax rate of 25%	14,336,757.73	10,058,984.50
Tax exempted income	(118,816.63)	(31,278.24)
Non-deductible items	768,004.11	428,069.18
Software R&D super-deduction	<u>(137,765.82)</u>	<u>(137,765.82)</u>
Income tax expense	<u>14,848,179.39</u>	<u>10,318,009.62</u>

Notes to Financial Statement

Y2020

Unit: CNY yuan

5. Notes to financial statements (continued)

(37) Cash flows from operating activities

Reconciliation of net profit to cash flows from operating activities:

	2020	2019
Net profit	42,498,851.54	29,917,928.37
Add: Provision for impairment losses	23,510,387.48	29,735,454.20
Depreciation	2,676,984.62	2,916,995.64
Amortization for intangible assets	1,883,261.19	1,633,918.95
Amortization for long-term deferred expenses	3,045,501.85	2,401,596.55
Loss on disposal of fixed and intangible assets	-	302,867.25
Unrealized exchange gain	(13,571,913.37)	(17,502,095.74)
Loss from changes in fair value	1,144,925.39	463,902.96
Interest on NCD	894,183.79	758,583.27
Investment income	(93,081,716.00)	(59,597,750.67)
Increase in deferred tax assets	(5,315,653.10)	(2,896,546.00)
Increase in operating receivables	(630,395,963.00)	(782,733,437.08)
Increase in operating payables	938,074,858.24	2,291,822,954.83
Net cash flows generated from operating activities	<u>271,363,708.63</u>	<u>1,497,224,372.53</u>

(38) Cash and Cash Equivalents

	2020	2019
Cash	351,491.78	327,039.37
Cash equivalents		
Non-restricted deposits with the central bank	271,535,608.04	475,468,344.38
With original maturity less than three months		
- Due from banks	415,186,486.38	642,811,655.83
- Placement with banks	1,685,363,500.00	2,151,096,400.00
- Reverse repurchase agreements	-	139,944,000.00
Subtotal	<u>2,372,085,594.42</u>	<u>3,409,320,400.21</u>
Total	<u>2,372,437,086.20</u>	<u>3,409,647,439.58</u>

Notes to Financial Statement

Y2020

Unit: CNY yuan

6. Segment report

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

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

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

The disclosure of the segments is based on the accounting policy and basis of preparation which individual segment adopts to report to the management. The basis of preparation is consistent with that adopted by the Bank when preparing the financial statements.

Segment revenues, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The basis for allocation is mainly based on occupation of or contribution to resources. Income taxes are managed on a group basis and are not allocated to operating segments.

2020	Credit and deposit	Financial Markets	Total
Net interest income	103,703,327.85	42,716,712.69	146,420,040.54
Net fee and commission income	6,394,383.84	-	6,394,383.84
Other income, net (i)	85,914,339.33	(3,536,748.74)	82,377,590.59
General and administrative expenses and non-operating expenses	(123,883,508.09)	(28,593,276.71)	(152,476,784.80)
Including: Depreciation and amortization	(6,179,476.46)	(1,426,271.20)	(7,605,747.66)
Tax and surcharges	(1,331,326.98)	(526,484.78)	(1,857,811.76)
Impairment losses	(23,028,349.59)	(482,037.89)	(23,510,387.48)
Profit before tax of segment	47,768,866.36	9,578,164.57	57,347,030.93
Less: Income tax expense			(14,848,179.39)
Net profit			42,498,851.54
2020	Credit and deposit	Financial Markets	Total
Segment assets	5,079,935,938.96	5,972,045,134.51	11,051,981,073.47
Segment liabilities	7,346,254,168.68	2,014,449,171.68	9,360,703,340.36
Credit commitments	1,552,154,969.63	-	1,552,154,969.63

