East West Bank (China) Limited

2022 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.

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EWCN FINANCIAL HIGHLIGHTS

Total Assets

Total assets were RMB 12,876 million as of December 31, 2022, an increase of RMB 1,871 million, or 17% from December 31, 2021.

Loans and Advances

Loans and advances to customers totaled RMB 5,852 million as of December 31, 2022, an increase of RMB 1,431 million, or 32.37% from December 31, 2021.

The loan provision ratio[1] was 1.64% as of December 31, 2022. There were no non-performing loans as of December 31, 2022.

Deposits

Customer deposits totaled RMB 9,921 million as of December 31, 2022, an increase of RMB 1,155 million, or 13.18% since December 31, 2021.

Financial Performance

Total operating income in 2022 was RMB 254.95 million, an increase of 46.90% from RMB 173.55 million in 2021.

Total operating expenses in 2022 were RMB 136.10 million, a decrease of 7.88% from RMB 149.91 million in 2021.

Total general and administrative expenses in 2022 increased RMB 8.71 million, or 6.29% from 2021. 2022 credit impairment losses recovery were RMB 11.50 million, a decrease of RMB 21.77 million from 2021.

Pre-tax profit in 2022 was RMB 116.86 million, an increase of RMB 93.21 million from 2021. Net profit in 2022 was RMB 92.17 million, an increase of RMB 65.48 million from 2021.

Capital adequacy ratio was 19.16%, and the tier 1 capital adequacy ratio was 18.09% as of December 31, 2022.

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

INTRODUCTION

East West Bancorp is a publicly listed company with over $64 billion in total assets. EWBC is traded on the Nasdaq Global Select Market under the symbol "EWBC." The Bank opened its door in 1973 in the heart of Chinatown in Los Angeles, California, as the first federally chartered savings institution focused primarily on serving the financial needs of Chinese Americans. 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."). 2023 is East West Bank's 50^{th} Anniversary. Building bridges of opportunity for 50 years, East West Bank is proud to do this important work, creating a better future for generations to come.

Today, East West Bank provides a wide range of personal and commercial banking services to businesses and individuals with more than 120 locations in key cities in the U.S. and China. In January of 2023, the Bank expanded its footprint in Asia with the opening of a representative office in Singapore. East West Bank received the best Board ranking in Bank Director's 2022 "RankingBanking" study. As one of the few U.S. banks 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.

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 deposit 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

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.

To further improve the quality and efficacy of corporate governance, EWCN Article of Association was revised according to "Corporate Governance Guidelines", "Regulatory Measures on the Conduct of Major Shareholders" and "Administrative Measures on Related-party Transactions" issued by CBIRC.

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 and operates according to the relevant law and regulation as well as to EWCN Article of Association. East West Bank's primary responsibilities include:

- Determine the Bank's business activities and investment policies;
- Appoint and replace 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.
- Reviews and approves equity incentive plan;
- Resolve on the acquisition of shares of the Bank in accordance with the law;
- Reviews and approves matters to be decided by the shareholder pursuant to laws and regulations, regulatory provisions or the Articles of Association.

Board of Directors - Responsibilities and Duties

"We entered 2023 in a position of strength."

- Dominic Ng. Chairman and CEO of East West Bank

The Bank's Board of Directors is appointed by the shareholders. It is comprised of eight directors and one Corporate Secretary. The Directors include a Chairman, three Independent Directors, three Non-Executive Directors and one Executive Director. 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. 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 authorization by 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 and CEO of EWB
02	Bennett Pozil	Director	Executive Vice President of EWB
03	Bennett Chui	Director	Senior Vice President of EWB
04	Andrew Pan	Director	Senior Vice President of EWB
05	Yina Fu	Executive Director	President of EWCN
06	Brett Krause	Independent Director	General Partner of Transcend Fund
07	David Kiang	Independent Director	Chief Executive of Shanghai Tai Jiang Jin Co; Ltd
08	Jeff Tao	Independent Director	Independent Director of Shanghai Shocktorm Ocean Engineering Co; Ltd & Independent Director of Huaxing Securities Co; Ltd
09	Elisa Bian	Corporate Secretary	Senior Vice President of EWB

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 management;
- Develop annual budgets and the final accounting of revenues and expenditures;
- Develop plans for profit distribution or loss recovery;
- Develop plans for changes to 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 by 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 if voted in favor by 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 2022, the Board of Directors held four meetings on March 31, June 23, September 22, and December 15, during which proposals were reviewed, discussed and approved.

The Directors and Supervisor's Performance Evaluation

In accordance with the revised guidelines for the directors' annual performance evaluation, the Board of Directors and the Supervisor jointly evaluate the performance of each director. The performance evaluation focuses on loyalty, diligence, professionalism, independence, ethics and compliance. The performance review is conducted annually. The Supervisor finalized the 2022 review based on the preliminary report submitted by the Board of Directors. The Supervisor's final performance review is evaluated by the shareholder representative on annual basis.

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 meeting. 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 independent directors: Mr. Jeff Tao, Mr. Brett Krause and Mr. David Kiang, and non-executive director Mr. Bennett Chui. Mr. Ted Lee served as the Chairman of the Audit Committee during the first two quarters of 2022, thereafter Mr. Jeff Tao was appointed 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 majority consent 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 2022, the Audit Committee held four meetings on March 18, June 10, September 8 and November 18, during which proposals and audit activities were reviewed, discussed and approved. Audit Committee reports to the Board of Directors.

