East West Bank (China) Limited

2021 Annual Report

Note: This English translation is for reference purposes only. In the event of any discrepancy between the original Chinese version and this English translation, the original Chinese version shall prevail.

华美银行
EAST WEST BANK

Table of Contents

FINANCIAL HIGHLIGHTS

Total Assets

Total assets were RMB 11,005 million as of December 31, 2021, an increase of RMB 316 million, or 2.96% from December 31, 2020.

Loans and Advances

Loans and advances to customers totaled RMB 4,421 million as of December 31, 2021, an increase of RMB 1,146 million, or 35% from December 31, 2020.

The loan provision ratio[1] was 1.65% as of December 31, 2021. There were no non-performing loans as of December 31, 2021.

Deposits

Customer deposits totaled RMB 8,766 million as of December 31, 2021, an increase of RMB 450 million, or 5.41% since December 31, 2020.

Financial Performance

Total operating income increased from RMB 137.54 million in 2020 to RMB 173.55 million in 2021, an increase of 26.18% from December 31, 2020.

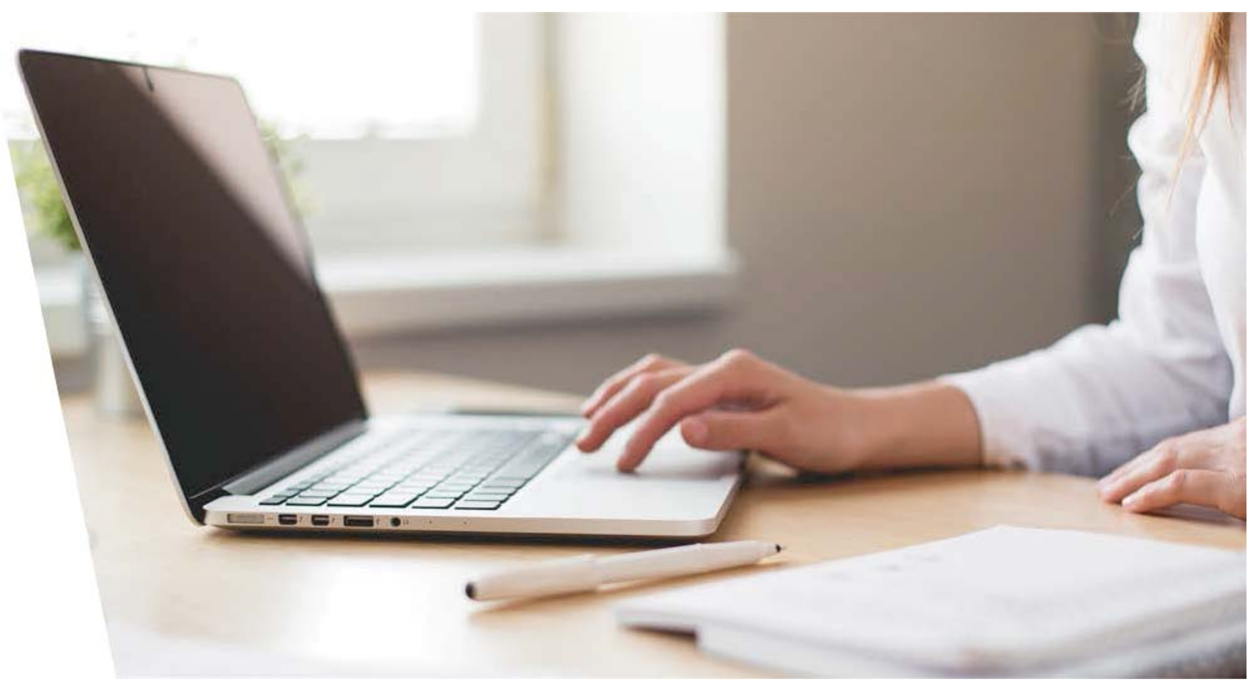
Total operating expenses increased from RMB 136.45 million in 2020 to RMB 149.91 million in 2021, an increase of 9.86% from December 31, 2020.

Total general and administrative expenses increased RMB 6.37 million, 4.82% from 2020. 2021 impairment losses were RMB 10.26 million, a RMB 7.34 million increase from 2020.

2021 profit before taxation was RMB 23.64 million, an increase of RMB 23.02 million from 2020. 2021 net profit of RMB 26.69 million, increased RMB 16.89 million from 2020.

Capital adequacy ratio was 21.42%, and the tier 1 capital adequacy ratio was 20.46% as of December 31, 2021.

Notes:[1] Loan provision ratio is calculated based on reporting requirements of CBIRC.



INTRODUCTION

East West Bancorp is a publicly listed company with $60.9 billion in total assets. EWBC is traded on the Nasdaq Global Select Market under the symbol "EWBC." The Company's wholly owned subsidiary, East West Bank ("EWB"), is the largest independent bank headquartered in Southern California, United States of America ("U.S.").

Today, East West Bank provides a wide range of personal and commercial banking services to businesses and individuals through more than 120 locations in key cities in the U.S. and China. Forbes magazine has recognized East West Bank as one of "America's Best Banks" since 2010. As one of the few banks U.S. based operating in both the U.S. and China markets, EWB continues to expand our extensive global network of contacts and resources to better meet our customers' diverse financial needs between the U.S. and China.

East West Bank (China) Limited ("EWCN" or the "Bank") is a foreign bank incorporated in Shanghai, the People's Republic of China (the "PRC"), wholly-owned by East West Bank, which is registered in the United States of America. The registered capital is RMB 1.4 billion. Mr. Dominic Ng is the Legal Representative of the Bank.

As stated in the Bank's business license, the Bank's operating period is from June 29, 1992 to an indefinite term. The Bank offers a wide range of foreign exchange and RMB business to corporations and individuals who are not residing in mainland China: (1) offering deposits products; (2) extending short-term, medium-term, and long-term loans; (3) handling acceptance and discount of negotiable instruments; (4) issuing and redeeming as an agent and underwriting government bonds; (5) buying and selling government bonds and financial bonds, and buying and selling negotiable securities denominated in foreign currencies other than stocks; (6) providing letter of credit services and guarantee; (7) handling domestic and overseas settlements; (8) buying and selling foreign currencies for its own account or as an agent; (9) bill payment agency and bancassurance; (10) inter-bank funding; (11) bank-card business; (12) providing safety-deposit box services; (13) providing credit investigation and consultation services; (14) other businesses as approved by the banking regulatory authority of the State Council.

CORPORATE GOVERNANCE

East West Bancorp, Inc., the parent company of East West Bank, received the Best Board Ranking from "Bank Director" magazine, due to the diversity and expertise of its board, as well as its strong governance practices.

The Bank is committed to high standards of corporate governance. Under the leadership of East West Bank, EWCN's Board of Directors has been working continuously over the years to establish a sound and effective corporate governance structure. The corporate governance structure of the Bank is composed of the shareholders, Board of Directors and its Board Committees, supervisors, and senior management who act in strict accordance with the applicable laws, rules and regulatory requirements. This corporate governance structure features a segregated authority hierarchy and the effective combination of authorization and supervision.

The Board of Directors effectively fulfilled its fiduciary and custodial duties. The Board of Directors and its Board Committees actively performed their duties in accordance with the corporate governance structure of the Bank, applicable laws, rules, and regulatory requirements, and provisions of the Bank's Articles of Association. The Board of Directors and its Board Committees approved important matters with proper authorization, monitored potential risks, supervised senior management performance through meetings with the management team and reviewed the Bank's reports on the implementation of internal control and risk management. Overall, the Bank's corporate governance is effective.

Parent Company - Primary Responsibilities and Duties

East West Bank is the sole shareholder of EWCN. East West Bank's primary responsibilities include:

- Determines the Bank's business activities and investment policies;
- Appoints and replaces members of the Board of Directors (including Executive Directors, Non-Executive Directors, and Independent Directors) and the Supervisor of the Bank ("Supervisor"), and the reimbursement for the Board of Directors and the Supervisor;
- Reviews and approves the reports of the Board of Directors and the Supervisor;
- Reviews and approves the annual budgets and final accounting of revenue and expenditures;
- Reviews and approves the annual financial statements audited by the Bank's external auditor;
- Reviews and approves the Bank's plans for profit distribution or loss recovery;
- Reviews and approves any change of the Bank's registered capital;
- Determines the Bank's listing matters;
- Determines any transfers of the Bank's shareholder's interest;
- Approves any activity related to mergers, spin-offs, changes of the corporate structure, or dissolution of the Bank;
- Determines the Bank's liquidation policies and procedures, and assigns members of the Liquidation Committee if the Bank is dissolved;
- Reviews and approves the issuance of bonds;
- Reviews and approves any amendment to the Bank's Articles of Association;
- Reviews and approves the appointment or dismissal of the external auditor and Certified Public Accounting firm;
- Reviews and approves the significant changes in the holdings and the financial restructuring plans of the Board of Directors.

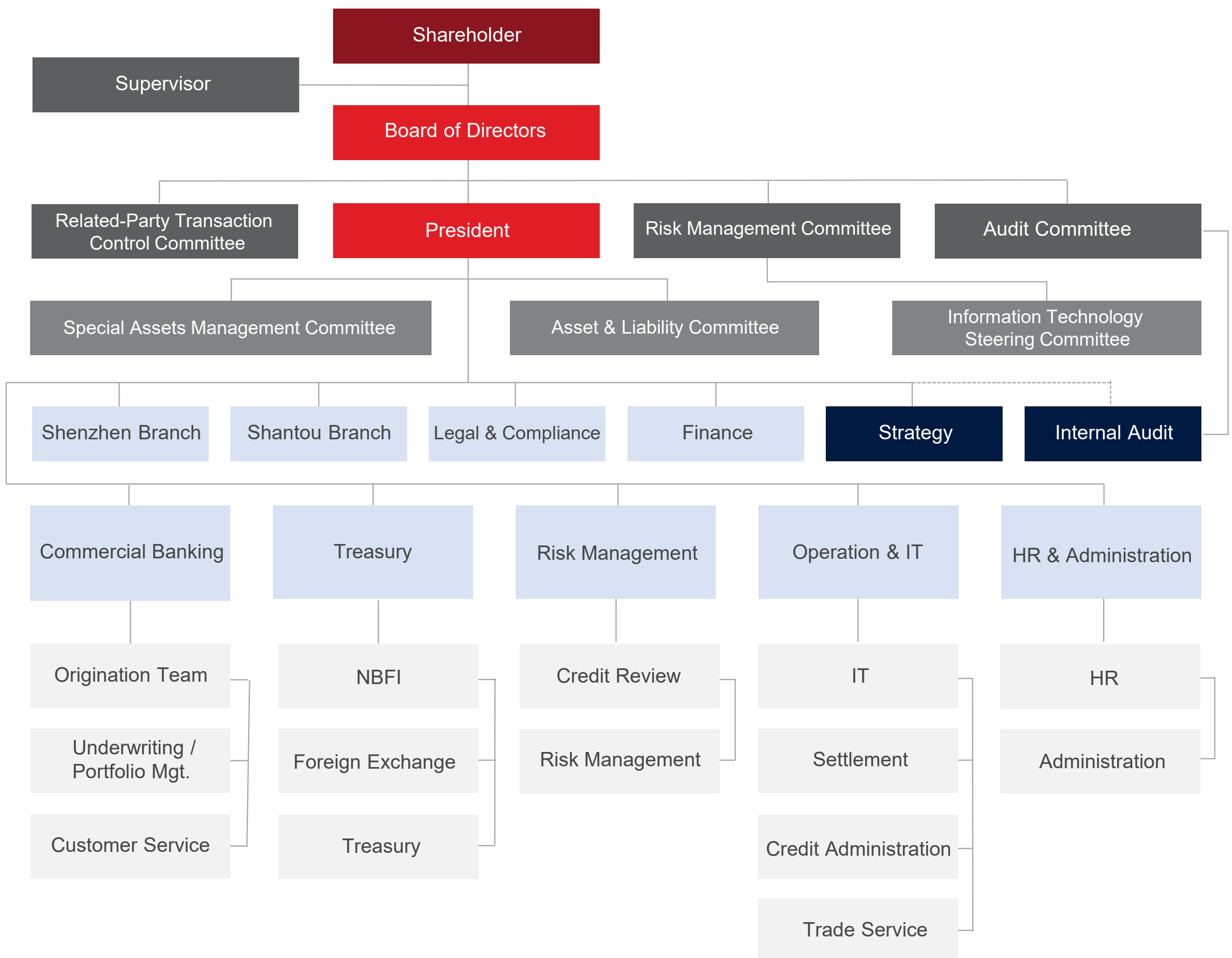
“Our shared purpose of people empowerment is anchored in East West’s heritage and founding philosophy.”

- Dominic Ng. Chairman & CEO of East West Bank

The Bank’s Board of Directors is appointed by the shareholders. It is comprised of six directors, including a Chairman, two Independent Directors, three Non-Executive Directors, and one Corporate Secretary. The Chairman of the Board of Directors and the Legal Representative of the Bank, are responsible for the business strategy and overall development of the organization. The President of the Bank is responsible for the Bank's daily management and operations. Appointed by and reports to the Board of Directors, the President of the Bank is appointed by and reports to the Board of Directors, and carries out the responsibilities in accordance with the Articles of Association and with the authorizations of the Board of Directors. The roles and responsibilities of the Chairman and the President are segregated. The following table presents the members of the Board of Directors:

No.	Name	Role	Positions
01	Dominic Ng	Chairman	Chairman & CEO of EWB
02	Bennett Pozil	Director	Executive Vice President of EWB
03	Andrew Pan	Director	Senior Vice President of EWB
04	Bennett Chui	Director	Senior Vice President of EWB
05	Ted Lee	Independent Director	Managing Director of T Plus Capital Ltd
06	Brett Krause	Independent Director	Chief Strategy Officer of FunPlus
07	Elisa Bian	Corporate Secretary	Senior Vice President of EWCN

As of December 31, 2021, the Bank's organization structure was as follows:



Board of Directors – Primary Responsibilities and Duties

- Hire or dismiss the President, the Vice Presidents, Chief Risk Officer and other key management personnel of the Bank based on nominations of the Chairman of the Board of Directors, and determine their compensation;
- Review and approve annual budgets, three-year business plans, annual operation reports, and other reports submitted by the management;
- Develop annual budgets and the final accounting of revenues and expenditures;
- Develop plans for profit distribution or loss recovery;
- Develop plans on changes of the registered capital of the Bank;
- Develop plans for the Bank's material investments; develop plans for any activity related to mergers, spin-offs, changes of the corporate structure, or dissolution of the Bank;
- Determine the opening or closure of the Bank's subsidiaries and branches;
- Develop plans for the issuance of bonds;
- Approve the Bank's fundamental management policies, including setup of the Bank's internal management structure, establishing job responsibilities, codes of conducts, and strategic procedures;
- Determine the appointment, hiring and dismissal of the members of the Audit Committee, Risk Management Committee, Related Party Transactions Control Committee and the Head of the Internal Audit department; determine the remuneration of the Head of Internal Audit department; and determine the Bank's policies on the compensation and remuneration of its employees;
- Approve the operational policy report;
- Approve any transaction that is not within the ordinary course of business but is within normal business terms and based on fair principles;
- Approve any participation in a partnership, profit sharing plan, franchise agreement, or any other similar arrangement, in which the profit and loss are shared with any third party;
- Approve the sale, transfer, lease or other disposal of more than 35% of the Bank's long-term assets (whether in a single transaction or in a series of transactions, related or otherwise);
- Approve other non-banking business or non-banking related financial services, either directly with the Bank or through a subsidiary;
- Appoint or authorize two persons from the President and Vice President positions in the Bank to conduct any legally binding business for the Bank;
- Develop the capital plan (including capital supplemental planning), and take ultimate responsibility for capital management;
- Develop plans for the Bank's material changes in holdings and the financial restructures;
- Determine other matters pursuant to the relevant laws of the PRC.

The Convening of the Board of Directors

In accordance with the Articles of Association, the Board of Directors shall convene at least four times a year. Any additional meeting of the Board of Directors may be convened upon the proposal of more than one-third of the directors. Directors shall attend at least two-thirds of the meetings every year in person. A Committee proposal will be approved if a committee quorum is achieved and more than half of the members present vote in favor of the proposal. Some proposals can only be approved with favors from all the Directors. Each convening agenda shall be in written records, signed by the Directors who attend the meeting, and filed by the Board Secretary of the Bank. In 2021, the Board of Directors held four meetings on April 1, June 29, September 23, and November 18, during which proposals were reviewed, discussed and approved.

The Directors' Performance Evaluation

In accordance with the revised guidelines for the directors' annual performance evaluation, the Board of Directors and the Supervisor jointly evaluate each director’s performance. The performance evaluation focuses on the each director’s loyalty, diligence, professionalism, independence, ethics and compliance. The performance review is conducted annually. The Supervisor finalized the 2021 review based on the preliminary report submitted by the Board of Directors.

Board Committees

The Board of Directors established the Audit Committee, Risk Management Committee and Related Party Transactions Control Committee.

All committees are required to keep minutes of their meetings. The minutes shall be signed by the Directors who attend the meeting and filed by the Secretaries of the Committees. All proposals and voting results of the meetings shall be reported to the Board of Directors in writing.

Audit Committee

The Bank's Audit Committee is composed of Mr. Ted Lee and Mr. Brett Krause, Independent Directors, and Mr. Bennett Chui, non-executive director. Mr. Ted Lee was appointed as the Chairman of the Audit Committee. The main responsibilities of the Audit Committee include:

- Oversee the independence and objectivity of the external audit firm;
- Oversee the Internal Audit Department by organizing and guiding internal audit work;
- Assist the Board of Directors in overseeing the Bank's compliance with policies and procedures;
- Report the status and results of the audits to the Board of Directors on a quarterly basis, and notify Senior Management and Supervisor;
- Review and re-assess the adequacy of the Charters of the Audit Committee on an annual basis.

According to the Audit Committee Charter, the Committee shall meet at least quarterly. The Chairman of the Board of Directors or the consent of majority of the members of the Audit Committee may propose additional meetings. The committee quorum is defined as more than two-thirds of the members. A proposal of the Committee shall be approved if a Committee quorum is achieved and more than half of the members present vote in favor of the proposal.

In 2021, the Audit Committee held four meetings on March 19, June 11, September 17, and November 5, during which proposals and audit activities were reviewed, discussed and approved. The Audit Committee reports to the Board of Directors.

Risk Management Committee

The Bank's Risk Management Committee is composed of Mr. Bennett Pozil, Mr. Bennett Chui and Mr. Andrew Pan, non-executive directors, and Mr. Ted Lee and Mr. Brett Krause, independent directors. Mr. Ted Lee was appointed the Chairman of the Risk Management Committee. The main responsibilities of the Risk Management Committee include:

- Review and approve enterprise-wide risk management policies and other risk management policies that need approval from the Board of Directors;
- Monitor the Bank's risk exposures, detailing individual risks in a standard report, and reviewing such reports at each Risk Management Committee meeting;
- Assess and summarize the Bank’s exposure from the above documentations, and supervise the quality of the risk control;
- Should an exception to the policy occur or significant risk (either internal or external) arise, the Committee will provide suggestions to the President of the Bank and Management; evaluate the cause or likely impact of such events, review or approve Management's remediation plan, and monitor the progress until the event is resolved or the risk is mitigated to an acceptable level;
- Unless completed by another Committee of the Board, oversee the progress of compliance to new laws, regulations and accounting standards, and oversee the progress of Management’s implementation of the recommendations from regulators, internal auditors and external auditors;
- The Chairman of Risk Management Committee shall report the risks noticed and actions taken to the Board of Directors;
- Request special analysis or reports from Management, when necessary, to improve the Committee's understanding of each risk exposure;
- Review and re-assess the adequacy of the Risk Management Committee Charter on an annual basis.