Notes to Financial Statement

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Unit: CNY yuan

6. Segment report (continued)

2019	Credit and deposit	Financial Markets	Total
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	(24,811,910.36)	(4,923,543.84)	(29,735,454.20)
(Loss)/profit before tax	(37,218,339.71)	77,454,277.70	40,235,937.99
Less: Income tax expense			10,318,009.62
Net profit			29,917,928.37
2019	Credit and deposit	Financial Markets	Total
Segment assets	4,655,975,483.50	5,573,311,828.01	10,229,287,311.51
Segment liabilities	6,681,191,164.47	1,891,938,610.28	8,573,129,774.75
Credit commitments	1,855,434,294.42	-	1,855,434,294.42

(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 2020 and year 2019. 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 2020 and year 2019.

Notes to Financial Statement

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Unit: CNY yuan

7. Financial Risk Management

(1) Overview of risk management

(1.1) Overview of risks

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

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

(1.2) Risk management structure

The Board of Directors of the Bank is responsible for establishing Bank's overall risk management strategies given business objectives. The Board of Directors supervise and control the overall business activities and business risks through the functions of its subcommittees. These include the Executive Committee, Risk Management Committee, Audit Committee, Related Party Transactions Control Committee and Nomination and Remuneration Committee. Management committees include Credit Committee, Assets and Liabilities Committee, Information Technology Committee, Anti Money Laundry Committee 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 accepted draft and letters of credit issued. The management of the Bank closely monitors and manages the credit risk from these types of exposures.

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

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

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Unit: CNY yuan

7. Financial Risk Management (continued)

(2) Credit Risk (continued)

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

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

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

	2020	2019
Balances with the central bank	930,809,528.92	1,113,236,150.12
Due from banks	413,795,792.60	642,331,032.57
Placements with banks	2,414,147,887.50	2,603,096,400.00
Financial assets at fair value through profit or loss	-	20,757,160.00
Derivative financial assets	2,529,610.69	47,184.95
Reverse repurchase agreements	-	139,944,000.00
Loans and advances to customers	4,490,671,946.16	4,199,868,131.33
Available-for-sale financial assets	2,110,234,857.48	983,454,172.85
Held-to-maturity investment	20,988,034.87	21,102,973.77
Receivables investments	519,883,000.00	399,951,600.00
Other financial assets	78,795,988.08	45,231,381.09
Total	<u>10,981,856,646.30</u>	<u>10,169,020,186.68</u>
Credit commitments	<u>1,552,154,969.63</u>	<u>1,855,434,294.42</u>
Maximum credit risk exposure	<u>12,534,011,615.93</u>	<u>12,024,454,481.10</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

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Unit: CNY yuan

7. Financial Risk Management (continued)

(2) Credit Risk (continued)

(2.3) Risk concentration (continued)

Loans and advances distributed by industries are listed below:

	2020		2019	
	Book Value	%	Book Value	%
Manufacturing	490,112,509.88	11%	668,959,305.47	16%
Wholesale and retail	618,993,282.94	14%	651,056,238.56	15%
Construction	443,423,258.19	10%	579,647,162.19	14%
Agriculture, forestry, farming and fishing	159,500,000.00	3%	103,500,000.00	2%
Transportation	140,000,000.00	3%	244,568,478.00	6%
Leasing and business services	2,076,892,092.41	44%	1,337,688,776.99	31%
Paper-making and paper products	5,000,000.00	0%	13,000,000.00	0%
Culture, sports and entertainment	134,000,000.00	3%	148,000,000.00	4%
Water conservancy, environment and public facilities management	310,000,000.00	7%	436,375,000.00	10%
Real estate	70,000,000.00	2%	92,031,092.36	2%
Finance	133,003,235.98	3%	-	0%
Total	4,580,924,379.40	100%	4,274,826,053.57	100%

Loans and advances distributed by regions are shown below:

	2020	2019
Shanghai	1,616,671,922.03	1,662,724,650.82
Jiangsu	2,595,085,833.83	2,037,549,098.03
Fujian	369,166,623.54	574,552,304.72
Total	4,580,924,379.40	4,274,826,053.57

(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.