Risk Management Committee

At the end of 2022, The Bank's Risk Management Committee is composed of non-executive directors Mr. Bennett Pozil, Mr. Bennett Chui and Mr. Andrew Pan, executive director Ms. Yina Fu, and independent directors: Mr. David Kiang, Mr. Brett Krause and Mr. Jeff Tao. Mr. Ted Lee served as the Chairman of the Risk Management Committee during the first two quarters of 2022, thereafter Mr. David Kiang was appointed the Chairman of the Risk Management Committee. The main responsibilities of the Risk Management Committee include：

- Review and approve policies and reports related to risk management and other risk management policies and reports 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 2022, the Risk Management Committee held four meetings on March 18, June 10, September 8, and November 18, during which proposals were reviewed, discussed and approved. The Risk Management Committee reports to the Board of Directors.

Related-Party Transactions Control Committee

At the end of 2022, The Related-Party Transactions Control Committee is composed of non-executive directors Mr. Bennett Pozil, Mr. Bennett Chui, and Mr. Andrew Pan, executive director Ms. Yina Fu, and independent directors Mr. David Kiang, Mr. Jeff Tao 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 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 related-party matters 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 2022, Related-Party Transaction Control Committee held four meetings on March 18, June 10, September 18, and November 18. 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 transactions as of December 31, 2022, other than the interbank transactions between EWCN and its parent bank group.

Independent Directors

Independent Director Mr. Brett Krause performed the responsibilities and duties required by his role. In 2022, he 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 to the best of Bank's benefit.

Independent Director Mr. David Kiang has performed the responsibilities and duties required by his role. He attended all relevant meetings including the meetings of the Board of Directors, Audit Committee, Related-Party Transactions Control Committee and Risk Management Committee. He took over the Chairman of Risk Management Committee from Mr. Ted Lee in the third quarter of 2022. As the Chairman of Risk Management Committee, he discussed the possible impact of related risk management policy on the Bank's management and internal control, and made independent judgments based on discussion and experience. He also identified risks to the Bank and provided the corresponding rectification opinions in a timely manner.

Mr. Jeff Tao was appointed as Independent Director in July 2022. He participated in and presided over the meetings as the Chairman of the Audit Committee from the third quarter. He provided independent opinion on the engagement of external auditors based on the qualification review examination of the external auditors conducted by the Audit Committee. He leveraged his experience to oversee the Internal Audit function by organizing and guiding internal audit work. He also attended all relevant meetings including the meetings of the Board of Directors, Related-Party Transactions Control Committee and Risk Management Committee. He has performed the responsibilities and duties required by his role.

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 the 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 management to rectify any of his/her acts that are harmful to the interests of the Bank;
- Initiates legal proceedings against any board member or any member of the management pursuant to the relevant laws and regulations;
- Carries out other responsibilities as Supervisor authorized by the laws and regulations, statutes or shareholders.

Mr. Douglas P. Krause conscientiously performed his duties as a supervisor of the Bank, and attended every meeting of the Board of Directors. He has issued a supervisor evaluation report on the Bank's strategy and a performance evaluation report for directors during 2022. Mr. Douglas P. Krause also gave special opinions to directors and executives on matters related to the performance of their duties in credit risk management and anti-money laundering risk management. In the spirit of accountability to shareholders, Mr. Douglas P. Krause also oversees the legal compliance of the directors, the President and other senior management in the performance of their duties.

Senior Management and Other Key Management Personnel

Yina Fu	President
Wayne Zhou	Head of Treasury
Al Mao	Chief Risk Officer
Chen Yi	Head of Legal & Compliance
Tony Hu	Head of Operations & IT
Tony Fu	Head of Finance
Minnie Zhu	Head of Human Resources & Administration
Sherry Zhang	Head of Internal Audit
Carman Deng	Shenzhen Branch Manager
Zeng Ji	Shantou Branch Manager

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. This includes implementing and improving strategic targets, enhancing competitiveness, and developing talent, while simultaneously mitigating risk.

The Bank's remuneration includes basic salaries, performance related incentives and employee benefits. It is consistent with the business and development strategies. Staff compensation and promotion are evaluated and implemented after a thorough annual performance appraisal at the end of each year.

To ensure that the remuneration is fully consistent with the Bank's overall risk management controls and 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 2022. The actual expenditure was within the budget. In 2022, the total remuneration of senior management was RMB 19,060,209, the allowance to the independent directors was RMB 1,039,956. 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. 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 2022. Therefore we 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 35 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. The 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 overall operational risk control environment. The 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. Assisting the Risk Management Committee, the Risk Management Division manages the overall operational risk while 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 own individual realm of business.

The Bank currently does not conduct business directly with domestic individuals. 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 responsible for 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 credit related business. The Bank has established a process to manage country risk and has incorporated it into the integrated risk management framework. The Credit Review department is responsible for the daily monitoring and oversight of country risk.

The Asset Liability Committee ("ALCO") of the Bank is responsible for monitoring the Bank’s overall asset and liability quality. Every month, ALCO meets to thoroughly review and analyze various asset and liability related indicators. ALCO will then take actions to manage the potential issues or adjust the business corresponding strategies as needed and in a timely manner. In 2022, the Bank performed well in each element of liability quality management.