According to the Risk Management Committee Charter, the Committee shall meet at least quarterly. In addition to the regularly scheduled meetings, the Chairman of the Board of Directors or consent of majority of the members of the Risk Management Committee may propose additional meetings. The Committee quorum is defined as more than two-thirds of the members. A proposal of the Committee shall be approved if a Committee quorum is achieved and more than half of the members present vote in favor of the proposal. The Chairman of the Board of Directors, Head of Risk Management Department, Head of Finance, Head of Legal and Compliance and other relevant personnel shall attend the meeting.

In 2021, the Risk Management Committee held four meetings on March 19, June 11, September 17, and November 5, during which proposals were reviewed, discussed and approved. The Risk Management Committee reports to the Board of Directors.

Related-Party Transactions Control Committee

The Related-Party Transactions Control Committee is composed of non-executive directors Mr. Bennett Pozil, Mr. Bennett Chui and Mr. Andrew Pan, and independent directors Mr. Ted Lee and Mr. Brett Krause. Mr. Brett Krause was appointed as the Chairman of the committee. The main responsibilities of the Related-Party Transactions Control Committee include:

- Develop an annual working plan;
- Identify and confirm related-parties and related-party transactions;
- Direct and supervise the Management in controlling and mitigating the risk of related-party transactions;
- Review and endorse significant related-party transactions, and present them at Board meeting for final approval;
- Review and notify the Board of Directors of any general related-party transactions;
- Review internal control measures on related-party transactions;
- Confirm and report to the Board of Directors with up-to-date related-party information of and communicate the same to the relevant operational staff;
- Reject any related-party transactions except when the transaction is sound, fair, in compliance with commercial terms, and receives unanimous consent by all members of the Committee;
- Other matters in relation to related-party or related-party transactions as directed by the Board of Directors.

According to Related-Party Transaction Control Committee Charter, the committee meeting shall be held as required. All the members shall be notified before the meeting. The Chairman of the Related-Party Transaction Control Committee shall chair the meeting. In the absence of the Chairman, another member can be elected by the presenting members to chair the meeting. The committee quorum is defined as more than 50% of members. A proposal of the committee will be approved if a committee quorum is achieved and more than 50% of the members that are present vote in favor of the proposal. The Related-Party Transaction Control Committee reports to the Board of Directors.

In 2021, Related-Party Transaction Control Committee held four meetings on March 19, June 11, September 17, and November 5, during the meeting, the members reviewed and approved the list of related parties, related transactions, annual work arrangements and other agenda items. There were no other related-party transaction as of December 31, 2021, other than the transaction between EWCN and its parent bank.

Independent Directors

Independent Director Mr. Ted Lee has performed the responsibilities and duties required by his role. In 2021, he attended all relevant meetings including the meetings of the Board of Directors, Audit Committee, Related-Party Transactions Control Committee and Risk Management Committee. Mr. Ted Lee participated and presided over the meetings of the Audit Committee and Risk Management Committee, discussed the possible impact of related risk management policy on the Bank's management and internal control, and made judgments independently based on discussion and self-experience. Additionally, as the Chairman of Audit Committee, Mr. Ted Lee identified risks to the Bank and provided the corresponding rectification opinions timely. Mr. Ted Lee provided independent opinion on the engagement of external auditors based on the qualification review examination of the external auditors conducted by the Audit Committee.

Independent Director Mr. Brett Krause attended all the relevant meetings including the meetings of the Board of Directors, Audit Committee, Related-Party Transactions Control Committee and Risk Management Committee. As the Chairman of Related-Party Transactions Committee, Mr. Brett Krause participated and presided over the meetings of the Related-Party Transactions Committee. Mr. Brett Krause provided his independent opinion in various meetings.

Supervisor - Main Responsibilities

The Bank has one supervisor. Mr. Douglas P. Krause, who is appointed by the shareholders of the Bank. The Supervisor reports to the shareholders and oversees the Board of Directors and Senior Management. The main responsibilities of Supervisor include:

- Oversees the financial affairs of the Bank;
- Oversees the Board members or Management's performance of their job duties and proposes the dismissal of any Board member or Management in violation of laws, administrative regulations, or the Articles of Association of the Bank;
- Requires any Board members or any members of the Bank management to rectify any of his/her acts that are harmful to the interests of the Bank;
- Initiates legal proceedings against any Board members or any members of the management of the Bank pursuant to the relevant laws and regulations;
- Carries out other responsibilities as Supervisor authorized by the laws and regulations, statutes or shareholders.

Senior Management and Other Key Management Personnel

Yina Fu	President
Wayne Zhou	Head of Treasury/Acting Shantou Branch Manager
Elisa Bian	Head of Operations
Chen Yi	Head of Legal & Compliance
Al Mao	Chief Risk Officer
Fred Wei	Head of Finance
Minnie Zhu	Head of Human Resources & Administration
Sherry Zhang	Head of Internal Audit
Menei Zhong	Head of Information Technology
Joseph Wang	Strategy
Karen Wong	Shenzhen Branch Manager

Important Events Report

2021.08.26	Mr. Bennett Pozil was appointed as Director.
2021.09.17	Mr. Andy Yen retired as Director from the Bank.
2021.12.30	Ms. Yina Fu was appointed as President of the Bank.

Remuneration Policy

The remuneration policy of the Bank is based on the principle of fairness, competition, encouragement, economy and legality. The goal of the remuneration policy is to establish corporate governance and overall control, including the implementation and improvement of strategic targets, enhancement of the competitiveness, development of as talent, while mitigating risks.

The Bank's remuneration includes basic salary, performance related incentives and various employee benefits. The Bank's remuneration is consistent with the business and development strategies. To ensure operational efficiency and to develop the internal talent pool. Staff are evaluated with an annual performance appraisal at the end of each year and pay raises and promotions are awarded accordingly.

To ensure that the remuneration is fully consistent with the Bank's overall risk management and control and bank development plans, Risk Management and Compliance Regulation is included in the overall evaluation of performance related pay. The Bank's total budget was approved at the first board meeting in 2021. The actual expenditure was within the 2021 budget. In 2021, the total remuneration of senior management was RMB 22,276,689.06, the allowance to the independent directors was RMB 806,754.42. The non-executive directors and supervisor of our Bank did not receive a salary.

Protection of Consumer Rights

The Board and the management team are committed to the protection of consumer rights. In 2021, the Bank continued to implement a sound process, improved policy and procedures to better protect customer's rights and interests. The Bank did not receive any consumer complaints in 2021. We therefore believe there was no reputational risk regarding consumer rights.

RISK MANAGEMENT

The Bank faces a variety of risks. The Bank analyzes, evaluates, accepts and manages risk or risk portfolio to a certain degree. The main risks of the Bank include credit risk, market risk, liquidity risk, operational risk, reputational risk, and country risk. The market risk mainly includes interest rate risk and exchange rate risk. The details of all the above risks (except operational risk) were disclosed in note 39 in the financial statements. The following explains the management mechanisms of the Bank's operational risk, reputation risk and country risk.

The Board of Directors has the ultimate responsibility for the supervision and management of all risk categories of the Bank. Risk Management Committee is established under the Board of Directors to manage the credit risk, market risk, liquidity risk, operational risk, reputation risk, and country risk related to the Bank's business development. The responsibilities of Risk Management Committee include establishing of risk management policies and strategies, monitoring the execution of internal controls, and examining the effectiveness of the risk management policies. In addition, the Asset Liability Committee ("ALCO") under the President is responsible for the oversight of market risk and liquidity risk.

The Board of Directors is responsible for approving the goals, strategies and policies of the Bank's operational risk management and takes ultimate responsibility for the effectiveness of the overfall operational risk control environment. Risk Management Committee is responsible for implementing the operational risk management strategies and policies approved by the Board of Directors, and reports to the Board of Directors directly. Risk Management Division assists Risk Management Committee in managing the overall operational risk, supervising the proper implementation and execution of risk management strategies and policies under the risk management framework, as well as collecting and analyzing internal and external reports and data related with the operational risk management. Other departments are responsible for managing the operational risk in their individual business on their own.

The Bank currently does not have business with domestic individuals directly. The reputation risk is relatively low based on the existing business scope and products offered. From the governance perspective, the Board of directors and senior management are responsible for the management of reputation risk and the president of EWCN is delegated to be responsible for the reputation risk management. The bank has established the relevant customer compliant process for the Risk Management Division to coordinate with other departments for routine reputation risk monitoring and oversight. The bank is exposed to low country risk and the risk is primarily from the credit related business. The bank has established a process to manage country risk and incorporated it into the integrated risk management framework. The Credit Review department is responsible for the daily monitoring and oversight of the country risk.

The Asset Liability Committee ("ALCO") of the Bank is responsible for monitoring the Bank’s overall asset and liability quality. The ALCO meets every month to thoroughly review and analyze various asset and particularly liability quality related indicators and take actions to manage the potential issues or adjust the business corresponding strategies, if needed, in a timely manner. As of December 31, 2021, all of the Bank’s liability quality indicators were in compliance with regulations.

In addition, Internal Audit Department is responsible for the independent review of risk management and internal controls. The Internal Audit Department is independent of other business departments and responsible for the internal audit of the Bank's functions at both Head Office and other branches. The head of Internal Audit is in charge of the Internal Audit Department and reports to the Audit Committee under the Board of Directors. The Audit Committee is responsible for organizing and providing guidance on the internal audit work upon authorization of the Board of Directors and supervising the accountability of Internal Audit Department. Internal audit covers: the Bank's business management compliance; the effectiveness and soundness of internal control; risk profile as well as the applicability and effectiveness of the procedures in risk identification, assessment and monitoring; and the plan, design, development, operation and maintenance of the information system and the operational performance of the Bank as well as of its Senior Management. Internal Audit Department audits and evaluates the Bank's operating activities, risk profiles, internal controls and corporate governance in accordance with the approved annual audit plan.

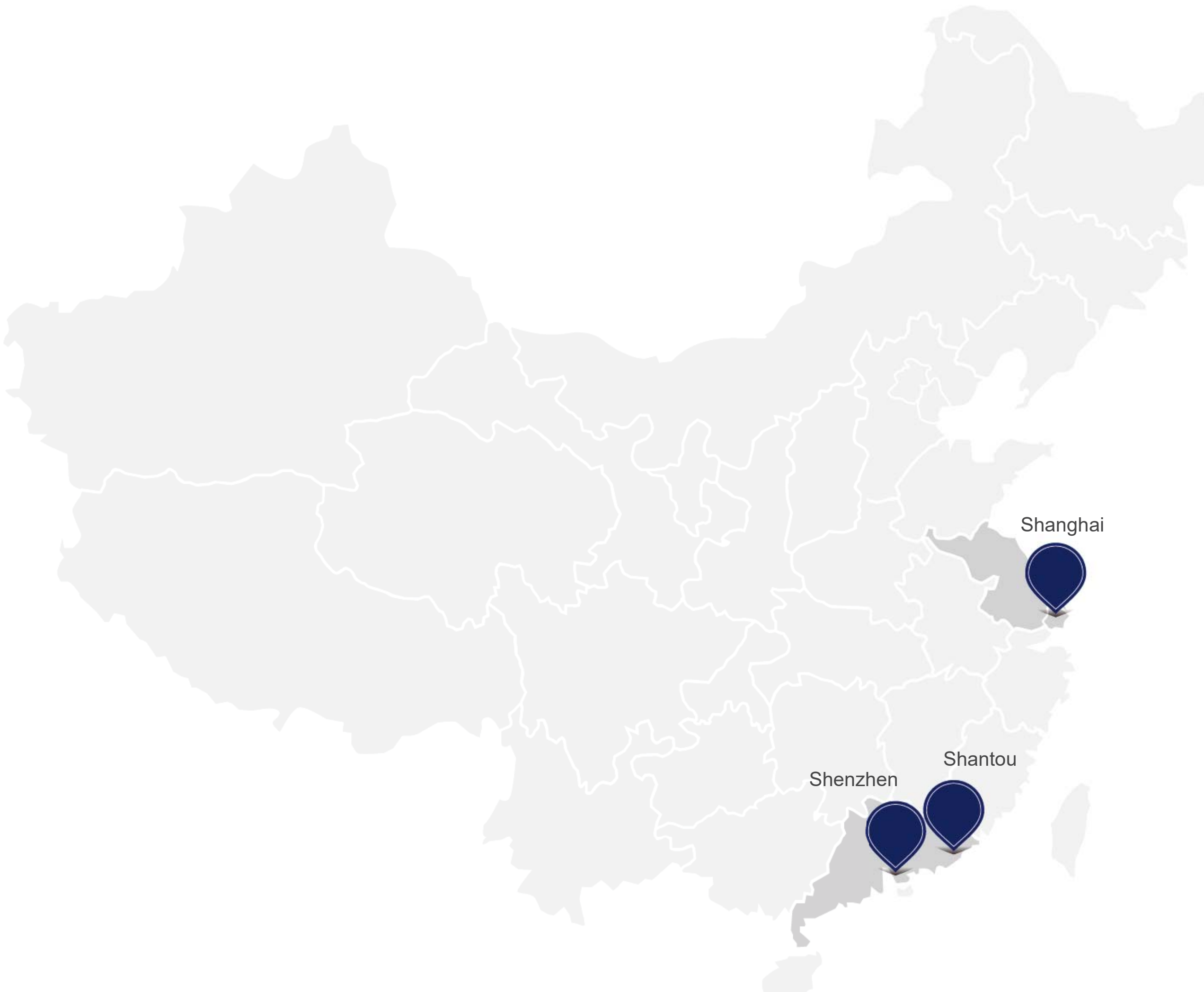
SOCIAL RESPONSIBILITY

The Bank has always focused on its social responsibility and strives to r support thriving communities. At East West Bank, our commitment to serving the local community has always been part of our core belief. Consistent with our parent company's values and corporate philanthropic guidelines, EWCN strives to not only provide outstanding financial services to its customers but also respond actively to the Chinese government's calls for supporting small- and medium-sized enterprises ("SME") by providing preferential policies and promoting green finance. The Bank uses its actions to contribute to the development and prosperity of the local economy.

Since the outbreak of COVID-19, the global economy has been greatly impacted. The pressure on the operations of SMEs increased dramatically. In conjunction with the China Banking and Insurance Regulatory Commission ("CBIRC") financial support program, EWCN continues to support the financial needs of our customers and communities during critical times. The Bank provided financial programs tailored to SME customers, which helped sustain their workforce and offset the financial challenges created by the pandemic.

In response to the Chinese government's promotion of "Green Finance," EWCN developed the "Green Credit Policy" which supported customers involved in photovoltaic solar power generation ("PV") and new-energy automobile projects. We will continue to support green finance by providing financial services as part of our role in combatting global climate change.

HEAD OFFICE AND BRANCHES



Head Office Shanghai	33/F Jin Mao Tower, 88 Century Boulevard Shanghai	200121	(8621) 50499999 (8621) 50475288
Shenzhen Branch	Rm 01/04, 37/F Kerry Plaza III, 1-1# Zhong Xin Si Road, Fu Tian District, Shenzhen	518048	(86755) 82752688 (86755) 82709059
Shantou Branch	Rm 1007A, East Building, Long Guang Century Building Times Square, Longhu District, Shantou	515041	(86754) 88990001 (86754) 88990008

EAST WEST BANK (CHINA) LIMITED

ENGLISH TRANSLATION OF THE FINANCIAL STATEMENTS
FOR THE YEAR FROM 1 JANUARY 2021 TO 31 DECEMBER 2021
IF THERE IS ANY CONFLICT BETWEEN THE CHINESE VERSION
AND ITS ENGLISH TRANSLATION, THE CHINESE VERSION WILL PREVAIL

AUDITORS' REPORT

毕马威华振沪审字第 2201098 号

The Board of Directors of East West Bank (China) Limited:

Opinion

We have audited the accompanying financial statements of East West Bank (China) Limited ("the Bank") set out on pages 1 to 67, which comprise the Bank's balance sheet Balance at 31 December 2021, the Bank's income statements, the Bank's cash flow statements, the Bank's statement of changes in owner's equity 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 of the Bank Balance at 31 December 2021, and the financial performance and cash flows of the Bank for the year then ended in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China.

Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing for Certified Public Accountants ("CSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the 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 Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Accounting Standards for Business Enterprises, and for the design, implementation and maintenance of such internal control necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing ABC 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 management either intends to liquidate ABC Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing ABC Company's financial reporting process.

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 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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on The Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

Auditor’s Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the overall presentation, including the disclosures, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

KPMG Huazhen LLP
Shanghai Branch

Certified Public Accountants
Registered in the People’s Republic of China

Shanghai, China

Shi Haiyun

Wang Weishun

20 April 2022

East West Bank (China) Limited
Balance sheet Balance at 31 December 2021
(Expressed in Renminbi Yuan)

	Note	*2021*	*2020*
Assets			
Cash and deposits with central bank	6	1,196,049,893.41	1,873,815,120.16
Deposits with inter-banks	7	1,380,247,198.64	845,651,285.30
Placements with financial institutions	8	3,012,415,009.96	3,596,741,212.82
Interest receivable	9	N/A	41,801,972.84
Loans and advances to customers	10	4,420,635,795.47	3,274,592,198.36
FVOCI investments	11	916,239,432.99	N/A
Available-for-sale financial assets	12	N/A	993,216,510.00
Fixed assets	13	1,484,182.29	1,909,841.71
Construction in progress	14	2,257,886.75	1,230,150.91
Intangible assets	15	13,663,093.56	15,993,361.94
Deferred tax assets	16	17,835,348.19	15,298,597.76
Other assets	17	44,629,945.26	29,233,927.93
Total assets		11,005,457,786.52	10,689,484,179.73

The notes on pages 7 to 67 form part of these financial statements.

East West Bank (China) Limited
Balance sheet Balance at 31 December 2021 (continued)
(Expressed in Renminbi Yuan)

	Note	*2021*	*2020*
Liabilities			
Deposits from financial institutions	18	561,668,511.98	411,833,385.20
Borrowings from financial institutions	19	63,761,540.14	398,076,000.00
Customer deposits	20	8,766,401,672.41	8,316,154,218.33
Employee benefits payable	21	13,791,441.29	12,813,540.09
Taxes payable	5(3)	5,551,465.42	4,329,845.82
Interest payable	22	N/A	23,462,987.16
Other liabilities	23	59,358,718.29	13,013,787.00
Total liabilities		9,470,533,349.53	9,179,683,763.60
Owner's equity			
Paid-in capital	24	1,400,000,000.00	1,400,000,000.00
Other comprehensive income	25	933,450.01	(6,383,018.86)
Surplus reserve	26	18,301,763.53	15,632,401.65
General risk reserve	27	115,689,223.45	100,551,033.34
Total owner's equity		1,534,924,436.99	1,509,800,416.13
Total liabilities and owner's equity		11,005,457,786.52	10,689,484,179.73

These financial statements have been approved by the Border of Directors on 31 March 2022.

Yina Fu	Fred Wei	Bank Stamp
President	Head of Finance	

The notes on pages 7 to 67 form part of these financial statements.