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Unit: CNY yuan

7. Financial Risk Management (continued)

(2) Credit Risk (continued)

(2.5) Credit quality

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

2020	Neither overdue nor impaired	Overdue but not impaired	Impaired	Total
Balances with the central bank	930,809,528.92	-	-	930,809,528.92
Due from banks	415,186,486.38	-	-	415,186,486.38
Placements with banks	2,415,363,500.00	-	-	2,415,363,500.00
Derivative financial assets	2,529,610.69	-	-	2,529,610.69
Loans and advances to customers	4,561,632,889.45	-	19,291,489.95	4,580,924,379.40
Available-for-sale financial assets	2,110,234,857.48	-	-	2,110,234,857.48
Held-to-maturity investment	20,988,034.87	-	-	20,988,034.87
Receivables investments	527,800,000.00	-	-	527,800,000.00
Other financial assets	78,795,988.08	-	904,862.08	79,700,850.16
Total	11,063,340,895.87	-	20,196,352.03	11,083,537,247.90
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 repurchase 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	10,227,174,282.68	-	24,621,490.63	10,251,795,773.31

As at 31 December 2020, the Bank has no overdue but not impaired financial assets (31 December 2019: the fair value of the collateral of the overdue but not impaired financial assets was RMB0).

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Unit: CNY yuan

7. Financial Risk Management (continued)

(2) Credit Risk (continued)

(2.5) Credit quality (continued)

Loans and advances that are neither overdue nor impaired

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

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

2020	Pass	Special Mention	Total
Unsecured loans	263,927,834.32	-	263,927,834.32
Guaranteed loans	2,893,537,964.97	-	2,893,537,964.97
Loans secured by mortgages	288,851,600.00	-	288,851,600.00
Loans secured by pledges	1,115,315,490.16	-	1,115,315,490.16
Total	4,561,632,889.45	-	4,561,632,889.45

2019	Pass	Special Mention	Total
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	1,227,587,618.96	-	1,227,587,618.96
Total	4,251,109,425.02	-	4,251,109,425.02

Loans and advances that are overdue but not impaired

As at 31 December 2020, the Bank has no overdue but not impaired loans and advances.

Impaired loans and advances

If there is objective evidence that a single or multiple negative events occurred after the initial recognition of loans and advances and the impact on the expected future cash flows from the events can be estimated reliably, the relevant loans and advances should be recognized as impaired. These loans are classified as "Substandard", "Doubtful" or "Loss". As of balance sheet date, the balance of impaired loans and advances is RMB19,291,489.95, among which the balance of guaranteed loans is RMB8,501,489.95.

7. Financial Risk Management (continued)

(3) Liquidity risk

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

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

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

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

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Unit: CNY yuan

7. Financial Risk Management (continued)

(3) Liquidity risk (continued)

The undiscounted cash flows of the Bank's financial assets and liabilities by contractual maturities as at 31 December 2020 are as follows:

	Overdue/ on demand	Within 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Undated	Total
Non-derivative cash flow								
Cash and balances with the central bank	271,913,233.37	-	293,410.80	-	-	-	659,273,920.88	931,480,565.05
Due from banks	413,833,481.34	-	-	-	-	-	-	413,833,481.34
Placements with banks	-	918,143,024.21	1,124,352,278.48	396,785,625.00	-	-	-	2,439,280,927.69
Derivative financial assets	-	358,766.10	162,838.45	369,547.85	1,638,458.29	-	-	2,529,610.69
Loans and advances to customers	267,265.88	153,195,611.37	515,341,072.55	3,379,877,088.66	624,844,261.07	1,168,681.02	-	4,674,693,980.55
Available-for-sale financial assets	-	1,027,346,151.53	39,436,812.55	182,465,246.86	1,078,676,312.77	-	-	2,327,924,523.71
Held-to-maturity investment	-	-	-	772,499.05	3,089,996.20	23,089,996.20	-	26,952,491.45
Receivables investments	-	-	81,292,485.34	116,327,456.38	360,974,791.66	-	-	558,594,733.38
Other financial assets	-	-	-	1,300.00	2,559,201.33	-	-	2,560,501.33
Total financial assets	686,013,980.59	2,099,043,553.21	1,760,878,898.17	4,076,598,763.80	2,071,783,021.32	24,258,677.22	659,273,920.88	11,377,850,815.19
Due to banks	56,482,886.42	5,011,194.44	-	-	-	-	-	61,494,080.86
Placements from banks	-	505,110,421.11	853,810,394.08	336,673,234.00	-	-	-	1,695,594,049.19
Customer deposits	3,496,083,602.50	882,527,786.47	1,010,122,569.03	1,918,634,141.50	15,583,860.32	-	-	7,322,951,959.82
Bonds payables	-	100,000,000.00	150,000,000.00	-	-	-	-	250,000,000.00
Derivative financial liabilities	-	1,488,678.87	221,705.73	353,963.24	1,585,303.29	-	-	3,649,651.13
Other financial liabilities	1,570,727.26	-	-	4,166,471.29	-	-	-	5,737,198.55
Total financial liabilities	3,554,137,216.18	1,494,138,080.89	2,014,154,668.84	2,259,827,810.03	17,169,163.61	-	-	9,339,426,939.55
Credit commitments	18,423,891.38	223,106,834.57	396,868,420.98	913,755,822.70	-	-	-	1,552,154,969.63

7. Financial Risk Management (continued)

(3) Liquidity risk (continued)

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

	Overdue/ on demand	Within 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Undated	Total
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	312,073,753.42	-	-	-	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	18,554,200.43	200,881,095.89	-	-	-	-	-	219,435,296.32
Placements from banks	-	1,197,287,330.46	58,616,250.00	4,689,645.31	-	-	-	1,260,593,225.77
Financial assets sold for repurchase	-	98,009,128.77	-	-	-	-	-	98,009,128.77
Customer deposits	2,729,115,319.84	980,053,420.94	891,752,508.94	1,793,225,517.75	290,358,781.08	-	-	6,684,505,548.55
Bonds payables	-	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

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Unit: CNY yuan

7. Financial Risk Management (continued)

(4) Market risk

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

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

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

(4.1) Currency risk

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

As at 31 December 2020, the Bank's financial assets and financial liabilities by currency are as follows:

	RMB	USD (RMB equivalent)	EUR (RMB equivalent)	Other (RMB equivalent)	Total
Cash and balances with the central bank	859,515,317.37	71,645,703.33	-	-	931,161,020.70
Due from banks	114,238,559.96	242,824,196.03	49,338,626.97	7,394,409.64	413,795,792.60
Placements with banks	1,664,600,000.00	749,547,887.50	-	-	2,414,147,887.50
Derivative financial assets	2,529,610.69	-	-	-	2,529,610.69
Loans and advances to customers	4,213,642,212.13	206,260,925.09	64,439,363.36	6,329,445.58	4,490,671,946.16
Available-for-sale financial assets	1,966,711,525.85	143,523,331.63	-	-	2,110,234,857.48
Held-to-maturity investment	20,988,034.87	-	-	-	20,988,034.87
Receivables investments	519,883,000.00	-	-	-	519,883,000.00
Other financial assets	75,574,868.53	3,163,718.41	53,081.52	4,319.62	78,795,988.08
Total financial assets	9,437,683,129.40	1,416,965,761.99	113,831,071.85	13,728,174.84	10,982,208,138.08
Due to banks	20,408,577.17	41,074,309.25	-	-	61,482,886.42
Placements from banks	1,050,000,000.00	521,992,000.00	104,325,000.00	7,588,320.00	1,683,905,320.00
Derivative financial liabilities	3,649,651.13	-	-	-	3,649,651.13
Customer deposits	6,252,571,186.39	1,013,889,414.55	150,402.86	18,715.83	7,266,629,719.63
Bonds payables	249,341,917.06	-	-	-	249,341,917.06
Other financial liabilities	35,949,147.90	4,795,428.60	839.25	218.25	40,745,634.00
Total financial liabilities	7,611,920,479.65	1,581,751,152.40	104,476,242.11	7,607,254.08	9,305,755,128.24
Net position	1,825,762,649.75	(164,785,390.41)	9,354,829.74	6,120,920.76	1,676,453,009.84
Credit commitments	1,374,668,867.54	149,641,450.71	27,844,651.38	-	1,552,154,969.63