In addition, the 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 oversees the Internal Audit Department and reports to the Audit Committee under the Board of Directors. Upon authorization of the Board of Directors, the Audit Committee is responsible for organizing and providing guidance on the findings by the internal audit, and holds the Internal Audit Department accountable. Internal audit covers: the Bank's business management compliance; the effectiveness and soundness of internal control; risk profiling as well as the applicability and effectiveness of the procedures in risk identification; assessment and monitoring; and the planning, designing, developing, operating and maintaining of the information system; and lastly, the operating performance of the Bank as well as its Senior Management. The 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.

IMPORTANT EVENTS REPORT

March 2022

Mr. David Kiang was appointed as Independent Director.

June 2022

Mr. Zeng Ji was appointed as Shantou Branch Manager.

July 2022

Mr. Jeff Tao was appointed as Independent Director.

July 2022

Mr. Ted Lee is retired.

August 2022

Elisa Bian stepped down from EWCN Deputy President due to relocation to EWBC Head Office.

September 2022

Ms. Yina Fu was appointed as Director.

September 2022

Mr. Carman Deng was appointed as Shenzhen Branch Manager.

November 2022

Mr. Nick Huang was appointed as Director.

December 2022

Mr. Nick Huang resigned due to his personal reason.

ESG REPORT

The Bank has always focused on its social responsibility and strives to support thriving communities. At East West Bank, our commitment to serving the local community has always been part of our core beliefs. We are consistent with our parent company's values and corporate philanthropic guidelines. Not only does EWCN strive to provide outstanding financial services to our customers, but we also actively respond to the Chinese government's appeal for support of small and medium sized enterprises ("SME") by through preferential policies and promotion of green finance. The Bank uses its actions to contribute to the development and prosperity of the local economy.

Support to Technology & Innovation SMEs

EWCN has been deeply involved in the science and technology innovation finance for a couple of decades, and it's committed to providing customized financial services for small and medium-sized technology & innovation enterprises that adapt to different development cycles of enterprises.

Especially during the pandemic, 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.

Support Green Finance and the Environmental Protection and Energy-saving Industry

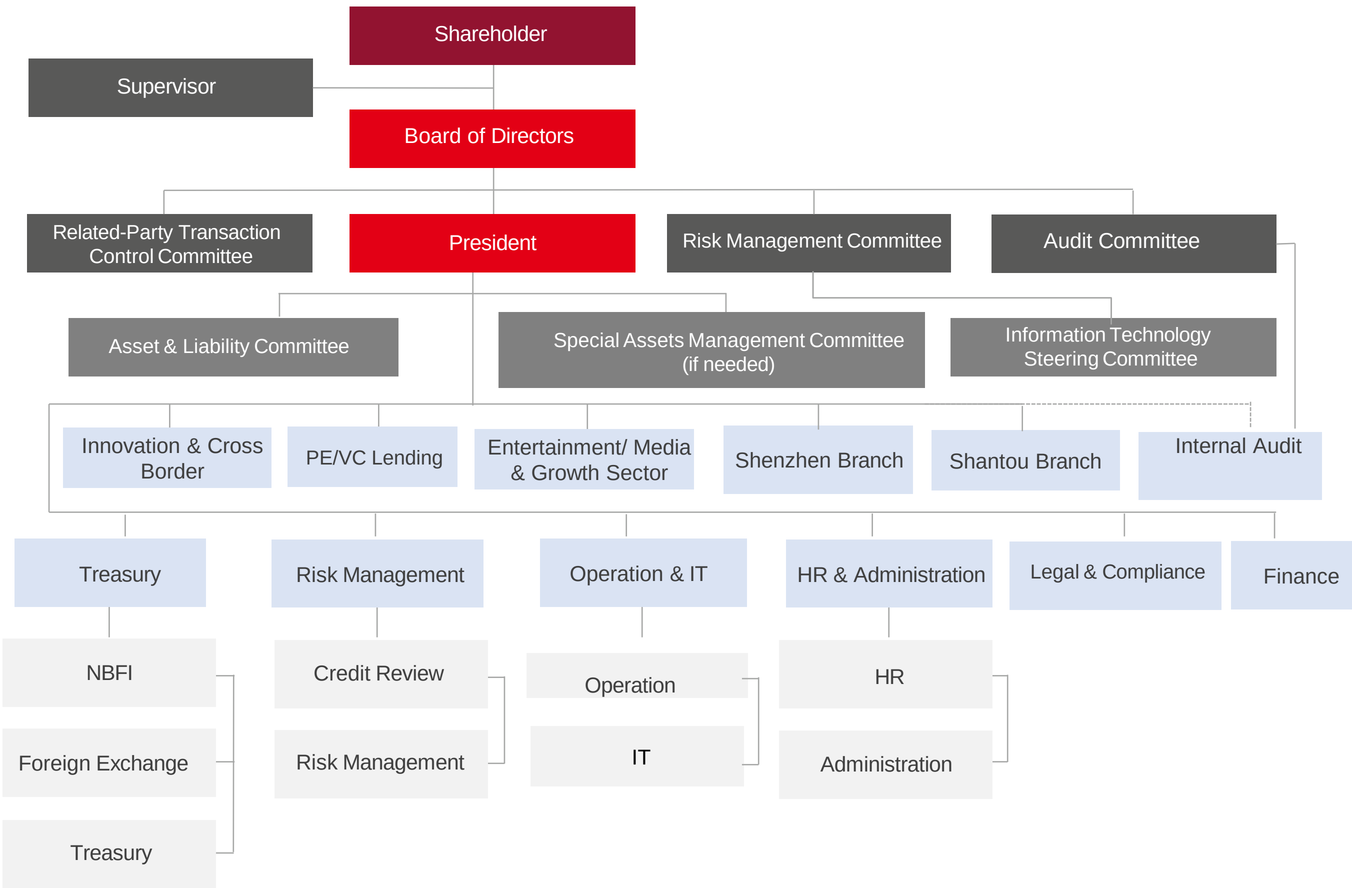
East West China actively responded to the green finance concept calls by the government and was attentive to customers with financial needs in environmental protection and energy-saving related industries. The Bank has successfully provided customized financial solutions for many customers who advocate environmental protection (such as photovoltaic industry, electric vehicle industry, new energy garden machinery and much more). The Bank will continuously provide high-quality service to support more customers in green industries.