East West Bank (China) Limited
Income statement for the year ended 31 December 2021
(Expressed in Renminbi Yuan)

	Note	*2021*	*2020*
Operating income		173,550,464.34	137,540,553.62
Net interest income	29	166,188,664.88	153,513,155.55
Interest income		273,812,452.72	289,789,928.83
Interest expense		(107,623,787.84)	(136,276,773.28)
Net fees and commission income	30	7,694,928.43	4,900,146.12
Fees and commission income		8,794,829.05	5,778,181.83
Fees and commission expense		(1,099,900.62)	(878,035.71)
Other income		218,094.26	402,118.25
Exchange (losses)/gains		(2,501,047.84)	(21,274,866.30)
Other operating income		1,949,824.61	-
Operating expenses		(149,906,387.53)	(136,446,052.17)
Tax and surcharges		(1,111,641.05)	(1,382,274.86)
General and administrative expenses	31	(138,512,740.22)	(132,140,606.47)
Credit impairment losses	32	(10,263,606.26)	N/A
Asset impairment losses	33	N/A	(2,923,170.84)
Losses from asset disposals		(18,400.00)	-
Operating profit		23,644,076.81	1,094,501.45
Add: non-operating income		266.81	527,453.87
Less: non-operating expense		-	(1,000,000.00)
Profit before taxation		23,644,343.62	621,955.32
Add: income tax expense reverse/(charged)	34	3,049,275.15	9,180,945.60
Net profit		26,693,618.77	9,802,900.92
Other comprehensive income, net of tax		7,316,468.87	(6,383,018.86)
Total comprehensive income		34,010,087.64	3,419,882.06

The notes on pages 7 to 67 form part of these financial statements.

East West Bank (China) Limited
Cash flow statement for the year ended 31 December 2021
(Expressed in Renminbi Yuan)

	Note	*2021*	*2020*
Cash flows from operating activities			
Net cash inflow from deposits with central bank and inter-banks		-	345,526,849.34
Net cash inflow from placements with financial institutions		216,736,503.68	-
Net cash inflow from loans and advances to customers		-	980,216,261.70
Net cash inflow from deposits from financial institutions		149,645,471.86	-
Net cash inflow from borrowing from financial institutions		-	135,290,200.00
Net cash inflow from customer deposits		431,919,957.88	1,321,018,964.39
Interest, fees and commission received		273,970,935.80	300,491,893.92
Proceeds from other operating activities		23,397,321.68	937,692.12
Sub-total of cash inflows		1,095,670,190.90	3,083,481,861.47
Net cash outflow from deposits with central bank and inter-banks		(153,247,458.25)	-
Net cash outflow from placements with financial institutions		-	(530,763,800.00)
Net cash outflow from loans and advances to customers		(1,151,082,784.44)	-
Net cash outflow from deposits with inter-banks		-	(1,249,134,540.28)
Net cash outflow from borrowings from financial institutions		(339,260,295.90)	-
Interest, fees and commission paid		(108,723,688.46)	(188,316,945.16)
Payment to and for employees		(83,714,064.61)	(79,789,346.63)
Payment of various taxes		(4,007,250.66)	(2,408,966.19)
Payment for other operating activities		(29,467,333.06)	(65,298,827.89)
Sub-total of cash outflows		(1,869,502,875.38)	(2,115,712,426.15)
Net cash inflow/(outflow) from operating activities	35(1)	(773,832,684.48)	967,769,435.32

The notes on pages 7 to 67 form part of these financial statements.

East West Bank (China) Limited

Cash flow statement for the year ended 31 December 2021 (continued)

(Expressed in Renminbi Yuan)

	Note	2021	2020
Cash flows from investing activities			
Recovery of investments		180,000,000.00	-
Investment returns received		25,337,371.37	5,639,900.00
Net proceeds from disposal of fixed assets		130,711.65	-
Sub-total of cash inflows		205,468,083.02	5,639,900.00
Payment for acquisition of investments		(79,148,600.00)	(1,011,423,724.13)
Payment for acquisition of fixed assets, construction in progress, intangible assets and other long-term assets		(4,784,994.83)	(8,726,014.12)
Sub-total of cash outflows		(83,933,594.83)	(1,020,149,738.25)
Net cash outflow from investing activities		121,534,488.19	(1,014,509,838.25)
Cash flows from financing activities			
Repayment of lease liabilities		(13,491,967.31)	-
Net cash outflow from financing activities		(13,491,967.31)	-
Effect of foreign exchange rate changes on cash and cash equivalents		(9,259,607.42)	(27,416,200.70)
Net decrease in cash and cash equivalents	35(2)	(675,049,771.02)	(74,156,603.63)
Add: cash and cash equivalents at the beginning of the year		3,374,482,129.94	3,448,638,733.57
Cash and cash equivalents at the end of the year	35(3)	2,699,432,358.92	3,374,482,129.94

The notes on pages 7 to 67 form part of these financial statements.

East West Bank (China) Limited
Statement of changes in owner's equity
for the year ended 31 December 2021 and 2020
(Expressed in Renminbi Yuan)

	Note	*Paid-in capital*	*Other comprehensive income*	*Surplus reserve*	*General risk reserve*	*Retained earnings*	*Total*
Balance at 1 January 2020		1,400,000,000.00	-	14,652,111.56	91,728,422.51	-	1,506,380,534.07
Change in equity for the year							
1. Total comprehensive income		-	(6,383,018.86)	-	-	9,802,900.92	3,419,882.06
2. Appropriation of profits							
- Appropriation for surplus reserve	26、28	-	-	980,290.09	-	(980,290.09)	-
- Appropriation for general risk preparation	27、28	-	-	-	8,822,610.83	(8,822,610.83)	-
Balance at 31 December 2020		1,400,000,000.00	(6,383,018.86)	15,632,401.65	100,551,033.34	-	1,509,800,416.13
Changes in accounting policies	4	-	-	-	-	(8,886,066.78)	(8,886,066.78)
Balance at 1 January 2021		1,400,000,000.00	(6,383,018.86)	15,632,401.65	100,551,033.34	(8,886,066.78)	1,500,914,349.35
Change in equity for the year							
1. Total comprehensive income		-	7,316,468.87	-	-	26,693,618.77	34,010,087.64
2. Appropriation of profits							
- Appropriation for surplus reserve	26、28	-	-	2,669,361.88	-	(2,669,361.88)	-
- Appropriation for general risk preparation	27、28	-	-	-	15,138,190.11	(15,138,190.11)	-
Balance at 31 December 2021		1,400,000,000.00	933,450.01	18,301,763.53	115,689,223.45	-	1,534,924,436.99

The notes on pages 7 to 67 form part of these financial statements.

1 General information

East West Bank (China) Limited ("EWCN" or the "Bank") is a wholly-owned foreign bank incorporated in Shanghai, the People's Republic of China (the "PRC"), by East West Bank ("EWB"), registered in the United States of America.

The Bank's scope of operations is providing a full range of foreign currency business and RMB business to non-Chinese citizens within the following business: receiving deposits from the general public; granting short-term, medium-term and long-term loans; handling acceptances and discounting of negotiable instruments; buying and selling government bonds and financial bonds; buying and selling foreign currency securities other than stocks; providing letter of credit services and guarantees; handling domestic and foreign settlements; buying and selling foreign currencies and acting as an agent for the purchase and sale of foreign currencies; engaging in inter-bank lending; engaging in bank card business; providing safe deposit box services; providing credit information services and consultancy services; and other businesses approved by the former China Banking Regulatory Commission ("CBRC") (may subject to administrative permits for licensed operations). As stated in the Bank's business license, the Bank has an undefined operating life from 29 June 1992.

2 Basis of preparation

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

Since 1 January 2021, the Bank has implemented new financial instrument standards such as CAS No.22 - Financial Instruments: Recognition and Measurement revised by the Ministry of finance of the people's Republic of China (the "Ministry of Finance ") in 2017 (see Note 4(1)), and CAS No.14 - Revenue revised by the Ministry of Finance in 2017 (see Note 4(2)), and CAS No.21 - Lease revised by the Ministry of Finance in 2018 (see Note 4(3)).

(1) Statement of compliance

The financial statements have been prepared in accordance with the requirements of Accounting Standards for Business Enterprises or referred to as China Accounting Standards ("CAS") issued by the Ministry of Finance ("MOF"). These financial statements present truly and completely the financial position of the Bank Balance at 31 December 2021, and the financial performance and the cash flows of the Bank for the year then ended.

(2) Accounting year

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

(3) Functional currency and presentation currency

The Bank's functional currency is Renminbi and these financial statements are presented in Renminbi. Functional currency is determined by the Bank on the basis of the currency in which major income and costs are denominated and settled.

3 Significant accounting policies and accounting estimates

(1) Translation of foreign currencies

When the Bank receives capital in foreign currencies from investors, the capital is translated to Renminbi at the spot exchange rate at the date of the receipt. Other foreign currency transactions are, on initial recognition, translated to Renminbi at the spot exchange rates or the rates that approximate the spot exchange rates on the dates of the transactions.

Monetary items denominated in foreign currencies are translated to Renminbi at the spot exchange rate at the balance sheet date. The resulting exchange differences are generally recognized in profit or loss. Non-monetary items that are measured at historical cost in foreign currencies are translated to Renminbi using the exchange rate at the transaction date.

(2) Financial instruments

Financial instruments are contracts that form financial assets of one party and financial liabilities or equity instruments of other parties.

(a) Recognition and initial measurement of financial assets and financial liabilities

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

A financial asset or financial liability is measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs.

(b) Classification and subsequent measurement of financial assets

(i) Classification of financial assets

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. On initial recognition, a financial asset is classified as measured at amortised cost, at fair value through other comprehensive income (“FVOCI”), or at fair value through profit or loss (“FVTPL”).

Financial assets are not reclassified subsequent to their initial recognition unless the Bank changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. The instrument meets the definition of equity from the perspective of the issuer.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The business model refers to how the Bank manages its financial assets in order to generate cash flows. That is, the Bank's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The Bank determines the business model for managing the financial assets according to the facts and based on the specific business objective for managing the financial assets determined by the Bank's key management personnel.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The Bank also assesses whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

(ii) Subsequent measurement of financial assets

Financial assets at FVTPL

These financial assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss unless the financial assets are part of a hedging relationship.

Financial assets at amortised cost
These assets are subsequently measured at amortised cost using the effective interest method. A gain or loss on a financial asset that is measured at amortised cost and is not part of a hedging relationship shall be recognised in profit or loss when the financial asset is derecognised, reclassified, through the amortisation process or in order to recognise impairment gains or losses.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, impairment and foreign exchange gains and losses are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to retained earnings.

(c) Classification and subsequent measurement of financial liabilities

Financial liabilities at FVTPL

A financial liability is classified as at FVTPL if it is classified as held-for-trading (including derivative financial liability) or it is designated as such on initial recognition.

Financial liabilities at FVTPL are subsequently measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss, unless the financial liabilities are part of a hedging relationship.

Other financial liabilities

Other financial liabilities are measured at their amortized costs using the effective interest method, except for the financial liabilities, financial guarantee contracts and loan commitments formed by the transfer of financial assets that do not meet the conditions for derecognition or continue to be involved in the transferred financial assets (see Note 3(2)(d)).

(d) Financial guarantee liabilities and loan commitment

Financial guarantee liabilities

Financial guarantees are contracts that requires the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Subsequent to initial recognition, deferred income related to financial guarantee is amortised in profit or loss in accordance with the accounting policies set out in Note 3(13).

A financial guarantee liability is measured at the higher of:

- the amount of the loss allowance determined in accordance with impairment policies of financial instruments (see Note 3(2)(g)); and
- the amount initially recognised less the cumulative amount of income.]

Loan commitment

A loan commitment is a definite commitment to provide credit in accordance with pre-specified terms and conditions.

Loan commitments provided by the Bank are assessed for impairment based on their expected credit losses (ECLs). The Bank does not undertake to issue loans at any price below market interest rates, nor does it pay cash or issue other financial instruments as a net settlement of loan commitments.

The Bank presents the loss allowance for loan commitments and financial guarantee contracts in provisions. However, if an instrument contains both a loan commitment and an unused commitment, and the Bank cannot distinguish the ECLs arising from the loan portion and the unused portion of the commitment, the loss allowance for both is presented in the loan loss allowance. Unless the total loss allowance for both exceeds the book balance of the loan, the loss allowance is presented in the provisions.

(e) Offsetting

Financial assets and financial liabilities are generally presented separately in the balance sheet, and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the balance sheet when both of the following conditions are satisfied:

- the Bank currently has a legally enforceable right to set off the recognised amounts;
- the Bank intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

(f) Derecognition of financial assets and financial liabilities

Financial asset is derecognised when one of the following conditions is met:

- the Bank's contractual rights to the cash flows from the financial asset expire;
- the financial asset has been transferred and the Bank transfers substantially all of the risks and rewards of ownership of the financial asset; or
- the financial asset has been transferred, although the Bank neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

For the transferred financial assets, when the Bank neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, and it retains control over the transferred asset, the Bank continues to recognize the relevant financial asset to the extent of its involvement in the transferred financial asset, and the relevant liability is accordingly recognised.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss:

- the carrying amount of the financial asset transferred measured at the date of derecognition;
- the sum of the consideration received from the transfer and, when the transferred financial asset is a debt investment at FVOCI, any cumulative gain or loss that has been recognised directly in other comprehensive income for the part derecognised.

The Bank derecognises a financial liability (or part of it) only when its contractual obligation (or part of it) is extinguished.

(g) The Bank recognises loss allowances for expected credit loss (ECL) on:

- financial assets measured at amortised cost;
- contract assets;
- debt investments measured at FVOCI;
- financial guarantee contracts issued, which are not measured at FVTPL.

Financial assets measured at fair value, including debt investments or equity securities at FVTPL, equity securities designated at FVOCI and derivative financial assets, are not subject to the ECL assessment.

(i) Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive).

The Bank measures ECLs of a financial instrument in a way that reflects: an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; the time value of money; and reasonable and supportable information that is available without undue cost or effort at the balance sheet date about past events, current conditions and forecasts of future economic conditions.

The maximum period considered when estimating ECLs is the maximum contractual period (including extension options) over which the Bank is exposed to credit risk.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the balance sheet date (or a shorter period if the expected life of the instrument is less than 12 months).

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECL. ECLs on these financial assets are estimated using a provision matrix based on the Bank’s historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the balance sheet date.

The Bank applies a ‘three-stage model’ for measuring ECLs for financial instruments based on whether the credit risk of financial instruments has increased significantly since initial recognition and whether credit impairment has occurred.

The three risk stages of financial instruments are defined as follows:

Stage 1: For financial instruments whose credit risk has not increased significantly since the initial recognition, the loss allowance is measured at an amount equal to 12-month ECLs;

Stage 2: For financial instruments whose credit risk has increased significantly since the initial recognition but has not yet occurred credit impairment, the loss allowance is measured based on the ECLs of the entire duration.

Stage 3: For financial instruments with credit impairment after initial recognition, the loss allowance is measured based on the ECLs of the entire duration.

Financial instruments that have low credit risk

The credit risk on a financial instrument is considered low if the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Bank compares the risk of default occurring on the financial instrument assessed at the balance sheet date with that assessed at the date of initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort, including forward-looking information. In particular, the following information is taken into account:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Bank.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are Banked based on shared credit risk characteristics, such as past due status and credit risk ratings.

The Bank assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Bank considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Credit-impaired financial assets

At each balance sheet date, the Bank assesses whether financial assets carried at amortised cost and debt investments at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract, such as a default [or delinquency] in interest or principal payments;
- for economic or contractual reasons relating to the borrower's financial difficulty, the Bank having granted to the borrower a concession that would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

(ii) *Presentation of allowance for ECL*

ECLs are remeasured at each balance sheet date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Bank recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for debt investments that are measured at FVOCI, for which the loss allowance is recognised in other comprehensive income. For loan commitments and financial guarantee contracts that are not measured at their fair values through profit or loss, the Bank recognizes loss allowances in provisions.

(iii) *Write-off*

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. A write-off constitutes a derecognition event. This is generally the case when the Bank determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(h) Modification of financial asset contracts

Under certain circumstances (such as restructured loans), the Bank will revise or renegotiate financial asset contracts. The Bank will assess whether the contract terms after the revision or renegotiation have substantial changes.

If there are substantial changes in the contract terms after the revision, the Bank will derecognize the original financial asset and recognize a new financial asset in accordance with the revised terms.

If the revised contract terms do not result in substantial changes, but contribute to the change in contractual cash flow, the Bank will recalculate the book value of the financial assets and account for the relevant profit or loss as current profit or loss. The recalculated book value of the financial assets will be recognized at the present value determined by discounting the revised or renegotiated contractual cash flows by the original effective interest rate (EIR) of the financial assets (or the credit-adjusted EIR of purchased or originated credit-impaired (POCI) financial assets). For all the costs or expenses arising from a revised or renegotiated contract, the Bank will adjust the book value of the revised financial assets and amortize them for the remaining life of the financial assets. The Bank will compare the risk of default at the balance sheet date based on the revised contract terms with the risk of default at initial recognition based on the original contract terms when evaluating whether the credit risk of the relevant financial instrument has increased significantly.

(i) Equity instruments

The consideration received from the issuance of equity instruments net of transaction costs is recognised in shareholders' equity. Consideration and transaction costs paid by the Company for repurchasing self-issued equity instruments are deducted from shareholders' equity.

(3) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, non-restricted balances with central banks, deposits with inter-banks, placements with financial institutions, and short-term, highly liquid investments, that are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value. The "short-term" generally refers to the period from the date of purchase within 3 months due to maturity.

(4) Fixed assets and construction in progress

Fixed assets represent the tangible assets held by the Bank for administrative purposes with useful lives over one year.

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see Note 3(8)). Construction in progress is stated in the balance sheet at cost less impairment losses (see Note 3(8)).

The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use. The cost of self-constructed assets includes the cost of materials, direct labour, borrowing costs to be capitalised and any other costs directly attributable to bringing the asset to working condition for its intended use.

Construction in progress is transferred to fixed assets when it is ready for its intended use. No depreciation is provided against construction in progress.

Any subsequent costs including the cost of replacing part of an item of fixed assets are recognized as assets when it is probable that the economic benefits associated with the costs will flow to the Bank, and the carrying amount of the replaced part is derecognized. The costs of the day-to-day maintenance of fixed assets are recognized in profit or loss as incurred.

Gains or losses arising from the retirement or disposal of an item of fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

The cost of a fixed asset, less its estimated residual value and accumulated impairment losses, is depreciated using the straight-line method over its estimated useful life, unless the fixed asset is classified as held for sale. The estimated useful lives, residual value rates and depreciation rates of each class of fixed assets are as follows:

	Estimated useful life	*Residual value rate*	*Depreciation rate*
Computer equipment	3 years	-	33.33%
Office equipment	5 years	-	20.00%
Motor vehicles and other equipment	5 years	-	20.00%

Useful lives, residual value and depreciation methods are reviewed at least at each year-end.

(5) Operating lease charges

A contract is lease if the lessor conveys the right to control the use of an identified asset to lessee for a period of time in exchange for consideration.

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

To assess whether a contract conveys the right to control the use of an identified asset, the Bank assesses whether:

- the contract involves the use of an identified asset. An identified asset may be specified explicitly or implicitly specified in a contract and should be physically distinct, or capacity portion or other portion of an asset that is not physically distinct but it represents substantially all of the capacity of the asset and thereby provides the customer with the right to obtain substantially all of the economic benefits from the use of the asset. If the supplier has a substantive substitution right throughout the period of use, then the asset is not identified;
- the lessee has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use;
- the lessee has the right to direct the use of the asset.

For a contract that contains more separate lease components, the lessee and the lessor separate lease components and account for each lease component as a lease separately. For a contract that contains lease and non-lease components, the lessee and the lessor separate lease components from non-lease components.