Notes to Financial Statement

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Unit: CNY yuan

7. Financial Risk Management (continued)

(4) Market risk (continued)

(4.1) Currency risk (continued)

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

	RMB	USD (RMB equivalent)	EUR (RMB equivalent)	Other (RMB equivalent)	Total
Cash and balances with the central bank	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

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Y2020

Unit: CNY yuan

7. Financial Risk Management (continued)

(4) Market risk (continued)

(4.1) Currency risk (continued)

As at 31 December 2020, 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 RMB2,196,247.29 (2019: RMB593,947.47); the Bank's other comprehensive income after tax will decrease/increase by RMB1,076,424.99 (2019: RMB1,510,722.14).

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

The analysis is based on the following assumptions:

- (1) Exchange rate sensitivity refers to the gains and losses caused by the 1% change of the closing rate (mid-rate) of foreign currencies against RMB as at the balance sheet date;
- (2) Exchange rate fluctuation refers to the fluctuation of all foreign currencies against RMB in the same direction simultaneously;
- (3) Off-balance sheet items are excluded in net position.

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

Notes to Financial Statement

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Unit: CNY yuan

7. Financial Risk Management (continued)

(4) Market risk (continued)

(4.1) Currency risk (continued)

As at 31 December 2020, 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	10,980,352.70	-	-	-	-	-	-	-	-
Due from banks	37,215,006.52	293,826.03	6,148,115.51	79,249,664.00	158,960.09	1,925,102.68	44,494.46	45,176.17	2,005.09
Placements with banks	114,875,000.00	-	-	-	-	-	-	-	-
Interest receivables	484,868.49	-	6,614.52	68,308.00	0.01	-	-	-	-
Available-for-sale financial assets	21,996,250.00	-	-	-	-	-	-	-	-
Loans and advances to Customers	31,611,354.21	-	8,029,827.21	100,092,440.64	-	-	-	-	-
Fixed assets	74,630.54	-	-	-	-	-	-	-	-
Deferred tax assets	28,074.38	-	-	-	-	-	-	-	-
TOTAL ASSETS	217,265,536.84	293,826.03	14,184,557.24	179,410,412.64	158,960.10	1,925,102.68	44,494.46	45,176.17	2,005.09
LIABILITIES									
Due to banks	6,295,009.77	-	-	-	-	-	-	-	-
Placements from banks	80,000,000.00	-	13,000,000.00	120,000,000.00	-	-	-	-	-
Customer deposits	155,387,732.31	10,082.87	18,741.79	161,769.82	-	-	-	-	-
Tax payables	329,849.00	4,685.84	38,739.57	131,478.25	22.54	-	191.97	-	-
Interest payables	597,510.93	0.03	-	3,451.00	-	-	-	-	-
Other liabilities	137,431.92	-	104.58	-	-	-	-	-	-
TOTAL LIABILITIES	242,747,533.93	14,768.74	13,057,585.94	120,296,699.07	22.54	-	191.97	-	-
EQUITY									
Paid-in capital	170,593,593.82	-	-	-	-	-	-	-	-
Other comprehensive income	(79,102.08)	-	-	-	-	-	-	-	-
Retained earnings	(195,996,488.83)	279,057.29	1,126,971.30	59,113,713.57	158,937.56	1,925,102.68	44,302.49	45,176.17	2,005.09
TOTAL EQUITY	(25,481,997.09)	279,057.29	1,126,971.30	59,113,713.57	158,937.56	1,925,102.68	44,302.49	45,176.17	2,005.09
TOTAL LIABILITIES AND EQUITY	217,265,536.84	293,826.03	14,184,557.24	179,410,412.64	158,960.10	1,925,102.68	44,494.46	45,176.17	2,005.09