Environment Protection - Green Finance & Lakeside Clean-Up

In response to the Chinese government's promotion of "Green Finance," EWCN developed the "Green Credit Policy" which provided specialized support to green finance related customers. We will continue to support green finance by providing such financial services as part of our role in supporting environment protection and combatting global climate change.

ORGANIZATION CHART

As of December 31, 2022, the Bank's organization structure was as follows:



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华美银行
EAST WEST BANK

EAST WEST BANK (CHINA) LIMITED

ENGLISH TRANSLATION OF THE FINANCIAL STATEMENTS
FOR THE YEAR JANUARY 1 2022 TO DECEMBER 31 2022
IF THERE IS ANY CONFLICT BETWEEN THE ORIGINAL CHINESE VERSION
AND THIS ENGLISH TRANSLATED VERSION, THE CHINESE VERSION SHALL PREVAIL

AUDITOR’S REPORT

毕马威华振沪审字第 2300436 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 64, which comprise the Bank’s balance sheet at 31 December 2022, 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 2022, 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 the Bank’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank’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	Chen Sijie
	Wang Jinlong
	Date:

East West Bank (China) Limited
Balance sheet as of December 31, 2022
(Amounts in Renminbi Yuan)

	Note	*2022*	*2021*
Assets			
Cash and deposits with central bank	6	1,541,986,705.63	1,196,049,893.41
Deposits with inter-banks	7	669,650,559.67	1,380,247,198.64
Placements with financial institutions	8	3,889,533,577.59	3,012,415,009.96
Loans and advances to customers	9	5,851,675,846.42	4,420,635,795.47
FVOCI investments	10	864,280,722.02	916,239,432.99
Fixed assets	11	773,594.84	1,484,182.29
Construction in progress	12	1,927,285.90	2,257,886.75
Intangible assets	13	11,293,109.28	13,663,093.56
Deferred tax assets	14	9,486,960.17	17,835,348.19
Other assets	15	35,747,615.36	44,629,945.26
Total assets		12,876,355,976.88	11,005,457,786.52

The notes on pages 7 to 64 are part of the financial statements.

East West Bank (China) Limited
Balance sheet as of December 31, 2022 (continued)
(Amounts in Renminbi Yuan)

	Note	*2022*	*2021*
Liabilities			
Deposits from financial institutions	16	1,182,468,654.72	561,668,511.98
Borrowings from financial institutions	17	69,765,153.16	63,761,540.14
Customer deposits	18	9,921,704,595.47	8,766,401,672.41
Employee benefits payable	19	15,140,816.24	13,791,441.29
Taxes payable	5(3)	2,596,671.39	5,551,465.42
Other liabilities	20	55,924,500.64	59,358,718.29
Total liabilities		11,247,600,391.62	9,470,533,349.53
Owner's equity			
Paid-in capital	21	1,400,000,000.00	1,400,000,000.00
Other reserves	22	208,268,733.06	134,924,436.99
Retained earnings		20,486,852.20	-
Total owner's equity		1,628,755,585.26	1,534,924,436.99
Total liabilities and owner's equity		12,876,355,976.88	11,005,457,786.52

These financial statements were approved by the Board of Directors on 20 April, 2023.

Yina Fu President	Tony Fu Head of Finance	Bank Stamp

The notes on pages 7 to 64 are part of the financial statements.

East West Bank (China) Limited
Income statement for the year ended December 31, 2022
(Amounts in Renminbi Yuan)

	Note	*2022*	*2021*
Operating income		254,949,337.79	173,550,464.34
Net interest income	24	201,492,391.13	166,188,664.88
Interest income		350,548,317.67	273,812,452.72
Interest expense		(149,055,926.54)	(107,623,787.84)
Net fees and commission income	25	8,343,651.54	7,694,928.43
Fees and commission income		9,322,312.88	8,794,829.05
Fees and commission expense		(978,661.34)	(1,099,900.62)
Other income		224,528.82	218,094.26
Exchange gains / (losses)		42,195,672.79	(2,501,047.84)
Other operating income		2,691,093.51	1,949,824.61
Gains from asset disposals		2,000.00	-
Operating expenses		(138,098,840.98)	(149,906,387.53)
Tax and surcharges		(2,373,673.51)	(1,111,641.05)
General and administrative expenses	26	(147,227,509.86)	(138,512,740.22)
Credit impairment reversal / (losses)	27	11,502,342.39	(10,263,606.26)
Losses from asset disposals		-	(18,400.00)
Operating profit		116,850,496.81	23,644,076.81
Add: non-operating income		5,432.75	266.81
Less: non-operating expense		-	-
Profit before taxation		116,855,929.56	23,644,343.62
Add: income tax expense	28	(24,684,593.86)	3,049,275.15
Net profit		92,171,335.70	26,693,618.77
Other comprehensive income, net of tax		(356,191.73)	7,316,468.87
Total comprehensive income		91,815,143.97	34,010,087.64

The notes on pages 7 to 64 are part of the financial statements.