As a lessee

The Bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, any lease payments made at or before the commencement date (less any lease incentives received), any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is depreciated using the straight-line method. If the lessee is reasonably certain to exercise a purchase option by the end of the lease term, the right-of-use asset is depreciated over the remaining useful lives of the underlying asset. Otherwise, the right-of-use asset is depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Impairment losses of right-of-use assets are accounted for in accordance with the accounting policy described in Note 3(8).

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate.

A constant periodic rate is used to calculate the interest on the lease liability in each period during the lease term with a corresponding charge to profit or loss or included in the cost of assets where appropriate. Variable lease payments not included in the measurement of the lease liability is charged to profit or loss or included in the cost of assets where appropriate as incurred.

Under the following circumstances after the commencement date, the Bank remeasures lease liabilities based on the present value of revised lease payments:

- there is a change in the amounts expected to be payable under a residual value guarantee;
- there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments;
- there is a change in the assessment of whether the Bank will exercise a purchase, extension or termination option, or there is a change in the exercise of the extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Bank has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Bank recognises the lease payments associated with these leases in profit or loss or as the cost of the assets where appropriate using the straight-line method over the lease term.

(6) Intangible assets

Intangible assets are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 3(8)(b)).

For an intangible asset with finite useful life, its cost less estimated value and accumulated impairment losses is amortized using the straight-line method over its estimated useful life, unless the intangible asset is classified as held for sale. At the balance sheet date, the intangible assets of the Bank is software, for which amortisation period is 5 or 10 years.

(7) Long-term deferred expenses

Expenditure incurred with beneficial period over one year is recognised as long-term deferred expenses. Long-term deferred expenses are stated in the balance sheet at cost less accumulated amortisation and impairment losses (see Note 3(8)(b)).

Long-term deferred expenses are amortised over their beneficial period. Balance at the balance sheet date, the long-term deferred expenses of the Bank are leasehold improvement which has an amortization period of 3 to 5 years.

(8) Impairment of assets other than financial assets

The carrying amounts of the following assets are reviewed at each balance sheet date based on internal and external sources of information to determine whether there is any indication of impairment:

- fixed assets and construction in progress
- right-of-use assets
- intangible assets
- long-term deferred expenses

If any indication exists, the recoverable amount of the asset is estimated. In addition, the Bank estimates [the recoverable amounts of intangible assets not ready for use at least annually and] the recoverable amounts of goodwill at each year-end, irrespective of whether there is any indication of impairment. Goodwill is allocated to each asset Bank, or set of asset Banks, that is expected to benefit from the synergies of the combination for the purpose of impairment testing.

An asset Bank is composed of assets directly related to cash generation and is the smallest identifiable Bank of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset Banks.

The recoverable amount of an asset (or asset Bank, set of asset Banks) is the higher of its fair value (see Note 3(9)) less costs to sell and its present value of expected future cash flows.

The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using an appropriate pre-tax discount rate.

An impairment loss is recognised in profit or loss when the recoverable amount of an asset is less than its carrying amount. A provision for impairment of the asset is recognised accordingly. Impairment losses related to an asset Bank or a set of asset Banks are allocated first to reduce the carrying amount of any goodwill allocated to the asset Bank or set of asset Banks, and then to reduce the carrying amount of the other assets in the asset Bank or set of asset Banks on a pro rata basis. However, such allocation would not reduce the carrying amount of an asset below the highest of its fair value less costs to sell (if measurable), its present value of expected future cash flows (if determinable) and zero.

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

(9) Fair value measurement

Unless otherwise specified, the Bank measures fair value measurement as follows:

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.

When measuring fair value, the Bank takes into account the characteristics of the particular asset or liability (including the condition and location of the asset and restrictions, if any, on the sale or use of the asset) that market participants would consider when pricing the asset or liability at the measurement date, and uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. Valuation techniques mainly include the market approach, the income approach and the cost approach.

(10) Employee benefits

(a) Short-term employee benefits

Employee wages or salaries, bonuses, social security contributions such as medical insurance, work injury insurance, maternity insurance and housing fund, measured at the amount incurred or accrued at the applicable benchmarks and rates, are recognized as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

(b) Post-employment benefits - defined contribution plans

Pursuant to the relevant laws and regulations of the People's Republic of China, the Bank participated in a defined contribution basic pension insurance plan in the social insurance system established and managed by government organisations. The Bank makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government. Basic pension insurance contributions payables are recognized as part of the cost of assets or charged to profit or loss as the related services are rendered by the employees.

In addition, the Bank has set up the annuity scheme in accordance with relevant PRC annuity regulations. The Bank has made annuity contributions at the applicable rate based on the employees' salaries, which are charged to profit or loss on an accrual basis.

(c) Other long-term employee benefits

During the period when employees provide services, the Bank accrues deferred payment for senior management personnel and employees who have significant influence on the Bank's risk management processes. The amount of such benefits is recognized as liability with costs or expenses recognized in relevant period.

(11) Provisions and contingent liabilities

Contingent liabilities refer to the potential obligations arising from past transactions or events, its existence must be verified through the occurrence or non-occurrence of uncertain future events. They also refer to the present obligations arising from past transactions or events, the performance of such obligations is not likely to cause economic benefits to flow out of the Bank or the amount of the obligation cannot be reliably measured. The Bank does not recognize these obligations and only discloses contingent liabilities in Note 41 Commitments and Contingencies to the financial statements.

A provision is recognized for an obligation related to a contingency if the Bank has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows. 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. Where there is a continuous range of possible outcomes for the expenditure required, and each possible outcome in that range is as likely as any other, the best estimate is the mid-point of that range. In other cases, the best estimate is determined according to the following circumstances:

- Where the contingency involves a single item, the best estimate shall be the most likely outcome;
- Where the contingency involves a large population of items, the best estimate shall be determined by weighting all possible outcomes by their associated probabilities.

The Bank reviews the carrying amount of a provision at the balance sheet date and adjusts the carrying amount to the current best estimate.

(12) Fiduciary activities

The Bank acts in a fiduciary capacity as a custodian, trustee or an agent for its customers. Assets held by the Bank and the related undertakings to return such assets to customers are excluded from the financial statements as the risks and rewards of the assets reside with the customers.

Entrusted lending is the business where the Bank enters into entrusted loan agreements with customers, whereby the customers provide funding (the “entrusted funds”) to the Bank, and the Bank grants loans to third parties (the “entrusted loans”) at the instruction of the customers. As the Bank does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, entrusted loans and funds are recorded as off-balance sheet items at their principal amounts and no impairment assessments are made for these entrusted loans.

(13) Revenue recognition

(a) Interest income

For all financial instruments that are measured at their amortized cost and classified at their fair value through other comprehensive income (FVOCI), the interest income is measured at the EIR. The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the rate of carrying amount of financial asset or amortized cost of financial liability. The calculation of EIR requires consideration of the contractual terms of the financial instrument (such as prepayment rights) and includes all fees and transaction costs attributable to the EIR components (excluding ECLs).

The Bank recognizes the interest income based on the book value of financial assets multiplied by the EIR and presents it as interest income, except for the following cases:

- a POCI financial asset, whose interest income is calculated since initial recognition by applying the credit-adjusted EIR to its amortized cost.
- As for the purchased or originated financial assets that become credit-impaired in subsequent periods, its interest income is recognized by computing at amortized cost (i.e. the net amount after the ECL provision is deducted from the book value) and EIR of the financial asset. If no credit impairment exists in the financial instruments due to the improvement of its credit risk in the subsequent period, and this improvement can be objectively related to an event that occurs after the application of the provisions above, the interest income should be calculated and recognized as EIR multiplying book value of financial assets.

(b) Fees and commission income

The Bank collects fees and commissions by providing services to customers. Fee and commission income recognized by the Bank reflects the consideration expected to be received by the Bank in providing services to its customers, and revenue is recognized when the performance obligations in the contract are fulfilled.

The Bank satisfies a performance obligation over time if one of the following criteria is met; or otherwise, a performance obligation is satisfied at a point in time:

- the customer simultaneously receives and consumes the economic benefits provided by the Bank’s performance as the Bank performs;
- the customer can control the service provided during the Bank’s performance; or
- the Bank’s performance does not create an asset with an alternative use to it and the Bank has the right to payment for performance completed to date during the entire contract period.

(c) Dividend income

Dividend income from equity instruments is recognized in profit or loss for the current period when the Bank's right to receive dividends is established.

(14) Government grants

Government grants are non-reciprocal transfers of monetary or non-monetary assets from the government to the Bank except for capital contributions from the government in the capacity as an investor in the Bank.

A government grant is recognised when there is reasonable assurance that the grant will be received and that the Bank will comply with the conditions attaching to the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at fair value.

A government grant related to an asset is recognized as deferred income and amortized over the useful life of the related asset on a reasonable and systematic manner as other income or non-operating income. A grant that compensates the Bank for expenses or losses to be incurred in the future is recognized as deferred income, and included in other income or non-operating income in the periods in which the expenses or losses are recognized. Otherwise, the grant is included in other income or non-operating income directly.

(15) Income tax

Current tax and deferred tax are recognized in profit or loss except to the extent that they relate to a business combination or items recognized directly in equity (including other comprehensive income).

Current tax is the expected tax payable calculated at the applicable tax rate on taxable income for the year, plus any adjustment to tax payable in respect of previous years.

At the balance sheet date, current tax assets and liabilities are offset only if the Bank has a legally enforceable right to set them off and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, which include the deductible tax losses and tax credits carried forward to subsequent periods. Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized.

Deferred tax is not recognized for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit (or deductible loss).

At the balance sheet date, deferred tax is measured based on the tax consequences that would follow from the expected manner of recovery or settlement of the carrying amount of the assets and liabilities, using tax rates enacted at the reporting date that are expected to be applied in the period when the asset is recovered or the liability is settled.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date, and is reduced to the extent that it is no longer probable that the related tax benefits will be utilized. Such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

At the balance sheet date, deferred tax assets and liabilities are offset if all of the following conditions are met:

- the taxable entity has a legally enforceable right to offset current tax liabilities and assets, and

- they relate to income taxes levied by the same tax authority on either:

- the same taxable entity; or

- different taxable entities which intend either to settle the current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(16) Profit distribution to owners

Distributions of profit proposed in the profit appropriation plan to be approved after the balance sheet date are not recognized as a liability at the balance sheet date but are disclosed in the notes separately.

(17) Related parties

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where two or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Bank is under common control only from the State and that have no other related party relationships are not regarded as related parties.

(18) Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Bank's internal organization, management requirements and internal reporting system after taking materiality principle into account. Two or more operating segments may be aggregated into a single operating segment if the segments have similar economic characteristics and are same or similar in respect of the nature of products and services, the nature of production processes, the types or classes of customers for the products and services, the methods used to distribute the products or provide the services, and the nature of the regulatory environment.

Inter-segment revenues are measured on the basis of the actual transaction prices for such transactions for segment reporting, and segment accounting policies are consistent with those for the consolidated financial statements.

(19) Significant accounting estimates and judgments

The preparation of financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates as well as underlying assumptions and uncertainties involved are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Notes 3(4), 3(6) and 3(7) contain information about the accounting estimates relating to depreciation and amortisation of assets such as fixed assets, intangible assets and long-term deferred expenses. Notes 7, 8, 10, 12, 13, 14, 15 and 17 contain information about the accounting estimates relating to provisions for impairment of various types of assets. Other significant accounting estimates are as follows:

(i) Note 16: Confirmation of deferred income tax assets;
(ii) Note 40: Fair value measurements of financial instruments.

4 Changes in accounting policies

In 2021, the Bank has adopted the following revised accounting standards and regulations issued by the Ministry of Finance (MOF) recently:

- CAS No.22 - Financial Instruments: Recognition and Measurement (Revised), CAS No.23 - Transfer of Financial Assets (Revised), CAS No.24 - Hedge Accounting (Revised) and CAS No.37 - Presentation and Disclosures of Financial Instruments (Revised) (collecting “new financial instruments standards”)
- CAS No.14 - Revenue (Revised) (“new revenue standard”)
- CAS No.21 - Lease (Revised) (Caikuai [2018] No.35) (“new lease standard”)
- The Accounting Treatment of COVID-19-Related Rent Concessions (Caikuai [2020] No.10) and Notice of Extending the Applicable Period of ‘Accounting Treatment of COVID-19 Related Rent Concessions’ (Caikuai [2021] No.9)
- CAS Bulletin No.14 (Caikuai [2021] No.1) (“Bulletin No.14”)

Major impact of the adoption of the above standards and regulations on the Bank is as follows:

(1) New financial instruments standards

New financial instruments standards revise CAS No.22 - Financial instruments: Recognition and measurement, CAS No.23 - Transfer of Financial assets and CAS No.24 - Hedging issued by the MOF in 2006 and CAS No.37 - Presentation and Disclosures of Financial Instruments revised by MOF in 2014 (collecting “previous financial instruments standards”).

New financial instruments standards contain three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under new financial instruments standards is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. New financial instruments standards cancel the previous categories of held-to-maturity investments, loans and receivables and available-for-sale financial assets under previous financial instruments standards. Under new financial instruments standards, derivatives embedded in contracts where the host is a financial asset are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

New financial instruments standards replace the “incurred loss” model in previous financial instruments standards with the ECL model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the “incurred loss” accounting model in previous financial instruments standards.

In accordance with the new financial statement format for financial enterprises, the Bank adjusted the related financial statement items according to the principle of materiality and the actual situation of the Bank.

Based on the financial statements on 31 December 2020, the implementation of the relevant requirements of the new financial instrument standards and the new financial statement format on the Bank's assets and liabilities on 1 January 2021 is summarized as follows:

	31 December 2020	Reclassification	Remeasurement	1 January 2021
Asset items				
Cash and balances with central bank	1,873,815,120.16	296,622.82	-	1,874,111,742.98
Due from placements with other banks and financial institutions	845,651,285.30	81,887.50	(77,655.30)	845,655,517.50
Lendings to banks and other financial institutions	3,596,741,212.82	12,991,398.36	393,718.09	3,610,126,329.27
Interest receivable	41,801,972.84	(41,801,972.84)	-	N/A
Loans and advances to customers	3,274,592,198.36	12,504,705.18	(6,310,705.65)	3,280,786,197.89
Other debt investments	N/A	1,009,143,868.98	-	1,009,143,868.98
Available-for-sale financial assets	993,216,510.00	(993,216,510.00)	-	N/A
Deferred tax assets	15,298,597.76	-	2,962,022.26	18,260,620.02
Sub-total	10,641,116,897.24	-	(3,032,620.60)	10,638,084,276.64
Liability items				
Balances with banks and other financial institutions	411,833,385.20	189,654.92	-	412,023,040.12
Placements from other financial institutions	398,076,000.00	4,945,836.04	-	403,021,836.04
Deposits from customers	8,316,154,218.33	18,327,496.20	-	8,334,481,714.53
Interests payable	23,462,987.16	(23,462,987.16)	-	N/A
Other liabilities	13,013,787.00	-	5,853,446.18	18,867,233.18
Sub-total	9,162,540,377.69	-	5,853,446.18	9,168,393,823.87
Total impact on shareholders' equity at the beginning of the year		-	(8,886,066.78)	

Based on the financial statements on 31 December 2020, the book value of each item of the original balance sheet has been adjusted to be classified and measured in accordance with the new financial instrument standards and the new financial statement format (hereinafter collectively referred to as the "New Standards and Regulations"). The reconciliation of the carrying value is as follows:

	Carrying amount presented in the original financial ıstrument standards 31 December 2020	Reclassification	Remeasurement	Carrying amount presented in the New Standards and Regulations 1 January 2021
Financial assets measured at amortized cost				
Cash and deposits with central bank				
Balance presented in the original financial instrument standards	1,873,815,120.16			
Add: Transfer from interest receivable		296,622.82		
Balance under the New Standards and Regulations				1,874,111,742.98
Due from placements with other banks and financial institutions				
Balance presented in the original financial instrument standards	845,651,285.30			
Add: Transfer from interest receivable		81,887.50		
Remeasurement: ECL provisions			(77,655.30)	
Balance presented in the New Standards and Regulations				845,655,517.50
Lendings to banks and other financial institutions				
Balance presented in the original financial instrument standards	3,596,741,212.82			
Add: Transfer from interest receivable		12,991,398.36		
Remeasurement: ECL provisions			393,718.09	
Balance presented in the New Standards and Regulations				3,610,126,329.27
Interest receivable				
Balance presented in the original financial statements	41,801,972.84			
Less: Transfer to cash and balances with central bank		(296,622.82)		
Less: Transfer to placement with banks and other financial institutions		(81,887.50)		
Less: Transfer to banks and other financial institutions		(12,991,398.36)		
Less: Transfer to loans and advances to customers		(12,504,705.18)		
Less: Transfer to other debt investments		(15,927,358.98)		
Balance presented in the New Standards and Regulations				N/A
Loans and advances to customers				
Balance presented in the original financial instrument standards	3,274,592,198.36			
Add: Transfer from interest receivable		12,504,705.18		
Remeasurement: ECL provisions			(6,310,705.65)	
Balance presented in the New Standards and Regulations				3,280,786,197.89
Sub-total of financial assets at amortized cost	9,632,601,789.48	(15,927,358.98)	(5,994,642.86)	9,610,679,787.64

	Carrying amount presented in the original financial instrument standards 31 December 2020	Reclassification	Remeasurement	Carrying amount presented in the New Standards and Regulations 1 January 2021
Financial assets measured at FVOCI				
Other debt investments				
Balance presented in the original financial instrument standards	N/A			
Add: Transfer from available-for-sale financial assets		993,216,510.00		
Add: Transfer from interest receivable		15,927,358.98		
Balance presented in the New Standards and Regulations				1,009,143,868.98
Available-for-sale financial assets				
Balance presented in the original financial instrument standards	993,216,510.00			
Less: Transfer to other debt investme		(993,216,510.00)		
Balance presented in the New Standards and Regulations				N/A
Sub-total of financial assets measured at FVOCI	993,216,510.00	15,927,358.98		1,009,143,868.98
Deferred tax assets	15,298,597.76		2,962,022.26	18,260,620.02
Total	10,641,116,897.24	-	(3,032,620.60)	10,638,084,276.64

Based on the financial statements on 31 December 2020, the closing amount of the impairment loss of the original financial instruments has been adjusted to be classified and measured in accordance with the new financial instrument standards. The reconciliation of the new impairment loss and provisions is as follows:

	Provision for impairment presented in original financial instrument standards 31 December 2020	Reclassification	Remeasurement	Provision for impairment presented in the New Standards and Regulations 1 January 2021
Financial assets measured at amortized cost				
Due from placements with other banks and financial institutions	(1,672,509.18)	-	(77,655.30)	(1,750,164.48)
Lendings to banks and other financial institutions	(5,479,787.18)	-	393,718.09	(5,086,069.09)
Loans and advances to customers	(67,310,382.58)	-	(6,310,705.65)	(73,621,088.23)
Loan commitment and financial guarantee contract	(1,123,714.32)	-	(5,853,446.18)	(6,977,160.50)
Total	(75,586,393.26)	-	(11,848,089.04)	(87,434,482.30)

(2) New revenue standard

New revenue standard replaces CAS No.14 – Revenue and CAS No.15 - Construction Contracts issued by the MOF in 2006 (“previous revenue standard”).

Under original revenue standard, the Bank recognized revenue when the risks and rewards had passed to the customers. Under new revenue standard, the Bank recognizes revenue when the control right has been transferred. The new revenue standard introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The adoption of new revenue standard has no material impact on the financial position and the operation result of the Bank.

(3) New lease standard

The new lease standard has revised CAS No.21 – *Leases* issued by the MOF in 2006 (the “Original Lease Standard”). The Bank has applied the new lease standard since 1 January 2021 and has adjusted the related accounting policies.