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

7. Financial Risk Management (continued)

(4) Market risk (continued)

(4.1) Currency risk (continued)

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									
Paid-in capital	170,593,593.82	-	-	-	-	-	-	-	-
Other comprehensive income	500,513.59	-	-	-	-	-	-	-	-
Retained earnings	(155,852,447.77)	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 EQUITY	15,241,659.64	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.

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Unit: CNY yuan

7. Financial Risk Management (continued)

(4) Market risk (continued)

(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

Y2020

Unit: CNY yuan

7. Financial Risk Management (continued)

(4) Market risk (continued)

(4.2) Interest rate risk (continued)

As at 31 December 2020, the Bank's analysis of financial assets and liabilities by the earlier of maturity date and re-pricing date is as follows:

	Within 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Overdue/Non- interest bearing	Total
Cash and balances with the central bank	859,241,576.30	-	-	-	-	71,919,444.40	931,161,020.70
Due from banks	413,795,792.60	-	-	-	-	-	413,795,792.60
Placements with banks	915,278,387.50	1,113,869,500.00	385,000,000.00	-	-	-	2,414,147,887.50
Derivative financial assets	-	-	-	-	-	2,529,610.69	2,529,610.69
Loans and advances to customers	130,146,085.75	480,759,833.26	3,286,262,009.29	592,121,496.19	1,121,498.44	261,023.23	4,490,671,946.16
Available-for-sale financial assets	999,949,310.00	29,806,652.70	139,877,750.00	940,601,144.78	-	-	2,110,234,857.48
Held-to-maturity investment	-	-	-	-	20,988,034.87	-	20,988,034.87
Receivables investments	-	72,693,000.00	98,500,000.00	348,690,000.00	-	-	519,883,000.00
Other financial assets	-	-	-	-	-	78,795,988.08	78,795,988.08
Total financial assets	3,318,411,152.15	1,697,128,985.96	3,909,639,759.29	1,881,412,640.97	22,109,533.31	153,506,066.40	10,982,208,138.08
Due to banks	20,408,577.17	-	-	-	-	41,074,309.25	61,482,886.42
Placements from banks	504,325,000.00	848,869,500.00	330,710,820.00	-	-	-	1,683,905,320.00
Customer deposits	4,369,951,494.94	998,463,686.21	1,883,311,352.91	14,903,185.57	-	-	7,266,629,719.63
Bonds payables	99,832,617.71	149,509,299.35	-	-	-	-	249,341,917.06
Derivative financial liabilities	-	-	-	-	-	3,649,651.13	3,649,651.13
Other financial liabilities	-	-	-	-	-	40,745,634.00	40,745,634.00
Total financial liabilities	4,994,517,689.82	1,996,842,485.56	2,214,022,172.91	14,903,185.57	-	85,469,594.38	9,305,755,128.24
Net position	(1,676,106,537.67)	(299,713,499.60)	1,695,617,586.38	1,866,509,455.40	22,109,533.31	68,036,472.02	1,676,453,009.84

7. Financial Risk Management (continued)

(4) Market risk (continued)

(4.2) Interest rate risk (continued)

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:

	Within 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Overdue/Non- interest bearing	Total
Cash and balances with the central bank	1,002,692,214.99	-	-	-	-	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	3,759,369,061.96	1,310,661,647.91	3,139,031,348.92	1,622,066,671.13	181,826,059.96	156,392,436.17	10,169,347,226.05
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	5,488,669,185.79	943,411,559.62	1,767,213,893.64	278,452,950.63	-	54,184,860.12	8,531,932,449.80
Net position	(1,729,300,123.83)	367,250,088.29	1,371,817,455.28	1,343,613,720.50	181,826,059.96	102,207,576.05	1,637,414,776.25