East West Bank (China) Limited
Cash flow statement for the year ended December 31, 2022
(Amounts in Renminbi Yuan)

	Note	*2022*	*2021*
Cash flows from operating activities			
Net cash inflow from deposits with central bank and inter-banks		54,816,664.16	-
Net cash inflow from placements with financial institutions		33,558,857.12	216,736,503.68
Net cash inflow from deposits from financial institutions		620,800,142.74	149,645,471.86
Net cash inflow from borrowing from financial institutions		6,003,613.02	-
Net cash inflow from customer deposits		1,155,302,923.06	431,919,957.88
Interest, fees and commission received		349,665,604.24	273,970,935.80
Proceeds from other operating activities		66,496,337.93	23,397,321.68
Subtotal of cash inflows		2,286,644,142.27	1,095,670,190.90
Net cash outflow from deposits with central bank and inter-banks		-	(153,247,458.25)
Net cash outflow from loans and advances to customers		(1,421,555,994.71)	(1,151,082,784.44)
Net cash outflow from borrowings from financial institutions		-	(339,260,295.90)
Interest, fees and commission paid		(150,034,587.88)	(108,723,688.46)
Payment to and for employees		(85,471,301.88)	(83,714,064.61)
Payment of various taxes		(32,660,574.36)	(4,007,250.66)
Payment for other operating activities		(91,384,668.60)	(29,467,333.06)
Subtotal of cash outflows		(1,781,107,127.43)	(1,869,502,875.38)
Net cash inflow / (outflow) from operating activities	29(1)	505,537,014.84	(773,832,684.48)

The notes on pages 7 to 64 are part of the financial statements.

East West Bank (China) Limited
Cash flow statement for the year ended December 31, 2022 (continued)
(Amounts in Renminbi Yuan)

	Note	*2022*	*2021*
Cash flows from investing activities			
Return of investments principal		100,000,000.00	180,000,000.00
Investment gains received		22,575,849.32	25,337,371.37
Net proceeds from disposal of fixed assets		2,000.00	130,711.65
Subtotal of cash inflows		122,577,849.32	205,468,083.02
Payment for acquisition of investments		(49,903,350.00)	(79,148,600.00)
Payment for acquisition of fixed assets, construction in progress, intangible assets and other long-term assets		(2,076,837.17)	(4,784,994.83)
Subtotal of cash outflows		(51,980,187.17)	(83,933,594.83)
Net cash outflow from investing activities		70,597,662.15	121,534,488.19
Cash flows from financing activities			
Repayment of lease liabilities		(13,020,364.27)	(13,491,967.31)
Net cash outflow from financing activities		(13,020,364.27)	(13,491,967.31)
Effect of foreign exchange rate changes on cash and cash equivalents		38,773,295.11	(9,259,607.42)
Net increase / (decrease) in cash and cash equivalents	29(2)	601,887,607.83	(675,049,771.02)
Add: cash and cash equivalents at the beginning of the year		2,699,432,358.92	3,374,482,129.94
Cash and cash equivalents at the end of the year	29(3)	3,301,319,966.75	2,699,432,358.92

The notes on pages 7 to 64 are part of the financial statements.

East West Bank (China) Limited
Statement of changes in owner's equity
for the year ended December 31, 2022 and 2021
(Amounts in Renminbi Yuan)

	Note	*Paid-in capital*	*Other reserves*	*(Undistributed deficit) /Retained earnings*	*Total*
Balance as of January 1, 2021		1,400,000,000.00	109,800,416.13	(8,886,066.78)	1,500,914,349.35
Changes in equity for the year					
1. Total comprehensive income	22(1)	-	7,316,468.87	26,693,618.77	34,010,087.64
2. Appropriation of profits					
- Appropriation for surplus reserve	22(2)、23	-	2,669,361.88	(2,669,361.88)	-
- Appropriation for general risk preparation	22(2)、23	-	15,138,190.11	(15,138,190.11)	-
Balance as of December 31, 2021		1,400,000,000.00	134,924,436.99	-	1,534,924,436.99
Balance as of January 1, 2022		1,400,000,000.00	134,924,436.99	-	1,534,924,436.99
Changes in equity for the year					
1. Total comprehensive income	22(1)	-	(356,191.73)	92,171,335.70	91,815,143.97
2. Appropriation of profits					
- Appropriation for surplus reserve	22(2)、23	-	9,217,133.57	(9,217,133.57)	-
- Appropriation for general risk preparation	22(2)、23	-	50,714,881.89	(50,714,881.89)	-
3. Others	22(4)	-	13,768,472.34	(11,752,468.04)	2,016,004.30
Balance as of December 31, 2022		1,400,000,000.00	208,268,733.06	20,486,852.20	1,628,755,585.26

The notes on pages 7 to 64 are part of the 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 provides a full range of foreign currency business and RMB business to non-Chinese citizens, including: accepting deposits from the general public; granting short-term, medium-term and long-term loans; handling acceptances and discount 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 guarantee; 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 safety deposit box services; providing credit information services and consultancy services; and other businesses approved by the former China Banking Regulatory Commission ("CBRC") (may be subject to additional administrative approval for certain licensed operations). As stated in the Bank's business license, the Bank has an undefined operating life starting from June 29, 1992.