For operating leases before the date of initial application, lease liabilities were measured at the present value of the remaining lease payments, discounted using the Bank’s incremental borrowing rate at the date of initial application. For right-of-use assets, amount equal to the lease liability are adjusted by the amount of any prepaid lease payments. The Bank applied this approach to all other leases.

As a lessee

Under previous leases standard, the Bank classifies leases as operating or finance leases based on its assessment of whether the lease transfers significantly all of the risks and rewards incidental to ownership of the underlying asset to the Bank.

Under new leases standard, the Bank no longer distinguishes between operating leases and finance leases. The Bank recognises right-of-use assets and lease liabilities for all leases (except for short-term leases and leases of low-value assets which are accounted for using practical expedient).

For a contract that contains lease and non-lease components, the Bank allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Bank has elected to recognise the cumulative effect of adopting new leases standard as an adjustment to the opening balances of retained earnings and other related items in the financial statement in the initial year of application. Comparative information has not been restated.

For leases classified as operating leases before the date of initial application, lease liabilities were measured at the present value of the remaining lease payments, discounted using the Bank's incremental borrowing rate at the date of initial application. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid lease payments – the Bank applied this approach to all other leases.

The Bank also uses the following practical expedients to account for leases classified as operating leases before the date of initial application:

- accounted for the leases for which the lease term ends within 12 months of the date of initial application as short-term leases;
- applied a single discount rate to leases with similar characteristics when measuring lease liabilities;
- excluded initial direct costs from measuring the right-of-use assets;
- determined the lease term according to the actual implementation or other updates of options before the date of initial application if the contract contains options to extend or terminate the lease;
- adjusted the right-of-use assets by the amount of onerous contract provision applying CAS No.13 – Contingencies immediately before the date of initial application, as an alternative to an impairment review;
- accounted for lease modifications before the initial year of application according to the final arrangement of the change under new leases standard without retrospective adjustments.

Effect of the application of new lease standard since 1 January 2021 on financial statements

When measuring lease liabilities, the Bank discounted lease payments using its incremental borrowing rate at 1 January 2021. The weighted-average rate applied by the Bank is 3.11%.

Total minimum payments of significant operating leases disclosed in the financial statements as at 31 December 2020	21,282,721.55
Present value discounted using the Bank's incremental borrowing rate at 1 January 2021	17,398,347.63
Less: Amounts impacted by the short-term leases and low-value asset leases to be completed within 12 months from 1 January 2021	-
Lease liabilities under new lease standard at 1 January 2021	17,398,347.63

(4) Caikuai [2020] No.10 and Caikuai [2021] No.9

The Accounting Treatment of COVID-19 Related Rent Concessions (Caikuai [2020] No.10) provides practical expedient under certain conditions for rent consessions occurring as a direct consequence of the COVID-19 pandemic. If the company choose to adopt the practical expedient, then there is no need to assess whether there is a lease change or reassess the lease classification. In combination of the requirements of Caikuai [2021] No.9, such practical expedient is only applicable to any reduction in lease payments due before 30 June 2022.

The adoption of the above regulations does not have significant effect on the financial position and financial performance of the Bank.

(5) Bulletin No.14

Bulletin No.14 takes effect on 26 January 2021 (implementation date).

Bulletin No.14 introduces the accounting and disclosure requirements for the modification of financial instruments and lease liabilities resulting from the benchmark interest rate reform. Transactions related to the benchmark interest rate reform that occurred before 31 December 2020 and during 1 January 2021 to the implementation date are subject to retrospective adjustments. Cumulative effects are adjusted to the opening retained earnings or other comprehensive income for the year 2021. Comparative information is not restated.

The adoption of Bulletin No.14 does not have significant effect on the financial position and financial performance of the Bank.

5 Taxation

(1) The major types of taxes applicable to the Bank's services include value added tax (VAT), tax for maintaining and building cities, education supplementary tax, local education supplementary tax and so on.

Tax Name	Tax basis and applicable rate
VAT	Output VAT is 6% of taxable services revenue, based on tax laws. The basis for VAT payable is to deduct input VAT from the output VAT for the period.
Tax for maintaining and building cities	On the basis of 7% of the VAT actually paid
Education supplementary tax	On the basis of 3% of the VAT actually paid
Local education supplementary tax	On the basis of 2% of the VAT actually paid

(2) Income tax

The income tax rate applicable to the Bank is 25% (2020: 25%).

(3) Taxes payable

	2021	*2020*
VAT payable	3,839,277.50	2,709,763.19
Withholding income tax payable	1,712,187.92	1,620,082.63
Total	5,551,465.42	4,329,845.82

6 Cash and deposits with central bank

	Note	*2021*	*2020*
Statutory deposit reserves	(1)	763,324,012.82	609,993,384.70
Surplus deposit reserves	(2)	432,459,469.38	1,263,821,735.46
Sub-total		1,195,783,482.20	1,873,815,120.16
Interest accrued		266,411.21	N/A
Total		1,196,049,893.41	1,873,815,120.16

(1) Statutory deposit reserves represent reserve deposits placed with the The People's Bank Of China ("PBOC") in accordance with the *Administrative Regulation* and relevant regulations, which are not available for use in the Bank's daily business. Balance at balance sheet date, the statutory deposit reserves ratios of the Bank are as follows:

	2021	*2020*
Deposit reserve ratio for RMB deposits	8%	10%
Deposit reserve ratio for foreign currency deposits	9%	5%

(2) The surplus deposit reserves placed with the PBOC are mainly for settlement purpose.

7 Deposits with inter-banks

(1) Analyzed by counterparty

	Note	*2021*	*2020*
Domestic banks		552,230,301.90	516,688,272.41
Overseas banks		834,150,187.64	330,635,522.07
Sub-total		1,386,380,489.54	847,323,794.48
Interest accrued		31,900.00	N/A
Less: Impairment provision	(2)	(6,165,190.90)	(1,672,509.18)
Total		1,380,247,198.64	845,651,285.30

(2) Movement of impairment provision

	Note	*2021*	*2020*
Balance at the beginning of the year (restated)		1,750,164.48	844,541.44
Accruals during the year	32/33	4,417,997.18	839,445.26
Exchange difference		(2,970.76)	(11,477.52)
Balance at the end of the year		6,165,190.90	1,672,509.18

8 Placements with financial institutions

(1) Analyzed by counterparty

	Note	*2021*	*2020*
Domestic banks		206,320,550.00	868,444,200.00
Domestic non-bank financial institutions		1,799,762,600.00	1,852,915,300.00
Overseas banks		1,000,984,900.00	880,861,500.00
Sub-total		3,007,068,050.00	3,602,221,000.00
Interest accrued		8,693,474.86	N/A
Less: Impairment provision	(2)	(3,346,514.90)	(5,479,787.18)
Total		3,012,415,009.96	3,596,741,212.82

(2) Movement of impairment provision

	Note	*2021*	*2020*
Balance at the beginning of the year (restated)		5,086,069.09	5,633,686.57
Reversals during the year	32/33	(1,709,724.01)	(19,138.26)
Exchange difference		(29,830.18)	(134,761.13)
Balance at the end of the year		3,346,514.90	5,479,787.18

9 Interest receivable

The movement of interest receivable for the year is as follows:

	2021			
	Balance at 1 January 2021	*Additions during the year*	*Collection during the year*	*Balance at 31 December 2021*
Interest receivable	N/A	N/A	N/A	N/A

	2020			
	Balance at 1 January 2020	*Additions during the year*	*Collection during the year*	*Balance at 31 December 2020*
Interest receivable	29,954,056.03	288,315,448.66	(276,467,531.85)	41,801,972.84

10 Loans and advances to customers

(1) Analyzed by nature

	Note	*2021*	*2020*
Measured at amortized cost			
Corporate loans and advances			
- Loans		4,303,717,285.63	3,309,618,635.18
- Bills discounted		143,829,740.44	-
- Trade finance		30,144,426.85	32,283,945.76
Total loans and advances		4,477,691,452.92	3,341,902,580.94
Interest accrued		16,834,552.08	N/A
Less: Loan impairment losses	(5)	(73,890,209.53)	(67,310,382.58)
Carrying amount of loans and advances to customers		4,420,635,795.47	3,274,592,198.36

(2) Analyzed by industry

	Note	*2021*		*2020*	
		Amount	*Percentage (%)*	*Amount*	*Percentage (%)*
Information transmission, IT service and software		942,202,144.90	21%	852,386,920.15	25%
Leasing and business services		800,502,760.96	18%	530,297,093.69	16%
Culture, sports and entertainment		779,656,329.83	17%	526,782,370.38	16%
Wholesale and retail trade		743,949,490.55	17%	405,048,226.67	12%
Manufacturing		712,690,031.23	16%	654,387,040.45	20%
Finance service		214,860,000.00	5%	105,522,385.56	3%
Real estate		122,000,000.00	3%	-	-
Others		161,830,695.45	3%	267,478,544.04	8%
Total loans and advances		4,477,691,452.92	100%	3,341,902,580.94	100%
Interest accrued		16,834,552.08		N/A	
Less: Loan impairment losses	(5)	(73,890,209.53)		(67,310,382.58)	
Carrying amount of loans and advances to customers		4,420,635,795.47		3,274,592,198.36	

(3) Analyzed by security type

	Note	*2021*	*2020*
Secured loans		2,247,704,062.00	1,433,957,125.97
Guaranteed loans		1,226,747,211.24	1,075,087,056.50
Unsecured loans		1,003,240,179.68	832,858,398.47
Total loans and advances		4,477,691,452.92	3,341,902,580.94
Interest accrued		16,834,552.08	N/A
Less: Loan impairment losses	(5)	(73,890,209.53)	(67,310,382.58)
Carrying amount of loans and advances to customers		4,420,635,795.47	3,274,592,198.36

(4) Overdue loans analyzed by overdue period

At 31 December 2021 and 2020, the Bank had no overdue loans.

Overdue loans represent loans and advances to customers, of which the whole or part of the principal or interest was overdue for more than 1 day. The whole balance of an installment loan is classified as overdue loans if there is one or several numbers of installments overdue.

(5) Movements of impairment provision

	Note	*2021*			
		Stage 1:	Stage 2	Stage 3	*Total*
		12-Month ECL	Lifetime ECL	Lifetime ECL	
Balance Balance at 1 January 2021		65,183,607.19	8,437,481.04	-	73,621,088.23
Transfer to:					
Stage 1		2,553,416.50	(2,553,416.50)	-	-
Stage 2		-	-	-	-
Stage 3		-	(5,884,064.54)	5,884,064.54	-
Charge for the year	32	6,536,464.74	-	5,463,279.88	11,999,744.62
Write-offs during the year		-	-	(12,313,144.42)	(12,313,144.42)
Recovery of the original write-off loan this year		-	-	965,800.00	965,800.00
Exchange gains and losses		(383,278.90)	-	-	(383,278.90)
Balance Balance at 31 December 2021		73,890,209.53	-	-	73,890,209.53

	Note	*2020*		
		Collectively assessed provision	*Individually assessed provision*	*Total*
Balance Balance at 1 January 2020		64,826,602.73	-	64,826,602.73
(Reversals)/Accruals for the year	33	2,794,523.64	(1,414,553.69)	1,379,969.95
Write-off for the year		-	1,414,553.69	1,414,553.69
Exchange difference		(310,743.79)	-	(310,743.79)
Balance Balance at 31 December 2020		67,310,382.58	-	67,310,382.58

On 31 December 2021, the Bank's Loan provision ratio is 1.65% (2020: 2.01%). On 31 December 2021, there is no non-performing loans, provision coverage ratio is not applicable accordingly (2020: not applicable).

Loan provision ratio refers to the proportion of loan loss provision to the total amount of loans and advances to customers at balance sheet date. Provision coverage ratio refers to the proportion of loan loss provision to the non-performing loan at balance sheet date. According to the *Guidelines on Loan Risk Classification (Yinjianfa [2007] No. 54)* issued by the CBRC, non-performing loans refer to grade substandard, doubtful and loss in CBIRC's five-tier grading.

11 Other debt investments

	Note	*2021*	*2020*
Government bonds		901,548,400.00	N/A
Interest accrued		14,691,032.99	N/A
Total		916,239,432.99	N/A

12 Available-for-sale financial assets

	Note	*2021*	*2020*
Measured at fair value			
Government bonds		N/A	993,216,510.00

13 Fixed assets

	Computer equipment	*Office equipment*	*Motor vehicles and others*	*Total*
Cost:				
Balance at 1 January 2020	5,180,853.96	2,749,652.84	1,470,801.67	9,401,308.47
Additions	382,598.96	19,212.29	-	401,811.25
Balance at 31 December 2020	5,563,452.92	2,768,865.13	1,470,801.67	9,803,119.72
Additions	1,225,401.52	-	-	1,225,401.52
Disposals	(25,859.70)	(550,335.61)	(581,065.28)	(1,157,260.59)
Balance at 31 December 2021	6,762,994.74	2,218,529.52	889,736.39	9,871,260.65
Less: Accumulated depreciation				
Balance at 1 January 2020	(3,161,556.78)	(2,198,259.94)	(1,387,883.51)	(6,747,700.23)
Charge for the year	(958,666.88)	(183,661.29)	(3,249.61)	(1,145,577.78)
Balance at 31 December 2020	(4,120,223.66)	(2,381,921.23)	(1,391,133.12)	(7,893,278.01)
Charge for the year	(1,279,018.61)	(146,729.77)	(76,200.91)	(1,501,949.29)
Written off on disposal	22,022.49	408,528.81	577,597.64	1,008,148.94
Balance at 31 December 2021	(5,377,219.78)	(2,120,122.19)	(889,736.39)	(8,387,078.36)
Carrying amount:				
Balance at 31 December 2021	1,385,774.96	98,407.33	-	1,484,182.29
Balance at 31 December 2020	1,443,229.26	386,943.90	79,668.55	1,909,841.71

Balance at 31 December 2021, management considered that no impairment of fixed assets was necessary (2020: Nil).

14 Construction in progress

	Software and others
Balance Balance at 1 January 2020	5,626,731.75
Additions	2,243,344.26
Transfer to intangible assets	(2,474,015.98)
Transfer to others	(4,165,909.12)
Balance Balance at 31 December 2020	1,230,150.91
Additions	1,455,094.32
Transfer to intangible assets	(427,358.48)
Balance Balance at 31 December 2021	2,257,886.75

Balance at 31 December 2021, management considered that no impairment of construction in progress was necessary (2020: Nil)

15 Intangible assets

	Software
Cost	
Balance at 1 January 2020	51,081,280.29
Additions	6,080,858.61
Transferred from construction in progress	2,474,015.98
Balance at 31 December 2020	59,636,154.88
Additions	2,104,498.99
Transferred from construction in progress	427,358.48
Balance at 31 December 2021	62,168,012.35
Less: Accumulated amortization	
Balance at 1 January 2020	(39,329,694.01)
Charge for the year	(4,313,098.93)
Balance at 31 December 2020	(43,642,792.94)
Charge for the year	(4,862,125.85)
Balance at 31 December 2021	(48,504,918.79)
Carrying amounts	
Balance at 31 December 2021	13,663,093.56
Balance at 31 December 2020	15,993,361.94

Balance at 31 December 2021, management considered that no impairment of intangible assets was necessary (2020: Nil).

16 Deferred tax assets

	Deferred tax assets				
	Balance at the beginning of the year	*Balance at the beginning of the year (restated)*	*Current year increase/ decrease charged to profit or loss*	*Current year increase/ decrease recognised directly in equity*	*Balance at the end of the year*
Unapproved written-off loans	9,577,210.75	9,577,210.75	3,078,286.12	-	12,655,496.87
Impairment provision	1,536,289.36	4,498,311.62	(1,759,237.40)	-	2,739,074.22
Employee benefits payable	1,362,887.49	1,362,887.49	(99,976.63)	-	1,262,910.86
Changes in fair value	2,127,672.94	2,127,672.94	-	(2,438,822.94)	(311,150.00)
Other unpaid payables	694,537.22	694,537.22	794,479.02	-	1,489,016.24
Total	15,298,597.76	18,260,620.02	2,013,551.11	(2,438,822.94)	17,835,348.19

Other unpaid payables mainly include differences arising from outstanding payables, depreciation and amortization and deductible losses.

17 Other assets

	Note	*2021*	*2020*
Right-of-use assets	(1)	30,743,044.66	N/A
Refundable deposits		5,125,264.25	4,881,465.69
For settlement and clearing		2,525,680.00	10,386,109.09
Tax to be deducted		1,917,109.41	4,610,459.78
Prepayments		1,729,382.20	3,921,394.55
Long-term deferred expenses		1,551,713.11	5,008,860.19
Others		1,037,751.63	425,638.63
Total		44,629,945.26	29,233,927.93

(1) Right-of-use assets

	Leasing of real estate	Leasing of office equipments	Leasing of transportation	Total
Cost				
Balance at 1 January 2021	17,071,590.33	199,281.45	127,475.85	17,398,347.63
Additions during the year	26,490,921.67	4,082.77	-	26,495,004.44
Decrease during the year	(8,023,304.68)	-	-	(8,023,304.68)
Balance at 31 December 2021	35,539,207.32	203,364.22	127,475.85	35,870,047.39
Less: Accumulated depreciation				
Balance at 1 January 2021	-	-	-	-
Charge for the year	(12,962,050.60)	(45,332.17)	(117,669.96)	(13,125,052.73)
Written off on disposal	7,998,050.00	-	-	7,998,050.00
Balance at 31 December 2021	(4,964,000.60)	(45,332.17)	(117,669.96)	(5,127,002.73)
Carrying amounts:				
Balance at 31 December 2021	30,575,206.72	158,032.05	9,805.89	30,743,044.66
Balance at 1 January 2021	17,071,590.33	199,281.45	127,475.85	17,398,347.63

18 Deposits from financial institutions

	2021	*2020*
Overseas banks	559,761,920.10	250,703,726.56
Domestic non-bank financial institutions	1,562,729.11	161,129,658.64
Sub-total	561,324,649.21	411,833,385.20
Interest accrued	343,862.77	N/A
Total	561,668,511.98	411,833,385.20

19 Borrowings from financial institutions

	2021	2020
Overseas banks	63,757,000.00	260,996,000.00
Domestic banks	-	137,080,000.00
Sub-total	63,757,000.00	398,076,000.00
Accrued interest	4,540.14	N/A
Total	63,761,540.14	398,076,000.00

20 Customers deposits

	2021	2020
Current deposits		
- Corporate customers	3,490,065,402.28	3,592,568,283.03
- Personal customers	35,141,299.54	45,080,255.23
Sub-total of current deposits	3,525,206,701.82	3,637,648,538.26
Time deposits (including call deposits)		
- Corporate customers	888,821,346.89	1,507,921,950.27
- Personal customers	75,688,420.44	64,114,881.38
Sub-total of time deposits	964,509,767.33	1,572,036,831.65
Other deposits		
- Margin deposits	4,242,830,315.44	3,106,468,848.42
Sub-total	33,854,887.82	N/A
Total	8,766,401,672.41	8,316,154,218.33

21 Employee benefits payable

	Note	2021	2020
Short-term employee benefits	(1)	8,392,347.60	6,492,416.27
Post-employment benefits			
- defined contribution plans	(2)	4,425,557.56	4,743,852.54
Other long-term employee benefits	(3)	973,536.13	1,577,271.28
Total		13,791,441.29	12,813,540.09

(1) Short-term employee benefits

	2021			
	Balance at 1 January 2021	Accrued during the year	Paid during the year	Balance at 31 December 2021
Salaries, bonuses, allowances	6,492,416.27	62,615,282.83	(60,715,351.50)	8,392,347.60
Staff welfare	-	3,936,094.50	(3,936,094.50)	-
Social insurance				
Medical insurance	-	3,034,965.18	(3,034,965.18)	-
Work-related injury insurance	-	46,677.17	(46,677.17)	-
Maternity insurance	-	23,243.74	(23,243.74)	-
Housing fund	-	4,180,789.82	(4,180,789.82)	-
Labor union fee	-	1,084,939.89	(1,084,939.89)	-
Total	6,492,416.27	74,921,993.13	(73,022,061.80)	8,392,347.60

	2020			
	Balance at 1 January 2020	Accrued during the year	Paid during the year	Balance at 31 December 2020
Salaries, bonuses, allowances	11,036,632.38	58,683,807.18	(63,228,023.29)	6,492,416.27
Staff welfare	-	2,965,299.33	(2,965,299.33)	-
Social insurance				
Medical insurance	-	2,319,705.62	(2,319,705.62)	-
Work-related injury insurance	-	3,498.88	(3,498.88)	-
Maternity insurance	-	45,624.83	(45,624.83)	-
Housing fund	-	4,209,926.11	(4,209,926.11)	-
Labor union fee	-	1,113,726.27	(1,113,726.27)	-
Total	11,036,632.38	69,341,588.22	(73,885,804.33)	6,492,416.27

(2) Post-employment benefits - defined contribution plans

	2021			
	Balance at 1 January 2021	*Accrued during the year*	*Paid during the year*	*Balance at 31 December 2021*
Basic pension insurance	-	4,807,570.65	(4,807,570.65)	-
Unemployment insurance	-	403,725.23	(403,725.23)	-
Annuity	4,743,852.54	4,275,685.16	(4,593,980.14)	4,425,557.56
Total	4,743,852.54	9,486,981.04	(9,805,276.02)	4,425,557.56

	2020			
	Balance at 1 January 2020	*Accrued during the year*	*Paid during the year*	*Balance at 31 December 2020*
Basic pension insurance	-	486,467.76	(486,467.76)	-
Unemployment insurance	-	242,886.55	(242,886.55)	-
Annuity	4,810,611.70	4,124,434.43	(4,191,193.59)	4,743,852.54
Total	4,810,611.70	4,853,788.74	(4,920,547.90)	4,743,852.54

(3) Other long-term employee benefits

Other long-term employee benefits include deferred payment of employee benefits, which are measured at amortised cost using the effective interest method.