7. Financial Risk Management (continued)

(4) Market risk (continued)

(4.2) Interest rate risk (continued)

As at 31 December 2020, 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 RMB9,151,300.65 (2019: RMB6,275,795.00); the Bank's other comprehensive income after tax will decrease/increase by RMB3,507,023.13 (2019: RMB3,266,583.74).

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.

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Unit: CNY yuan

8. Capital Management

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

The Bank calculates and discloses capital adequacy ratio according to "Regulations Governing Capital of Commercial Banks (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.

	2020	2019
Core tier-one capital	1,691,277,733.11	1,656,157,536.76
Paid-up capital	1,500,000,000.00	1,500,000,000.00
Capital reserves	453,890.00	453,890.00
Qualified other comprehensive income	(4,004,896.15)	3,373,759.04
Surplus reserves	17,735,089.44	13,485,204.29
General reserves	135,893,825.83	103,196,701.12
Retained earnings	41,199,823.99	35,647,982.31
Core tier-one capital deductions	10,977,785.36	9,079,515.74
Other intangible assets	10,977,785.36	9,079,515.74
provision for loan impairment	-	-
Net core tier-one capital	1,680,299,947.75	1,647,078,021.02
Net tier-one capital	1,680,299,947.75	1,647,078,021.02
Tier-two capital	70,960,900.00	53,081,100.00
Surplus provision for loan impairment	70,960,900.00	53,081,100.00
Net capital base	1,751,260,847.75	1,700,159,121.02
Weighted risk assets	9,458,920,311.18	7,847,967,522.24
Core tier-one capital adequacy ratio	17.76%	20.99%
Tier-one capital adequacy ratio	17.76%	20.99%
Capital adequacy ratio	18.51%	21.66%

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.

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Unit: CNY yuan

9. Fair Value

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

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

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

- (1) The fair value of financial assets and financial liabilities at fair value through profit or loss (including derivative financial assets and liabilities) is measured at their market price. Where market price is not available, fair value is estimated using the discounted cash flows method or with reference to the quoted price of counterparties.
- (2) The fair value of fixed rate loans is estimated by comparing the market interest rates offered when the loans are granted, with the current market rates offered on similar loans. Changes in the credit quality of loans within the portfolio are not taken into consideration in determining the gross fair values. To measure the impact of deterioration in credit quality, the potential loss may be recognized separately by deducting the amount of loan impairment loss from the carrying amount and fair value of the loan facility;
- (3) Customer deposits are priced based on fixed rate or floating rate depending on the product type. The fair value of demand deposits is determined based on the amount payable on demand. The fair value of fixed deposits 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	Liabilities
Cash and balances with the central bank	Due to banks
Due from banks	Placements from banks
Placements with banks	Financial assets sold for repurchase
Reverse repurchase agreements	Customer deposits
Interest receivable	Interest payable
Loans and advances to customers	Bonds payable
Held-to-maturity investment	Other current liabilities
Receivables investments	
Other assets	

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.

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Unit: CNY yuan

9. Fair Value (continued)

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

Level 1: Quoted active market price

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

Level 2: Valuation technique using observable inputs

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

Level 3: Valuation technique with significant non-observable inputs

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

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

	Inputs in fair value measurement			Total
	Quoted active market price Level 1	Significant observable inputs Level 2	Significant non-observable inputs Level 3	
2020				
Derivative financial assets	-	2,529,610.69	-	2,529,610.69
Available-for-sale financial assets	-	2,107,230,194.33	-	2,107,230,194.33
Total financial assets	-	2,109,759,805.02	-	2,109,759,805.02
Derivative financial Liabilities	-	3,649,651.13	-	3,649,651.13
Total	-	3,649,651.13	-	3,649,651.13
	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	-	983,454,172.85	-	983,454,172.85
Total	-	1,004,258,517.80	-	1,004,258,517.80

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Unit: CNY yuan

9. Fair Value (continued)

In 2020, 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.