2 Basis of preparation

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

(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 as of December 31 2022, and the financial performance and cash flows of the Bank for the year then ended.

(2) Accounting year

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

(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 contribution 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 approximate spot exchange rates on the dates of the transactions. The approximate spot rate is the average spot exchange rate for the current period that is a close approximation, determined in accordance with a systematic and reasonable method.

Monetary items denominated in foreign currencies are translated to Renminbi at the spot exchange rate as of the balance sheet date. Translation differences on monetary items that are denominated in foreign currencies and classified as financial assets at fair value through other comprehensive income are broken down into (1) translation differences arising from changes in amortized cost and (2) translation differences arising from changes in other carrying amounts of those items. Translation differences arising from changes in amortized cost are recognized in profit or loss, while those arising from changes in other carrying amounts are recognized in other comprehensive income. Exchange differences on other foreign currency monetary items are recognized in profit or loss.

Non-monetary items measured at historical cost in foreign currencies are still translated using the historical spot exchange rate at the date of the transaction. Non-monetary items measured at fair value in foreign currencies are translated using the spot exchange rate at the date when the fair value was re-measured. The resulting exchange differences for equity investments measured at fair value through other comprehensive income are recognized in other comprehensive income; other differences are recognized in profit or loss for the current period.

(2) Financial instruments

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

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

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

A financial asset or financial liability is measured at fair value on initial recognition. For financial assets and financial liabilities that are measured at fair value with fair value changes recorded in profit or loss, the transaction costs are charged to profit or loss directly; for other categories of financial assets and financial liabilities, any related 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 under which a financial asset is managed and its contractual cash flow characteristics. On initial recognition, a financial asset is classified into three categories: financial assets measured at amortized 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 amortized 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 repayments of principal and interest on the outstanding principal amount.

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 repayments of principal and interest on the principal amount outstanding.

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

All financial assets not measured at amortized cost or FVOCI as described above are measured at FVTPL. At initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized 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 repayments 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 recognized in profit or loss unless the financial assets are part of a hedging relationship.

Financial assets at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. A gain or loss on a financial asset that is measured at amortized cost and is not part of a hedging relationship shall be recognized in profit or loss when the financial asset is derecognized, reclassified, through the amortization process or in order to recognize 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 recognized in profit or loss. Other net gains and losses are recognized 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 recognized as income in profit or loss. Other net gains and losses are recognized 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 recognized in profit or loss, unless the financial liabilities are part of a hedging relationship, or the financial liability is a financial liability designated as at fair value through profit or loss, and changes in its fair value arising from changes in the Bank's own credit risk are recognized in other comprehensive income.

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 the Bank continues 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.

Financial guarantee contracts are initially recognized at fair value on the date the guarantee is provided. Subsequent to initial recognition, deferred income related to financial guarantee is amortized 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 recognized 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 netted. 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 recognized amounts;
- the Bank intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously.

(f) Derecognition of financial assets and financial liabilities

A financial asset is derecognized 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 recognized.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognized 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 recognized directly in other comprehensive income for the part derecognized.

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

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

- financial assets measured at amortized 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).

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 credit impairment has not yet occurred, 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 fulfill 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 forecasted 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 accounted for 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 actions by the Bank such as liquidating collateral (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 amortized cost and debt investments at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have an adverse 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 reorganization; 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 recognized as an impairment gain or loss in profit or loss. The Bank recognizes 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 recognized 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 recognized 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 the costs 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 recognized 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. "Short term" investments generally refers to investments with a remaining maturity of three months or less at the date of purchases.

(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.

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 Bank recognizes each component part of a fixed asset as a separate fixed asset if each has a different useful life or provides economic benefits to the Bank in different ways and different depreciation rates or different depreciation methods are applied.

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 current profit or loss as incurred.

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 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.

The Bank will derecognize a fixed asset when one of the following conditions is met:

- The fixed asset is in a state of disposal;
- The fixed asset is not expected to generate economic benefits through use or disposal.

Gains or losses arising from the retirement or disposal of fixed assets are the difference between the net disposal proceeds and the carrying amount, and are recognized in profit or loss on the date of retirement or disposal.

The cost of self-constructed fixed assets includes construction materials, direct labor, borrowing costs eligible for capitalization and necessary expenditures incurred before the asset reaches its intended useable condition.

Self-built fixed assets are transferred to fixed assets when they reach their intended useable state, before construction in progress, and are not depreciated.

Construction in progress is stated in the balance sheet at cost less provision for impairment (see Note 3(8)).

(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 multiple 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 recognizes 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 costs to 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 are 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:

- Changes in the estimated payable amount based on the residual value of the guarantee;
- Changes in future lease payments resulting from a change in an index or a rate used to determine those payments;
- Changes in the assessment of whether the Bank will exercise a purchase, extension or termination option, or changes 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 recognize 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 recognizes 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 amortization (where the estimated useful life is finite) and impairment losses (see Note 3(8)). 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 are software, for which the amortization period is either 5 or 10 years.

(7) Long-term deferred expenses

Expenditures incurred with a beneficial period over one year are recognized as long-term deferred expenses. Long-term deferred expenses are stated in the balance sheet at cost less accumulated amortization and impairment losses (see Note 3(8)).