22 Interest payable

The movement of interest payable for the year is as follows:

	2021			
	Restated balance at 1 January 2021	*Additions during the year*	*Payment for the year*	*Balance at 31 December 2021*
Interest payable	N/A	N/A	N/A	N/A

	2020			
	Balance at 1 January 2020	*Additions during the year*	*Payment for the year*	*Balance at 31 December 2020*
Interest payable	74,625,123.33	136,276,773.28	(187,438,909.45)	23,462,987.16

23 Other liabilities

	Note	2021	2020
Lease liabilities	(1)	31,060,130.96	N/A
Amounts to be settled and cleared		12,457,664.46	870,349.44
Contract liabilities		8,570,438.74	N/A
Other payables		3,870,755.91	5,547,526.43
Provisions		2,401,976.10	1,123,714.32
Delegate collection and payment		997,752.12	1,073,912.08
Deferred income		N/A	4,398,284.73
Total		59,358,718.29	13,013,787.00

(1) Lease liabilities

Analysis of the Bank's lease liabilities by maturity date - undiscounted analysis:

	31 December 2021
Within 1 year	12,899,364.27
1 to 2 years	11,236,986.58
After 2 years but within 3 years	8,056,667.60
After 3 years but within 5 years	328,969.35
Total undiscounted lease liabilities at 31 December 2021	32,521,987.80
Lease liabilities in the balance sheet at 31 December 2021	31,060,130.96

24 Paid-in capital

Registered capital and paid-in capital

	2021 and 2020	
	Amount RMB	*Percentage %*
EWB	1,400,000,000.00	100%

Capital contributions in foreign currency were translated into Renminbi at the exchange rates at the dates of each contribution as quoted by the PBOC.

Paid-in capital were verified by Certified Public Accountants with the related capital verification reports issued.

25 Other comprehensive income

	Fair value through other comprehensive income
Balance at 1 December 2020	-
Decrease during the year before tax	(8,510,691.80)
Tax impact	2,127,672.94
Balance at 31 December 2020	(6,383,018.86)
Decrease during the year before tax	9,755,291.81
Tax impact	(2,438,822.94)
Balance at 31 December 2021	933,450.01

26 Surplus reserve

	Statutory surplus reserve
Balance at 1 January 2020	14,652,111.56
Profit appropriation	980,290.09
Balance at 31 December 2020	15,632,401.65
Profit appropriation	2,669,361.88
Balance at 31 December 2021	18,301,763.53

27 General risk reserve

	Appropriation to general risk reserve in accordance with the regulations issued by the MOF
Balance at 1 January 2020	91,728,422.51
Profit appropriation	8,822,610.83
Balance at 31 December 2020	100,551,033.34
Profit appropriation	15,138,190.11
Balance at 31 December 2021	115,689,223.45

According to the Notice on Administrative Measures on Accrual of Provisions by Financial Enterprises (Cai Jin [2012] No.20) ("the Administrative Measures") issued by the MOF, a financial enterprise shall appropriate from net profits an amount of not less than 1.5% of its risk-bearing assets at the year-end as general reserve. Where the general provision ratio cannot attain 1.5% one-off, it may attain the ratio over a period of not more than five years in principle.

28 Profit distribution

	Note	*2021*	*2020*
Appropriation for surplus reserve	(1)	2,669,361.88	980,290.09
Appropriation for General risk preparation	(2)	15,138,190.11	8,822,610.83

(1) Appropriation for surplus reserve

In accordance with the Company Law of the People's Republic of China and the Bank's Articles of Association, the Bank is required to appropriate 10% of its net profit to the statutory surplus reserve after having made up previous years' losses until the balance reaches 50% of its registered capital.

(2) Appropriation for general risk preparation

According to the *Notice on Administrative Measures on Accrual of Provisions by Financial Enterprises (Cai Jin [2012] No.20)* issued by the MOF, the appropriation for general risk preparation constitutes part of the owner's equity of the Bank, and is appropriated from the net profits after statutory surplus reserve.

29 Net interest income

	2021	*2020*
Interest income:		
Loans and advances to customers	151,392,938.25	167,207,790.73
- Loans	148,229,415.88	165,733,310.56
- Bills discounted	2,057,578.47	20,819.55
- Trade finance	1,105,943.90	1,453,660.62
Placements with financial institutions	86,522,445.53	84,816,010.61
Debt investments	23,529,043.62	11,870,736.64
Deposits with central bank	10,666,855.63	10,196,290.73
Deposits with financial institutions	1,701,169.69	15,699,100.12
Sub-total of interest income	273,812,452.72	289,789,928.83
Interest expense:		
Customer deposits	(94,166,478.84)	(95,769,359.04)
Deposits from financial institutions	(12,513,057.82)	(20,372,312.95)
Lease liabilities	(534,086.02)	N/A
Borrowings from financial institutions	(410,165.16)	(20,135,101.29)
Sub-total of interest expense	(107,623,787.84)	(136,276,773.28)
Net interest income	166,188,664.88	153,513,155.55

30 Net fees and commission income

	2021	*2020*
Fees and commission income		
Guarantee fees	6,413,292.78	3,414,589.32
Settlement and clearance fees	1,140,544.57	1,208,249.82
Credit related fees	705,922.88	840,518.55
Customer service fee	419,856.73	231,639.23
Others	115,212.09	83,184.91
Sub-total of fees and commission income	8,794,829.05	5,778,181.83
Fees and commission expense		
Inter-bank transaction fees	(913,188.09)	(878,035.71)
Others	(186,712.53)	-
Sub-total of fees and commission expense	(1,099,900.62)	(878,035.71)
Net fees and commission income	7,694,928.43	4,900,146.12

31 General and administrative expenses

	2021	*2020*
Staff costs		
Short-term employee benefits	74,921,993.13	69,341,588.22
Post-employment benefits		
- defined contribution plans	9,486,981.04	4,853,788.74
Other long-term employee benefits	282,991.64	458,260.91
Sub-total of staff cost	84,691,965.81	74,653,637.87
Depreciation and amortization	22,946,274.95	9,973,014.44
Maintenance expenses	7,313,864.38	6,402,190.89
Communication expenses	6,418,043.29	6,519,106.37
Consulting expenses	4,681,037.47	8,936,257.89
Office expenses and consumables	4,190,095.36	3,108,225.61
Rental and property management expenses	2,042,732.51	15,597,231.91
Travelling expenses	801,113.66	953,464.71
Business entertainment expenses	781,751.48	1,040,649.80
Others	4,645,861.31	4,956,826.98
Total	138,512,740.22	132,140,606.47

32 Credit impairment losses

	Note	*2021*	*2020*
Impairment losses accrual/(reversal) for deposit with inter-banks	*7*	4,417,997.18	N/A
Impairment losses (reversal)/accrual for placements with financial institutions	*8*	(1,709,724.01)	N/A
Impairment losses accrual for loans and advances to customers	*10*	11,999,744.62	N/A
Impairment losses accrual/(reversal) for Off-Balance-Sheet Business		(4,444,411.53)	N/A
Total		10,263,606.26	N/A

33 Asset impairment losses

	Note	*2021*	*2020*
Impairment losses accrual/(reversal) for deposit with inter-banks	*7*	N/A	839,445.26
Impairment losses (reversal)/accrual for placements with financial institutions	*8*	N/A	(19,138.26)
Impairment losses accrual for loans and advances to customers	*10*	N/A	1,379,969.95
Impairment losses accrual/(reversal) for Off-Balance-Sheet Business		N/A	722,893.89
Total		N/A	2,923,170.84

34 Income tax expense reverse

(1) Composition of current year income tax

	2021	*2020*
Current year income tax	-	1,035,724.04
Changes in deferred tax assets	(2,013,551.11)	(10,010,334.53)
Tax filling differences	(1,035,724.04)	(206,335.11)
Total	(3,049,275.15)	(9,180,945.60)

(2) Reconciliation between income tax expense and accounting profit is as follows:

	2021	*2020*
Profit before tax	23,644,343.62	621,955.32
Expected income tax expense at tax rate	5,911,085.91	155,488.83
Add/(less) the tax effect as follows:		
- Non-deductible expenses	826,989.80	923,877.27
- Non-taxable income	(5,882,260.91)	-
- Additional deductible expenses	(378,345.63)	(379,684.88)
- Impact of using deductible losses of deferred tax assets unrecognized in previous period	(2,685,491.11)	(9,577,210.75)
- Adjustment in respect of deferred tax of prior years	194,470.83	(97,080.96)
- Tax filling differences	(1,035,724.04)	(206,335.11)
Income tax expense reverse	(3,049,275.15)	(9,180,945.60)

35 Supplemental to cash flow statement

(1) Reconciliation of net profit to cash flows from operating activities:

	2021	*2020*
Net profit	26,693,618.77	9,802,900.92
Add: Credit impairment losses/Asset impairment losses	10,263,606.26	2,923,170.84
Depreciation and amortization	22,946,274.95	9,973,014.44
Interest expenses from lease liabilities	534,086.02	-
Losses from asset disposals	18,400.00	-
Unrealized exchange losses	8,712,754.76	26,921,979.48
Interest income from investment of debt instruments	(23,529,043.62)	(11,870,736.64)
Decrease of deferred tax assets	(2,013,551.11)	(10,010,334.53)
(Increase)/Decrease in operating receivables	(1,076,119,938.56)	787,321,438.12
Increase in operating payables	258,661,108.05	152,708,002.69
Net cash inflow/(outflow) from operating activities	(773,832,684.48)	967,769,435.32

(2) Change in cash and cash equivalents:

	2021	*2020*
Cash and cash equivalents at the end of the year	2,699,432,358.92	3,374,482,129.94
Less: Cash and cash equivalents at the beginning of the year	(3,374,482,129.94)	(3,448,638,733.57)
Net decrease in cash and cash equivalents	(675,049,771.02)	(74,156,603.63)

(3) Cash and cash equivalents held by the Bank are as follows:

	2021	*2020*
Central bank deposits available on demand	432,459,469.38	1,263,821,735.46
Deposits with inter-banks with a maturity of 3 months or less	1,375,380,489.54	836,323,794.48
Placements with financial institutions with a maturity of 3 months or less	891,592,400.00	1,274,336,600.00
Total	2,699,432,358.92	3,374,482,129.94

36 Capital management

The capital management of the Bank covers the calculation and reporting of capital adequacy ratio (“CAR”), capital assessment and capital planning. The CAR of the Bank represents its abilities of stable operations and risk resistance. The CAR management of the Bank aims to ensure the Bank holds adequate capital, which is appropriate to risk exposure and consistent with risk assessment results of the Bank, to meet the demand of business operation and the regulatory requirements. The capital planning aims to set a target CAR which satisfies the Bank with the demand of future business development strategy, risk appetite, risk management, external business environment, short-term and long-term sustainability of various capital sources.

The prudent and solid concept of capital management ensures the Bank to retain its capital at an adequate level to support business development under all conditions and to adjust CAR to a reasonable level timely and effectively, if necessary. The Bank calculates and monitors the utilisation of CAR according to the requirements of the regulation, and reports relevant information to the China Banking and Insurance Regulatory Commission (CBIRC) on a quarterly basis.

The adequacy ratio of core tier one capital, the adequacy ratio of tier one capital and the capital adequacy ratio Balance at 31 December 2021 calculated in accordance with regulatory requirements are as follows:

	2021	*2020*
Net core tier one capital	1,517,939,091.43	1,493,608,689.95
Net tier one capital	1,517,939,091.43	1,493,608,689.95
Net capital	1,589,130,691.43	1,559,719,289.95
Total risk assets	7,435,234,950.00	6,542,674,395.00
Adequacy ratio of core tier one capital	20.46%	22.83%
Adequacy ratio of tier one capital	20.46%	22.83%
Capital adequacy ratio	21.42%	23.84%

37 Related party relationships and transactions

(1) Information on the parent of the Bank Balance at 31 December 2021 is listed as follows:

Company name	*Registered place*	*Principal activities*	*Paid-in capital*	*Shareholding percentage*	*Proportion of voting rights*
East West Bank	United States	Banking and financial services	USD 1,894 million	100%	100%

The Bank's ultimate controlling party is East West Bancorp, Inc.

(2) Transactions between the Bank and its key management personnel

(a) Transactions with key management personnel:

	2021	*2020*
Remuneration of key management personnel	22,276,689.06	24,178,566.00

(b) The balances of transactions with key management personnel at 31 December are set out as follows:

	2021	*2020*
Customer deposits	325,796.60	324,670.85

Related parties of the Bank include close family members of key management personnel of the Bank, key management personnel of the Bank's parent and close family members of such individuals, other enterprises that are controlled or jointly controlled by key management personnel of the Bank, or close family members of such individuals. The transactions between the Bank and related parties above were not significant, hence the Bank didn't disclose them separately.

(3) Transactions with the related parties other than key management personnel

(a) Transactions with the related parties:

	2021	*2020*
Interest income	979,160.19	1,403,381.31
Interest expense	(10,735,229.07)	(10,737,624.78)
Fees and commission expense	(317,199.59)	(257,088.80)
Other operating income	1,949,824.61	-

The transactions between the Bank and related parties comply with normal commercial terms and relevant agreements.

(b) The balances of transactions with the related parties at 31 December are set out as follows:

	2021	*2020*
Deposits with inter-banks	818,339,622.80	310,921,396.66
Deposits from financial institutions	(560,096,579.96)	(250,703,726.56)
Borrowings from financial institutions	(63,761,540.14)	(260,996,000.00)
Interest payable	N/A	(216,796.59)

(c) The relationship between the Bank and the related parties mentioned in Notes (3)(a) and (b)

Name	*Relationship with the Bank*
The subsidiaries and branches of East West Bank	Subsidiaries and branches of the parent bank

(4) Annuity plan

Apart from the obligations for defined contributions to the annuity plan, no other transactions were conducted between the Bank and the annuity plan during the reporting period.

38 Segment reporting

(1) Business segments

The primary business of the Bank is corporate banking business, which is treated as a single business segment based on the Bank's internal organisation structure, management requirement and internal reporting system, therefore, no business segments information is presented.

(2) Geographic information

The following table sets out information about the geographic location of the Bank's revenue from external customers and the Banks' non-current assets (excluding financial instruments, same as below). The geographic location of customers is based on the location at which the customers are registered. The geographic location of the specified non-current assets is based on the physical location of the assets, in case of fixed assets, or the location of the operation to which they are allocated.

	Revenue from external customers		*Specified non-current assets*	
	2021	*2020*	*2021*	*2020*
Mainland China	275,571,354.14	277,686,611.45	49,699,920.37	24,142,214.75
Other countries or regions	15,197,459.16	23,528,612.39	-	-
Total	290,768,813.30	301,215,223.84	49,699,920.37	24,142,214.75

(3) Main customers

Income from each individual customer of the Bank is below 10% of the Bank's total income in both 2021 and 2020.

39 Risk management

The Bank is exposed to many financial risks due to its operating activities. The Bank analyzes, evaluates, accepts and manages risks, or risk portfolios at different levels. The Bank's main operating risks include credit risk, market risk and liquidity risk. Market risks include interest rate risk and exchange rate risk. The Bank's objective is to reach an appropriate balance between risks and rewards, while minimizing the negative impact on its financial statements.

The Bank's risk management policies aim to identify and analyze risks to establish appropriate risk limits and control measures.

The Bank's Board of Directors ("BOD") is responsible for establishing the Bank's risk management strategy. The Bank's Risk Management Department is responsible for establishing risk management policies and procedures, including risk management policies for credit risk, interest rate risk and exchange rate risks based on the risk management strategy, which are performed by different departments upon approval from the BOD. The internal audit department of the Bank is responsible for independently inspecting risk management and internal control.

(1) Credit risk

Credit risk is the risk of loss arising from the potential failure of a borrower to fulfil its liability in full amount when due. Credit risk is greater when loans are concentrated in certain borrowers or borrowers are concentrated in a single industry or geographic location. In treasury transactions, credit risk refers to the possibility that the value of the assets held by the Bank may decrease due to a fall in the rating of the debtor.

Credit risk management policy

The Bank has established a strict credit management policy, which covers credit approval, credit operation and monitoring, monitoring of abnormal loans, loan loss provisioning policy and write-off and restructuring policy.

The Bank has also set up the Risk Management Committee. The committee has regular meetings and adjusts credit policies upon the changes in domestic economic environment, monetary policies and regulatory requirements to ensure the credit risk is under well control in the complex economic environment.

Credit approval procedure

A Commercial Credit Request ("CCR") should be prepared before any new loan being approved, which covers analysis of all aspects of the applicant including the market position, operation management, financial status, loan usage, cash flows, repayment ability and collateral information. The CCR needs to be endorsed by Heads of business departments and Credit Reviewer Manager, and then approved by Chief Risk Officer and delegated authorities based on the credit policy.

Credit grading monitoring

According to the *Guidelines on Loan Risk Classification (Yinjianfa [2007] No. 54)*, the Bank classifies loans into normal (tier 1-5), special mention (tier 6), substandard (tier 7-8), doubtful (tier 9) and loss (tier 10). The classification of the Bank's internal credit grading is consistent with the CBIRC's five-tier grading.