(2) Parent company

Name	Metrobank
Registered country	The Philippines
Business nature	bank
Percentage of shareholding	100%
Percentage of voting rights	100%
Common stock	Philippine Peso 89.948 billion

(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
ASPAC Land Development (Shanghai) Co., Ltd.	The related individual works as the member of the board of the company

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Unit: CNY yuan

10. Related party transactions (continued)

(4) Main transactions between the Bank and related parties

(4.1) Major balances between the Bank and related parties

	<u>2020</u>	<u>2019</u>
Due from banks		
Metrobank	1,885,163.06	13,279,126.75
New York Branch	10,894,920.13	5,391,712.23
Total	<u>12,780,083.19</u>	<u>18,670,838.98</u>
Due to banks	<u>2020</u>	<u>2019</u>
Metrobank	<u>42,806,674.82</u>	<u>14,018,408.39</u>
Placements from banks	<u>2020</u>	<u>2019</u>
Metrobank	<u>870,782,820.00</u>	<u>780,297,928.00</u>
Interest payables	<u>2020</u>	<u>2019</u>
Metrobank	<u>1,149,065.65</u>	<u>634,753.87</u>
Customer deposits	<u>2020</u>	<u>2019</u>
Related individuals	<u>6,360,623.80</u>	<u>1,750,344.50</u>

(4.2) Major transactions between the Bank and related parties

Interest income	<u>2020</u>	<u>2019</u>
Metrobank	<u>9,237.79</u>	<u>15,435.74</u>
Interest expenses	<u>2020</u>	<u>2019</u>
Metrobank	1,827,829.63	11,019,541.19
Related individuals	73,438.35	17,585.69
Total	<u>1,901,267.98</u>	<u>11,037,126.88</u>
Lease expenses	<u>2020</u>	<u>2019</u>
ASPAC Land Development (Shanghai) Co., Ltd.	<u>4,625,157.24</u>	<u>4,781,801.02</u>

Notes to Financial Statement

Y2020

Unit: CNY yuan

10. Related party transactions (continued)

(4) Major transactions between the Bank and related parties (continued)

(4.3) Key management personnel

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

	2020	2019
Salaries and benefits	25,310,287.15	23,046,621.71

11. Contingency

As at 31 December 2020, 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 2020.

Operating lease commitments

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

	2020	2019
Within 1 year (inclusive)	18,038,228.76	16,246,615.68
After 1 year but less than 2 years (inclusive)	14,690,038.64	12,521,628.93
After 2 years but less than 3 years (inclusive)	10,586,935.31	9,403,658.54
After 3 years	11,379,426.76	17,003,213.62
Total	54,694,629.47	55,175,116.77

(2) Credit commitments

	2020	2019
Financial guarantee contracts		
Letters of credit issued-usance	42,486,787.07	146,044,005.43
Letters of credit issued-at sight	138,564,415.02	156,503,220.31
Bank acceptance draft	1,371,103,767.54	1,552,887,068.68
Total	1,552,154,969.63	1,855,434,294.42

Notes to Financial Statement

Y2020

Unit: CNY yuan

12. Commitments (continued)

(2) Credit commitments (continued)

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

2020 Annual profit distribution plan is approved by board of directors of the Bank at 2021 Third Interim Board Meeting on 22 April 2021.

- (1) The Bank will appropriate 10% of its net profits to the statutory surplus reserves, which is amount to RMB4,249,885.15.
- (2) In accordance with Cai Jin [2012] No. 20 "Impairment Loss on Loans for Financial Institutions", the Bank set aside general reserves from net profit as profit appropriation, which is amount to RMB14,863,400.80.

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 22 April 2021.