Long-term deferred expenses are amortized over their beneficial period. As of the balance sheet date, the long-term deferred expenses of the Bank are leasehold improvements, which have 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 to determine whether there is any indication of impairment based on internal and external sources of information:

- 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, irrespective of whether there is any indication of impairment.

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

The recoverable amount of an asset (or asset group, or set of asset groups) 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 the continued use of the asset until its ultimate disposal, to their present value using an appropriate pre-tax discount rate.

An impairment loss is recognized 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 recognized accordingly. Impairment losses related to an asset group or a set of asset group are allocated to reduce the carrying amount of the other assets in the asset group or set of asset group on a pro rata basis. However, such allocation would not reduce the carrying amount of an asset below the highest of (1) its fair value less costs to sell (if measurable), (2) its present value of expected future cash flows (if determinable) and zero.

Once an impairment loss is recognized, 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, are measured at the amount incurred or accrued at the applicable benchmarks and rates and 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 (PRC), the Bank participated in a defined contribution basic pension insurance plan in the social insurance system established and managed by government organizations. 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 an 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) Share-based payments

The Bank's share-based payments are equity-settled share-based payments.

Where the Bank uses shares or other equity instruments as consideration for services received from employees, the payment is measured at the fair value of the equity instruments granted to employees at the grant date. If the equity instruments granted to employees vest immediately, the fair value of the equity instruments granted is fully recognized as costs or expenses on the grant date, with a corresponding increase in capital reserve. If the equity instruments granted do not vest until the completion of a service period, or until the achievement of a specified performance condition, the Bank recognizes an amount at each balance sheet date during the vesting period based on the best estimate of the number of equity instruments expected to vest according to all information that is available regarding changes in the number of employees expected to vest their equity instruments. The Bank measures the services received at the grant-date fair value of the equity instruments and recognizes the costs or expenses as the services are received, with a corresponding increase in capital reserve.

When the Bank receives services but has no obligation to settle the transaction because the relevant equity instruments are issued by the Company’s ultimate parent or its subsidiaries outside the Bank, the Bank also classifies the transaction as equity-settled.

(d) Other long-term employee benefits

During the period when employees provide services, the Bank accrues deferred payment for certain 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 the relevant period.

(11) Provisions and contingent liabilities

Contingent liabilities refer to the potential obligations arising from past transactions or events, the payment of which is dependent on 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 35 Commitments and contingent liabilities 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”) per 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

Interest income is measured at EIR for all financial instruments that are measured at their amortized cost or at their fair value through other comprehensive income (FVOCI). 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 the financial asset or amortized cost of the 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:

- POCI financial assets, whose interest income is calculated since initial recognition by applying the credit-adjusted EIR to its amortized cost.
- Purchased or originated financial assets that become credit-impaired in subsequent periods, whose 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 recognized 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.

Government grants obtained by the Bank for the acquisition or other formation of long-term assets are accounted for as government grants related to assets. Government grants obtained by the Bank other than those related to assets are accounted for as government grants related to income. Government grants related to assets are written down by the Bank to the carrying amount of the related assets. 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.

On 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 basis, 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).

On 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. The carrying amount of deferred tax assets is written down if it is more likely than not that sufficient taxable income will not be available in future periods to allow for the benefit of the deferred tax assets. 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

- The 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 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 corporations. Corporations that are under the common control of the government and are not related in any other way are not considered 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 recognized in the period in which the estimate is revised and in any future periods affected.

In the process of implementing the Bank's accounting policies, management makes judgments and assumptions about the effects of uncertain future events on the financial statements. Management makes the following judgments and key assumptions about key future uncertainties at the balance sheet date that could result in significant adjustments to the carrying amounts of assets and liabilities in the next accounting period.

Measurement of Expected Credit Losses

For investments in debt instruments measured at amortized cost and at fair value through other comprehensive income, as well as for loan commitments and financial guarantee contracts, complex models and a large number of assumptions are used in the measurement of expected credit losses. These models and assumptions relate to future macroeconomic conditions and the credit behavior of the customer (e.g., the probability of default by the customer and the corresponding loss). The parameters, assumptions and estimation techniques used in the measurement of expected credit losses are specified in Note 33(1) Credit Risk.

Income Taxes

The Bank is required to make judgments about the future tax treatment of certain transactions in order to recognize income taxes. The Bank makes prudent judgments on the income tax effects corresponding to the transactions and accrues income tax accordingly in accordance with the relevant tax regulations. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Significant judgment is required with respect to the tax treatment of certain transactions and significant estimates are required as to whether it is probable that sufficient future taxable profit will be available to offset the deferred tax assets.

Fair Value of Financial Instruments

For financial instruments that lack an active market, the Bank applies valuation methods to determine their fair value. Valuation methods include reference to transaction prices determined in arm's length transactions between economic agents with complete information and willingness to buy and sell in the market, reference to the fair value of another similar financial instrument in the market, or estimation using discounted cash flow analysis and option pricing models. Valuation methods utilize observable market information to the maximum extent possible; however, when observable market information is not available, management makes estimates of significant unobservable information included in the valuation method.