Credit quality review

The Bank conducts Post Approval Check ("PAC") on a quarterly basis for normal loans, which covers the borrower's operation status, financial performance and repayment ability. Normal loans with borrowers in good operation condition are subjected to an annual review by the Bank. Relationship managers or credit analysts will prepare the CCR which timely update the borrowers' operation condition, financial performance, industry risk, management quality, account conduct, compliance with the terms and conditions. The loans to those qualified borrowers will be renewed. The authorization limit for renewal is consistent with that for initial granting.

For loans classified as special mention and below, Credit Portfolio Management prepares Problem Loan Report ("PLR") to analyze the repayment ability of the borrowers and evaluate the recoverability of the loans, and to determine if adjustment of the risk rating and individual loan loss provision are necessary.

In addition, for non-performing loans, the Special Asset Task Force ("SATF") holds conference, attended by President of the Bank, Chief Risk Officer, Portfolio Managers, Relationship Managers and relevant staff, to discuss the current status of non-performing loans and follow-up actions.

Credit risk distribution

Industry risk

For the effective control of industry risk, the Bank's credit policy sets up a concentration limit to control the proportion of credit balances of each sector. At present, the credit scales of each sector have been maintained within limit.

<u>*Customer concentration risk*</u>

According to the relevant articles of *Administrative Measures on Large Risk Exposure of Commercial*, the loan balance offered by a commercial bank to a single non-peer customer shall not exceed 10% of the bank's net capital, and the risk exposure to a single non-peer customer shall not exceed 15% of the bank's tier one net capital. The risk exposure of a commercial bank to a Bank of non-peer connected customers shall not exceed 20% of the bank's tier one net capital. Non-peer related customers shall include non-peer Bank customers, and economically dependent customers. On December 31, 2021, the bank's loan balance to a single non-peer customer and the total amount of credit granted to non-bank related customers met this requirement. In the process of facility application and approval, the bank needs to confirm that the applied credit line is within the scope specified above. The bank monitors the credit risk concentration of the single borrowers on a monthly basis and non-peer related customers on a quarterly basis to ensure that they are within the range.

ECL measurement

Based on the new financial instrument standard, the Bank divided the financial instruments that need to recognize ECL into three stages and applies the ECL model to calculate loss allowances for its debt financial instruments carried at amortized cost and FVOCI , as well as loan commitments and financial guarantee contracts.

Risk stage classification of financial instruments

The Bank applies a ‘three-stage model’ for measuring ECLs for financial instruments based on whether the credit risk of financial instruments has increased significantly since initial recognition and whether credit impairment has occurred. Please refer to Note 3(2) for the definitions of the three risk stages, the criteria for judging significant increases in credit risk, the definition of default and the definition of credit-impaired financial assets.

Explanation of parameters, assumptions and estimation techniques

Whether there is a significant increase in credit risk or an impairment of assets, the Bank measures the impairment loss for different financial assets with their ECLs of 12 months or the entire lifetime respectively. ECL is the result of discounted and weighted average of the product of three key parameters, namely probability of default (PD), loss given default rate (LGD) and exposure at default (EAD). Definitions are as follows:

– PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months, or over the remaining lifetime of the obligation. The PD is adjusted based on the results of internal rating model, with forward-looking information incorporated, to reflect the borrower’s point-in-time probability of default under the current macroeconomic environment.
- LGD represents the proportion of the loss amount caused by the default of a debt to the risk exposure of the default debt. LGD varies by factors such as type of product and availability of collateral.
- EAD represents the amount that would be payable on an obligation in the event of a default.

The Bank determines ECLs by estimating the PD, LGD and EAD of a single debt in the future.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Forward-looking information incorporated in the ECLs

The Bank considers forward-looking economic information when determining ECLs. The Bank has performed historical data analysis and identified the key economic indicators related to ECLs, such as gross domestic product, consumer price index and aggregate financing to the real economy. The forecasts of these economic indicators are provided periodically and the most relevant indicators are selected and estimated by the Bank.

The Bank determines the positive, neutral and negative scenarios and weightings according to the analysis of macro data and the judgement of the experts to measure the weighted average ECLs.

On 31 December 2021, the Bank fully considered the macroeconomic situation under the influence of the COVID-19 pandemic when forecasting forward-looking economic information and economic scenario weights.

Credit risk on treasury business

The Bank sets credit limits based on the credit risk inherent in the products, counterparties. The system closely monitors the credit exposure on a real-time basis. The Bank regularly reviews its credit limit policies and routinely updates the credit limits.

(a) Maximum credit risk exposure

The maximum exposure to credit risk at the balance sheet date without taking into consideration any collateral held or other credit enhancement is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance. The maximum exposure to credit risk in respect of the credit commitments given by the Bank at the balance sheet date is disclosed in Note 40(1).

(b) Credit quality analysis of financial assets

Balance at 31 December 2021, the risk stages of financial instruments included in the scope of impairment are classified as follows:

	31 December 2021							
	Carrying value				ECL provisions			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortized cost								
Cash and deposits with central bank	1,196,049,893.41	-	-	1,196,049,893.41	-	-	-	-
Placement with banks and other financial institutions	1,386,412,389.54	-	-	1,386,412,389.54	(6,165,190.90)	-	-	(6,165,190.90)
Lendings to banks and other financial institutions	3,015,761,524.86	-	-	3,015,761,524.86	(3,346,514.90)	-	-	(3,346,514.90)
Loans and advances to customers	4,494,526,005.00	-	-	4,494,526,005.00	(73,890,209.53)	-	-	(73,890,209.53)
Total	10,092,749,812.81	-	-	10,092,749,812.81	(83,401,915.33)	-	-	(83,401,915.33)
Financial assets measured at FVOCI								
Other debt investments	916,239,432.99	-	-	916,239,432.99	-	-	-	-
Total	916,239,432.99	-	-	916,239,432.99	-	-	-	-
Credit commitment	2,744,008,174.04	-	-	2,744,008,174.04	(2,401,976.10)	-	-	(2,401,976.10)

Note: For other financial assets measured at amortized cost, the simplified method is used to make provision for impairment. The three-stage classification is not applicable.

Loans and advances to customers analyzed by credit quality in 2020 was as follows:

		2020
Neither past due nor impaired loans		3,341,902,580.94
Allowance for impairment	*Note*	(67,310,382.58)
Aggregate carrying amount		3,274,592,198.36

Note The balances represent collectively assessed allowances of impairment losses.

(c) Receivables from inter-banks analyzed by credit rating excluding accrued interest

Receivables from inter-banks include deposits and placements with financial institutions. At the balance sheet date, book value of receivables from inter-banks in terms of credit quality with reference to the external rating agency Standard & Poors' are as follows:

	2021	*2020*
Neither overdue nor impaired		
- grade A to AAA	2,791,797,701.56	3,450,487,436.30
- grade B to BBB	1,281,992,937.98	528,130,981.80
- unrated	319,657,900.00	470,926,376.38
Total carrying amount	4,393,448,539.54	4,449,544,794.48

(2) Market risk

Market risk management involves an overall process of market risks identification, measurement, monitoring and control. Market risk refers to the risk of financial instruments' fair value or future cash flow fluctuations due to changes in market prices, including foreign exchange risk, interest rate risk and other price risk. Foreign exchange risk refers to the risk of financial instruments' fair value or future cash flow fluctuations due to changes in foreign exchange rates; interest rate risk refers to the risk of financial instruments' fair value or future cash flow fluctuations due to changes in interest rates; other price risk refers to the market risks other than foreign exchange risk and interest rate risk.

The Bank's interest rate risk includes the risks arising from mismatches of the term structures of assets and liabilities related to banking business. The Bank calculates its interest rate risk exposure according to the maturity dates of its major interest-bearing assets and liabilities, and performs interest rate sensitivity stress testing at the next repricing dates (or maturity dates, whichever are earlier) at the end of each quarter. Meanwhile, by closely observing interest rate trends and market interest rate changes, the Bank conducts proper scenario analysis and makes timely adjustments to the loan and deposit interest rates in line with the benchmark interest rates to reduce its interest rate risk.

The Bank's foreign currency risk exposures mainly arise from on balance sheet assets and liabilities dominated in foreign currencies. The Bank's main principle of currency risk control is to match the assets and liabilities in different currencies to a maximum level, and to control the currency risk within limits set by the Bank. The Bank doesn't have foreign currency risk arising from positions held for proprietary trading.

(a) Interest rate risk

Interest rate risk is the internal risk of most business of the Bank, mainly arising from mismatches of the re-pricing characteristics of assets and liabilities.

The Bank monitors the interest rate risk periodically. In the respect of management and measurement of the interest rate risk, the Bank estimates the interest rate re-pricing gap to analyze the potential adverse impact from the changes in interest rates.

(i) The analysis of the expected next re-pricing dates (or maturity dates, whichever are earlier) of the Bank's financial assets and financial liabilities Balance at the balance sheet date is set out

	2021				
	Non-accrual	*Due within 3 months*	*Due within 3 months to 1 year*	*Due after 1 year*	*Total*
Assets					
Cash and deposits with central bank	260,069,810.51	935,980,082.90	-	-	1,196,049,893.41
Deposits with inter-banks	30,036,722.47	1,339,210,476.17	11,000,000.00	-	1,380,247,198.64
Placements with financial institutions	8,693,474.86	1,868,902,712.72	1,134,818,822.38	-	3,012,415,009.96
Loans and advances to customers	16,834,552.08	915,163,595.85	2,879,112,582.99	609,525,064.55	4,420,635,795.47
FVOCI investments	14,691,032.99	-	100,469,486.36	801,078,913.64	916,239,432.99
Other assets	8,688,695.88	-	-	-	8,688,695.88
Total assets	339,014,288.79	5,059,256,867.64	4,125,400,891.73	1,410,603,978.19	10,934,276,026.35
Liabilities					
Deposits from financial institutions	(343,862.77)	(561,324,649.21)	-	-	(561,668,511.98)
Borrowings from financial institutions	(4,540.14)	-	-	(63,757,000.00)	(63,761,540.14)
Customer deposits	(43,517,568.64)	(4,619,994,780.31)	(1,239,465,168.35)	(2,863,424,155.11)	(8,766,401,672.41)
Other liabilities	(31,117,613.78)	(9,971.95)	-	(31,050,159.01)	(62,177,744.74)
Total liabilities	(74,983,585.33)	(5,181,329,401.47)	(1,239,465,168.35)	(2,958,231,314.12)	(9,454,009,469.27)
Long/(short) positions	264,030,703.46	(122,072,533.83)	2,885,935,723.38	(1,547,627,335.93)	1,480,266,557.08

	2020				
	Non-accrual	*Due within 3 months*	*Due within 3 months to 1 year*	*Due after 1 year*	*Total*
Assets					
Cash and deposits with central bank	98,760,036.00	1,775,055,084.16	-	-	1,873,815,120.16
Deposits with inter-banks	42,629,100.36	792,043,897.54	10,978,287.40	-	845,651,285.30
Placements with financial institutions	-	2,377,177,968.94	1,089,263,760.65	130,299,483.23	3,596,741,212.82
Available for sale financial assets	-	-	100,114,000.00	893,102,510.00	993,216,510.00
Loans and advances to customers	-	718,545,582.91	2,146,926,196.08	409,120,419.37	3,274,592,198.36
Other assets	57,495,186.25	-	-	-	57,495,186.25
Total assets	198,884,322.61	5,662,822,533.55	3,347,282,244.13	1,432,522,412.60	10,641,511,512.89
Liabilities					
Deposits from financial institutions	-	(411,833,385.20)	-	-	(411,833,385.20)
Borrowings from financial institutions	-	(398,076,000.00)	-	-	(398,076,000.00)
Customer deposits	(3,869,940.08)	(5,162,774,221.68)	(1,426,984,895.34)	(1,722,525,161.23)	(8,316,154,218.33)
Other liabilities	(43,768,315.20)	-	-	-	(43,768,315.20)
Total liabilities	(47,638,255.28)	(5,972,683,606.88)	(1,426,984,895.34)	(1,722,525,161.23)	(9,169,831,918.73)
Long/(short) positions	151,246,067.33	(309,861,073.33)	1,920,297,348.79	(290,002,748.63)	1,471,679,594.16

(ii) Sensitivity analysis on net interest income

To measure the overall interest rate risk of financial assets and liabilities, the Bank performs sensitivity analysis on future net interest income resulting from changes in interest rates based on the assumption that the yield curves have no asymmetric movement and the current assets/liabilities structure remain unchanged. Based on the data of 31 December 2021, the sensitivity analysis shows that the net interest income of next 12 months will increase by RMB 19.51 million (2020: RMB 8.98 million) if all yield curves increase by 200 bps. And the net interest income of next 12 months will decrease by RMB 26.11 million (2020: RMB 17.78 million) if all yield curves decrease by 200 bps (or when interest rate comes to 0%).

The sensitivity analysis is based on simplified situation for the purpose of illustration only. The figures above shows the changes of expected net interest income under the assumption of yield curves and current interest risk of the Bank. The potential impact of the actions taken by Treasury Department or other departments of the Bank to reduce the interest risk is not considered in the analysis. In practice, the Treasury Department will be devoted to reducing the loss and increasing the profit in the fluctuations of interest rates. The estimated values above assume all-year interest rates changes at the same level, therefore, the impact of non-symmetric interest fluctuations are not reflected in the analysis. The model of the analysis also includes assumptions such as all the positions are held up to the maturity date.

(b) Foreign exchange risk

(i) Net foreign exchange risk position of the Bank’s financial assets and financial liabilities Balance at the balance sheet date is set out below:

	2021			
	RMB	*USD translated into RMB*	*Other currencies translated into RMB*	*Total translated into RMB*
Assets				
Cash and deposits with central bank	936,246,494.11	259,803,399.30	-	1,196,049,893.41
Deposits with inter-banks	68,307,553.15	1,286,929,787.08	25,009,858.41	1,380,247,198.64
Placements with financial institutions	1,824,615,408.20	1,187,799,601.76	-	3,012,415,009.96
Loans and advances to customers	3,759,763,312.88	660,872,482.59	-	4,420,635,795.47
FVOCI investmentsava	916,239,432.99	-	-	916,239,432.99
Other assets	8,211,878.89	476,816.99	-	8,688,695.88
Total assets	7,513,384,080.22	3,395,882,087.72	25,009,858.41	10,934,276,026.35
Liabilities				
Deposits from financial institutions	(548,566,278.94)	(13,102,233.04)	-	(561,668,511.98)
Borrowings from financial institutions	-	(63,761,540.14)	-	(63,761,540.14)
Customer deposits	(5,863,280,503.84)	(2,879,035,829.30)	(24,085,339.27)	(8,766,401,672.41)
Other liabilities	(31,060,130.96)	(31,019,678.55)	(97,935.23)	(62,177,744.74)
Total liabilities	(6,442,906,913.74)	(2,986,919,281.03)	(24,183,274.50)	(9,454,009,469.27)
Net position	1,070,477,166.48	408,962,806.69	826,583.91	1,480,266,557.08
Credit commitments and contingent liabilities	73,761,828.70	2,228,742,345.34	441,504,000.00	2,744,008,174.04

	2020			
	RMB	*USD translated into RMB*	*Other currencies translated into RMB*	*Total translated into RMB*
Assets				
Cash and deposits with central bank	1,775,055,084.16	98,734,786.80	25,249.20	1,873,815,120.16
Deposits with inter-banks	141,312,747.65	663,538,142.15	40,800,395.50	845,651,285.30
Placements with financial institutions	1,705,787,095.69	1,890,954,117.13	-	3,596,741,212.82
Loans and advances to customers	2,812,560,292.95	462,031,905.41	-	3,274,592,198.36
Available for sale financial assets	993,216,510.00	-	-	993,216,510.00
Other assets	47,296,092.24	10,199,094.01	-	57,495,186.25
Total assets	7,475,227,822.69	3,125,458,045.50	40,825,644.70	10,641,511,512.89
Liabilities				
Deposits from financial institutions	(398,463,732.97)	(13,369,652.23)	-	(411,833,385.20)
Borrowings from financial institutions	(137,080,000.00)	(260,996,000.00)	-	(398,076,000.00)
Customer deposits	(5,867,587,748.43)	(2,415,132,472.74)	(33,433,997.16)	(8,316,154,218.33)
Other liabilities	(5,991,033.10)	(37,776,688.47)	(593.63)	(43,768,315.20)
Total liabilities	(6,409,122,514.50)	(2,727,274,813.44)	(33,434,590.79)	(9,169,831,918.73)
Net position	1,066,105,308.19	398,183,232.06	7,391,053.91	1,471,679,594.16
Credit commitments and contingent liabilities	113,404,212.54	1,757,662,335.76	577,416,880.54	2,448,483,428.84

(ii) Sensitivity analysis:

Assuming all other risk variables remained constant, a 1% strengthening of the Renminbi against the US dollar and other currencies at 31 December would have decreased the Bank's equity and net profit by the amount shown below, whose effect is in Renminbi and translated using the spot rate at the year-end date:

	Movement of equity	*Movement of net profit*
Balance at 31 December 2021	(3,067,118.62)	(3,067,118.62)
Balance at 31 December 2020	(3,041,807.15)	(3,041,807.15)

A 1% weakening of the Renminbi against the US dollar and other currencies at 31 December would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remained constant.

The sensitivity analysis above assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Banks which expose the Banks to foreign currency risk at the balance sheet date.

(3) Liquidity risk

Liquidity risk occurs when the Bank will encounter difficulty in meeting obligations that are settled by delivering cash or another financial asset due to lack of funds caused by mismatches between the amounts and maturity dates of assets and liabilities.

The bank has adopted liquidity risk management measures upon the demands of supervision and prudent principle. These measures include:

- adopt prudent strategy to ensure liquidity meet the demand of payment at all time;
- establish a rational structure of assets and liabilities, maintain a stable and diversified source of funding and hold a certain percentage of assets portfolio with high credit rating, strong liquidity as a liquidity reserve;
- centralize the management and usage of the liquidity of the Bank.

By keeping appropriate cash and holding short-term funds, the bank maintains adequate liquidity to handle the liquidity risk and meet the demand of short-term financing. The Bank also conducts regular stress testing of liquidity to ensure the Bank is able to maintain the liquidity when the market is unstable.

The following tables provide an analysis of the contractual undiscounted cash flows of the Bank's financial assets and financial liabilities:

	2021						
	Carrying amount	*Contractual undiscounted cash flows*	*Undated/ Repayable on demand*	*Within one month*	*Between one month and three months*	*Between three months and one year*	*Between one year and five years*
Liabilities							
Deposits from financial institutions	(561,668,511.98)	(561,668,511.98)	(561,668,511.98)	-	-	-	-
Borrowings from financial institutions	(63,761,540.14)	(63,932,173.59)	-	(16,096.85)	(23,113.42)	(104,010.39)	(63,788,952.93)
Customer deposits	(8,766,401,672.41)	(8,797,656,706.95)	(6,725,829,640.86)	(610,009,997.62)	(23,711,855.65)	(375,557,534.14)	(1,062,547,678.68)
Other liabilities	(62,177,744.74)	(63,639,601.58)	(31,117,613.78)	(1,084,113.69)	(2,148,227.38)	(9,667,023.20)	(19,622,623.53)
Total liabilities	(9,454,009,469.27)	(9,486,896,994.10)	(7,318,615,766.62)	(611,110,208.16)	(25,883,196.45)	(385,328,567.73)	(1,145,959,255.14)

	2020						
	Carrying amount	*Contractual undiscounted cash flows*	*Undated/ Repayable on demand*	*Within one month*	*Between one month and three months*	*Between three months and one year*	*Between one year and five years*
Liabilities							
Deposits from financial institutions	(411,833,385.20)	(412,023,040.12)	(412,023,040.12)	-	-	-	-
Borrowings from financial institutions	(398,076,000.00)	(403,671,813.26)	-	(338,083,096.12)	(26,422.44)	(118,901.00)	(65,443,393.70)
Customer deposits	(8,316,154,218.33)	(8,397,601,239.19)	(3,854,009,744.24)	(1,119,703,030.46)	(195,565,025.65)	(1,451,533,752.87)	(1,776,789,685.97)
Other liabilities	(20,305,328.04)	(20,305,328.04)	(20,305,328.04)	-	-	-	-
Total liabilities	(9,146,368,931.57)	(9,233,601,420.61)	(4,286,338,112.40)	(1,457,786,126.58)	(195,591,448.09)	(1,451,652,653.87)	(1,842,233,079.67)

40 Fair value of financial instruments

(1) Assets and liabilities measured at fair value

(a) Levels of assets and liabilities measured at fair value

The following table presents the fair value information and the fair value levels, at the end of the current reporting period, of the Bank's assets and liabilities which are measured at fair value at each balance sheet date on a recurring basis. The level in which fair value measurement is categorised is determined by the lowest level input that is significant to the entire fair value measurement. The levels of inputs are defined as follows:

Level 1 inputs: unadjusted quoted prices in active markets that are observable at the measurement date for identical assets or liabilities;

Level 2 inputs: inputs other than Level 1 inputs that are either directly or indirectly observable for underlying assets or liabilities;

Level 3 inputs: inputs that are unobservable for underlying assets or liabilities.

The following table presents the fair value of the Bank's financial instruments measured at fair value at balance sheet date by three levels:

	2021			
	Level 1 fair value measurements	*Level 2 fair value measurements*	*Level 3 fair value measurements*	*Total*
Recurring fair value measurements				
Assets				
Available-for-sale financial assets				
- Government bonds	-	916,239,432.99	-	916,239,432.99

	2020			
	Level 1 fair value measurements	*Level 2 fair value measurements*	*Level 3 fair value measurements*	*Total*
Recurring fair value measurements				
Assets				
Available-for-sale financial assets				
- Government bonds	-	993,216,510.00	-	993,216,510.00

(b) Level 2 fair value measurement

The fair value of available-for-sale financial assets invested in government bonds is determined using the quotation of the valuation system of the relevant securities clearing institutions. In the process of forming the quotation, the relevant institutions adopt the observable inputs reflected the market.

(2) Assets and liabilities not measured at fair value

The Bank's financial assets not measured at fair value mainly include deposits with the central bank, deposits with inter-banks, placements with financial institutions and loans and advances to customers. Except for loans and advances, most of the financial assets are due within one year, and their book value is close to the fair value.

Loans and advances present at amortized cost less provision for impairment (Note 3 (8) (a)). Since the interest rates of loans and advances are adjusted in time with the interest rates stipulated by the people's Bank of China, and the provision of impaired loans has been deducted to reflect their recoverable amount, the fair value of loans and advances is close to the book value.

The bank's financial liabilities not measured at fair value mainly include deposits from financial institutions, borrowings from financial institutions and customer deposits. The book value of these financial liabilities is close to the fair value at the balance sheet date.

The above assumptions and methods provide a unified basis for the calculation of the fair value of the bank's assets and liabilities. However, other institutions may use different methods and assumptions, and the fair values disclosed by financial institutions are not necessarily comparable.

41 Commitments and contingent liabilities

(1) Credit commitments

The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. Acceptances comprise undertakings by the Bank to pay bills of exchange drawn by customers. The Bank expects most acceptances to be settled simultaneously with reimbursement from customers. The amounts for loan commitments in below table represent the total amounts if the Bank makes full payments. The amounts for standby letters of credit and guarantee letters issued represent the maximum potential loss that would be recognised if counterparties failed to completely perform as contracted.

Contractual amount	*2021*	*2020*
Standby letters of credit and guarantee letters issued	2,718,996,345.34	2,414,563,643.30
Bank acceptances	25,011,828.70	33,919,785.54
Total	2,744,008,174.04	2,448,483,428.84

The Bank may be exposed to credit risk in these credit businesses. The Bank periodically assesses credit risk and makes allowances for any probable losses. As the facilities may expire without being drawn upon, the total of the contractual amounts shown above is not representative of expected future cash outflows.

(2) Credit risk weighted amount

	2021	*2020*
Credit risk weighted amount of credit commitments	876,704,250.00	533,700,270.00

The credit risk-weighted assets refers to the amount as computed in accordance with *the Administrative Measures on Capitals of Commercial Banks (For Trial Implementation)* and depends on the status of the counterparty and the maturity characteristics.

(3) Operating lease commitments

Balance at 31 December, the total future minimum lease payments under non-cancellable operating leases of the Bank are payable as follows:

	2020
Within 1 year (inclusive)	14,000,372.64
After 1 year but within 2 years (inclusive)	4,046,088.90
After 2 years but within 3 years (inclusive)	2,402,371.32
After 3 years	833,888.69
Total	21,282,721.55

(4) Capital commitments

Balance at 31 December, there is no capital commitments of the Bank.

	2021	*2020*
Participated in and not fulfilled or not fully fulfilled	3,665,493.42	29,021,229.24

42 Entrusted loans and deposits

Balance at the balance sheet date, the entrusted loans and deposits of the Bank are listed as follows:

	2021	*2020*
Entrusted loans	435,137,088.12	64,504,344.93
Entrusted funds	435,137,088.12	64,504,344.93

43 Comparative figures

The reclassification of some comparative figures has been made in order to be accord with the presentation requirement for the current year.

East West Bank (China) Limited
Balance sheet Balance at 31 December 2021
(Expressed in Renminbi Yuan)

	2021			2020		
	RMB business	*FCY business*	*Total*	*RMB business*	*FCY business*	*Total*
Assets						
Cash and deposits with central bank	936,246,494.11	259,803,399.30	1,196,049,893.41	1,775,055,084.16	98,760,036.00	1,873,815,120.16
Deposits with inter-banks	68,362,923.24	1,311,884,275.40	1,380,247,198.64	141,312,747.65	704,338,537.65	845,651,285.30
Placements with financial institutions	1,824,615,408.20	1,187,799,601.76	3,012,415,009.96	1,705,787,095.69	1,890,954,117.13	3,596,741,212.82
Interest receivable	N/A	N/A	N/A	31,886,258.53	9,915,714.31	41,801,972.84
Loans and advances to customers	3,759,763,312.88	660,872,482.59	4,420,635,795.47	2,812,560,292.95	462,031,905.41	3,274,592,198.36
FVOCI investments	916,239,432.99	-	916,239,432.99	N/A	N/A	N/A
Available for sale assets	N/A	N/A	N/A	993,216,510.00	-	993,216,510.00
Fixed assets	1,477,435.46	6,746.83	1,484,182.29	1,823,445.40	86,396.31	1,909,841.71
Construction in progress	2,257,886.75	-	2,257,886.75	1,230,150.91	-	1,230,150.91
Intangible assets	13,499,452.29	163,641.27	13,663,093.56	15,798,677.26	194,684.68	15,993,361.94
Deferred tax assets	17,835,348.19	-	17,835,348.19	15,298,597.76	-	15,298,597.76
Other assets	43,023,189.94	1,606,755.32	44,629,945.26	32,898,859.23	(3,664,931.30)	29,233,927.93
Total assets	7,583,320,884.05	3,422,136,902.47	11,005,457,786.52	7,526,867,719.54	3,162,616,460.19	10,689,484,179.73

This form is for reference only and is not part of the audited financial statements.

East West Bank (China) Limited
Balance sheet Balance at 31 December 2021 (continued)
(Expressed in Renminbi Yuan)

	2021			*2020*		
	RMB business	*FCY business*	*Total*	*RMB business*	*FCY business*	*Total*
Liabilities						
Deposits from financial institutions	548,566,278.94	13,102,233.04	561,668,511.98	398,463,732.97	13,369,652.23	411,833,385.20
Borrowings from financial institutions	-	63,761,540.14	63,761,540.14	137,080,000.00	260,996,000.00	398,076,000.00
Customer deposits	5,863,280,503.84	2,903,121,168.57	8,766,401,672.41	5,867,587,748.43	2,448,566,469.90	8,316,154,218.33
Employee benefits payable	13,791,441.29	-	13,791,441.29	12,813,540.09	-	12,813,540.09
Taxes payable	992,911.39	4,558,554.03	5,551,465.42	813,217.64	3,516,628.18	4,329,845.82
Interest payable	N/A	N/A	N/A	22,321,115.18	1,141,871.98	23,462,987.16
Other liabilities	17,112,616.14	42,246,102.15	59,358,718.29	(24,307,822.42)	37,321,609.42	13,013,787.00
Total liabilities	6,443,743,751.60	3,026,789,597.93	9,470,533,349.53	6,414,771,531.89	2,764,912,231.71	9,179,683,763.60

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East West Bank (China) Limited
Balance sheet Balance at 31 December 2021 (continued)
(Expressed in Renminbi Yuan)

	2021			2020		
	RMB business	*FCY business*	*Total*	*RMB business*	*FCY business*	*Total*
Owner's equity						
Paid-in capital	1,072,000,000.00	328,000,000.00	1,400,000,000.00	1,072,000,000.00	328,000,000.00	1,400,000,000.00
Surplus reserve	13,139,656.56	5,162,106.97	18,301,763.53	10,470,294.68	5,162,106.97	15,632,401.65
General risk reserve	101,523,951.37	14,165,272.08	115,689,223.45	82,909,360.12	17,641,673.22	100,551,033.34
Other comprehensive income	933,450.01	-	933,450.01	(6,383,018.86)	-	(6,383,018.86)
(accumulated losses)/ Retained earnings	(7,928,156.20)	7,928,156.20	-	(46,900,448.29)	46,900,448.29	-
Total owner's equity	1,179,668,901.74	355,255,535.25	1,534,924,436.99	1,112,096,187.65	397,704,228.48	1,509,800,416.13
Total liabilities and owner's equity	7,623,412,653.34	3,382,045,133.18	11,005,457,786.52	7,526,867,719.54	3,162,616,460.19	10,689,484,179.73

This form is for reference only and is not part of the audited financial statements.

East West Bank (China) Limited
Income statement for the year ended 31 December 2021
(Expressed in Renminbi Yuan)

	2021			2020		
	RMB business	*FCY business*	*Total*	*RMB business*	*FCY business*	*Total*
Operating income	156,971,565.12	16,578,899.22	173,550,464.34	126,440,689.49	11,099,864.13	137,540,553.62
Net interest income	147,891,355.01	18,297,309.87	166,188,664.88	119,545,579.35	33,967,576.20	153,513,155.55
Interest income	252,980,022.27	20,832,430.45	273,812,452.72	233,021,391.93	56,768,536.90	289,789,928.83
Interest expense	(105,088,667.26)	(2,535,120.58)	(107,623,787.84)	(113,475,812.58)	(22,800,960.70)	(136,276,773.28)
Net fees and commission income	700,584.32	6,994,344.11	7,694,928.43	845,878.71	4,054,267.41	4,900,146.12
Fees and commission income	1,316,652.49	7,478,176.56	8,794,829.05	1,289,654.77	4,488,527.06	5,778,181.83
Fees and commission expense	(616,068.17)	(483,832.45)	(1,099,900.62)	(443,776.06)	(434,259.65)	(878,035.71)
Exchange gains/(losses)	6,211,706.92	(8,712,754.76)	(2,501,047.84)	5,647,113.18	(26,921,979.48)	(21,274,866.30)
Gains/(losses) from asset disposals	1,949,824.61	-	1,949,824.61	-	-	-
Other income	218,094.26	-	218,094.26	402,118.25	-	402,118.25

This form is for reference only and is not part of the audited financial statements.

East West Bank (China) Limited
Income statement for the year ended 31 December 2021 (continued)
(Expressed in Renminbi Yuan)

	2021			2020		
	RMB business	*FCY business*	*Total*	*RMB business*	*FCY business*	*Total*
Operating expenses	(139,516,402.91)	(10,389,984.62)	(149,906,387.53)	(127,479,383.93)	(8,966,668.24)	(136,446,052.17)
Tax and surcharges	(1,111,641.05)	-	(1,111,641.05)	(1,382,274.86)	-	(1,382,274.86)
General and administrative expenses	(127,362,660.76)	(11,150,079.46)	(138,512,740.22)	(124,977,267.06)	(7,163,339.41)	(132,140,606.47)
Credit impairment (losses)/reversal	(11,023,701.10)	760,094.84	(10,263,606.26)	N/A	N/A	N/A
Asset impairment losses	N/A	N/A	N/A	(1,119,842.01)	(1,803,328.83)	(2,923,170.84)
Losses from asset disposals	(18,400.00)	-	(18,400.00)	-	-	-
Operating profit/(losses)	17,455,162.21	6,188,914.60	23,644,076.81	(1,038,694.44)	2,133,195.89	1,094,501.45
Add: non-operating income	27.10	239.71	266.81	266.14	527,187.73	527,453.87
Less non-operating expense	-	-	-	(1,000,000.00)	-	(1,000,000.00)
Profit/(losses) before taxation	17,455,189.31	6,189,154.31	23,644,343.62	(2,038,428.30)	2,660,383.62	621,955.32
income tax expense	3,049,275.15	-	3,049,275.15	5,704,544.46	3,476,401.14	9,180,945.60
Net profit	20,504,464.46	6,189,154.31	26,693,618.77	3,666,116.16	6,136,784.76	9,802,900.92
Other comprehensive income, net of tax	7,316,468.87	-	7,316,468.87	(6,383,018.86)	-	(6,383,018.86)
Total comprehensive income	27,820,933.33	6,189,154.31	34,010,087.64	(2,716,902.70)	6,136,784.76	3,419,882.06

This form is for reference only and is not part of the audited financial statements.

East West Bank (China) Limited
Balance sheet Balance at 31 December 2021
(Expressed in Renminbi Yuan)

	Shanghai Branch	*Shenzhen Branch*	*Shantou Branch*	*Total*
Assets				
Cash and deposits with central bank	1,196,049,893.41	-	-	1,196,049,893.41
Deposits with inter-banks	1,378,230,265.04	659,616.10	1,357,317.50	1,380,247,198.64
Placements with financial institutions	3,012,415,009.96	-	-	3,012,415,009.96
Interest receivable	N/A	N/A	N/A	N/A
Loans and advances to customers	3,838,436,624.94	457,782,551.30	124,416,619.23	4,420,635,795.47
FVOCI investments	916,239,432.99	-	-	916,239,432.99
Fixed assets	1,421,867.41	27,143.61	35,171.27	1,484,182.29
Construction in progress	2,257,886.75	-	-	2,257,886.75
Intangible assets	13,663,093.56	-	-	13,663,093.56
Deferred tax assets	17,835,348.19	-	-	17,835,348.19
Other assets	37,106,057.88	5,664,320.15	1,859,567.23	44,629,945.26
Domestic deposit from correspondent banks (Net)	(47,972,327.91)	24,867,078.05	23,105,249.86	-
Total assets	10,365,683,152.22	489,000,709.21	150,773,925.09	11,005,457,786.52

This form is for reference only and is not part of the audited financial statements.

East West Bank (China) Limited

Balance sheet Balance at 31 December 2021 (continued)

(Expressed in Renminbi Yuan)

	Shanghai Branch	*Shenzhen Branch*	*Shantou Branch*	*Total*
Liabilities				
Deposits from financial institutions	560,835,433.27	833,078.71	-	561,668,511.98
Borrowings from financial institutions	63,761,540.14	-	-	63,761,540.14
Customer deposits	8,389,139,322.13	354,255,896.82	23,006,453.46	8,766,401,672.41
Employee benefits payable	13,304,695.78	365,206.07	121,539.44	13,791,441.29
Taxes payable	5,305,619.68	130,129.30	115,716.44	5,551,465.42
Interest payable	N/A	N/A	N/A	N/A
Other liabilities	53,520,126.10	5,016,904.10	821,688.09	59,358,718.29
Total liabilities	9,085,866,737.10	360,601,215.00	24,065,397.43	9,470,533,349.53

This form is for reference only and is not part of the audited financial statements.

East West Bank (China) Limited
Balance sheet Balance at 31 December 2021 (continued)
(Expressed in Renminbi Yuan)

	Shanghai Branch	*Shenzhen Branch*	*Shantou Branch*	*Total*
Owner's equity				
Paid-in capital	1,200,000,000.00	100,000,000.00	100,000,000.00	1,400,000,000.00
Surplus reserve	18,301,763.53	-	-	18,301,763.53
General risk reserve	60,581,201.58	28,399,494.21	26,708,527.66	115,689,223.45
Other comprehensive income	933,450.01	-	-	933,450.01
Total owner's equity	1,279,816,415.12	128,399,494.21	126,708,527.66	1,534,924,436.99
Total liabilities and owner's equity	10,365,683,152.22	489,000,709.21	150,773,925.09	11,005,457,786.52

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East West Bank (China) Limited
Income statement for the year ended 31 December 2021
(Expressed in Renminbi Yuan)

	Shanghai Branch	*Shenzhen Branch*	*Shantou Branch*	*Total*
Operating income	160,263,831.57	12,353,651.61	932,981.16	173,550,464.34
Net interest income	151,204,838.66	11,046,727.77	3,937,098.45	166,188,664.88
Interest income	251,927,474.05	16,514,192.07	5,370,786.60	273,812,452.72
Interest expense	(100,722,635.39)	(5,467,464.30)	(1,433,688.15)	(107,623,787.84)
Net fees and commission income	7,422,328.85	438,726.32	(166,126.74)	7,694,928.43
Fees and commission income	8,331,349.94	439,705.32	23,773.79	8,794,829.05
Fees and commission expense	(909,021.09)	(979.00)	(189,900.53)	(1,099,900.62)
Investment income	(500,352.00)	846,623.88	(2,847,319.72)	(2,501,047.84)
Exchange (losses) / gains	1,949,824.61	-	-	1,949,824.61
Other income	187,191.45	21,573.64	9,329.17	218,094.26

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East West Bank (China) Limited

Income statement for the year ended 31 December 2021 (continued)

(Expressed in Renminbi Yuan)

	Shanghai Branch	*Shenzhen Branch*	*Shantou Branch*	*Total*
Operating expenses	(133,381,660.93)	(12,757,350.11)	(3,767,376.49)	(149,906,387.53)
Tax and surcharges	(996,644.32)	(92,564.24)	(22,432.49)	(1,111,641.05)
General and administrative expenses	(122,103,010.35)	(12,664,785.87)	(3,744,944.00)	(138,512,740.22)
Credit impairment losses	(10,263,606.26)	-	-	(10,263,606.26)
Losses from asset disposals	(18,400.00)	-	-	(18,400.00)
Operating profit/(losses)	26,882,170.64	(403,698.50)	(2,834,395.33)	23,644,076.81
Add: non-operating income				
Less: non-operating expense	187.85	78.96	-	266.81

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East West Bank (China) Limited
Income statement for the year ended 31 December 2021 (continued)
(Expressed in Renminbi Yuan)

	Shanghai Branch	*Shenzhen Branch*	*Shantou Branch*	*Total*
Profit/(losses) before taxation	26,882,358.49	(403,619.54)	(2,834,395.33)	23,644,343.62
Income tax expense	3,162,705.86	(98,318.82)	(15,111.89)	3,049,275.15
Net profit/(losses)	30,045,064.35	(501,938.36)	(2,849,507.22)	26,693,618.77
Other comprehensive income, net of tax	7,316,468.87	-	-	7,316,468.87
Total comprehensive income	37,361,533.22	(501,938.36)	(2,849,507.22)	34,010,087.64

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