4 Changes in accounting policies

In 2022, the Bank adopted the following revised accounting standards and regulations issued by the Ministry of Finance (MOF) :

- "Accounting for selling outputs that are produced before fixed assets are available for intended use or produced in the course of research and development" ("accounting for sales before intended use") in CAS Bulletin No.15 (Caikuai [2021] No.35)
- "Determining whether a contract is onerous" in CAS Bulletin No.15; and
- Notice of Application Issues for Accounting Treatment of COVID-19-Related Rent Concessions (Caikuai [2022] No.13)
- "Accounting for the income tax consequences of dividends on financial instruments classified as equity instruments by the issuer" in CAS Bulletin No.16 (Caikuai [2022] No.31)
- "Accounting for the modification of a share-based payment transaction that changes the classification of the transaction from cash-settled to equity-settled" in CAS Bulletin No.16

The adoption of the above requirements and guidance did not have a 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 but are not limited to the value added tax (VAT), the tax for maintaining and building cities, the education supplementary tax, and the local education supplementary tax.

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 was 25% in 2022 (2021: 25%).

(3) Taxes payable

	2022	*2021*
VAT payable	-	3,839,277.50
Withholding income tax payable	2,596,671.39	1,712,187.92
Total	2,596,671.39	5,551,465.42

6 Cash and deposits with central bank

	Note	*2022*	*2021*
Statutory deposit reserves	(1)	719,481,998.25	763,324,012.82
Surplus deposit reserves	(2)	822,245,377.94	432,459,469.38
Subtotal		1,541,727,376.19	1,195,783,482.20
Interest accrued		259,329.44	266,411.21
Total		1,541,986,705.63	1,196,049,893.41

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

	2022	*2021*
Deposit reserve ratio for RMB deposits	7.5%	8.0%
Deposit reserve ratio for foreign currency deposits	6.0%	9.0%

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

7 Deposits with inter-banks

(1) Analyzed by counterparty

	Note	*2022*	*2021*
Domestic banks		108,744,495.59	552,230,301.90
Overseas banks		564,746,293.22	834,150,187.64
Subtotal		673,490,788.81	1,386,380,489.54
Interest accrued		58,418.89	31,900.00
Less: Impairment provision	(2)	(3,898,648.03)	(6,165,190.90)
Total		669,650,559.67	1,380,247,198.64

(2) Activity in the impairment provision

	Note	*2022*	*2021*
Balance at the beginning of the year		6,165,190.90	1,750,164.48
(Reversals) accruals during the year	27	(2,272,456.16)	4,417,997.18
Exchange difference		5,913.29	(2,970.76)
Balance at the end of the year		3,898,648.03	6,165,190.90

8 Placements with financial institutions

(1) Analyzed by counterparty

	Note	*2022*	*2021*
Domestic banks		1,088,230,000.00	206,320,550.00
Domestic non-bank financial institutions		2,225,844,900.00	1,799,762,600.00
Overseas banks		571,097,200.00	1,000,984,900.00
Subtotal		3,885,172,100.00	3,007,068,050.00
Interest accrued		10,901,526.11	8,693,474.86
Less: Impairment provision	(2)	(6,540,048.52)	(3,346,514.90)
Total		3,889,533,577.59	3,012,415,009.96

(2) Activity in the impairment provision

	Note	*2022*	*2021*
Balance at the beginning of the year		3,346,514.90	5,086,069.09
Accruals (reversals) during the year	27	3,073,091.99	(1,709,724.01)
Exchange difference		120,441.63	(29,830.18)
Balance at the end of the year		6,540,048.52	3,346,514.90

9 Loans and advances to customers

(1) Analyzed by nature

	Note	*2022*	*2021*
Measured at amortized cost			
Corporate loans and advances			
- Loans		5,693,374,244.01	4,303,717,285.63
- Bills discounted		223,191,848.48	143,829,740.44
- Trade finance		9,211,544.05	30,144,426.85
Total loans and advances		5,925,777,636.54	4,477,691,452.92
Interest accrued		23,402,745.50	16,834,552.08
Less: Loan impairment losses	(5)	(97,504,535.62)	(73,890,209.53)
Carrying amount of loans and advances to customers		5,851,675,846.42	4,420,635,795.47

(2) Analyzed by industry

	Note	2022 Amount	2022 Percentage (%)	2021 Amount	2021 Percentage (%)
Information transmission, software and IT service		1,492,217,139.53	25.2%	942,202,144.90	21.1%
Manufacturing		1,173,315,006.40	19.8%	712,690,031.23	15.9%
Culture, sports and entertainment		1,042,492,256.71	17.6%	779,656,329.83	17.4%
Leasing and business services		764,331,827.70	12.9%	800,502,760.96	17.9%
Wholesale and retail trade		719,219,284.00	12.1%	743,949,490.55	16.6%
Finance service		236,980,000.00	4.0%	214,860,000.00	4.8%
Scientific research and technology services		213,000,000.00	3.6%	142,170,000.00	3.2%
Construction		44,176,045.53	0.7%	122,000,000.00	2.7%
Others		240,046,076.67	4.1%	19,660,695.45	0.4%
Total loans and advances		5,925,777,636.54	100.0%	4,477,691,452.92	100%
Interest accrued		23,402,745.50		16,834,552.08	
Less: Loan impairment losses	(5)	(97,504,535.62)		(73,890,209.53)	
Carrying amount of loans and advances to customers		5,851,675,846.42		4,420,635,795.47	

(3) Analyzed by security type

	Note	2022	2021
Secured loans		2,932,111,512.94	2,247,704,062.00
Unsecured loans		1,680,232,553.16	1,003,240,179.68
Guaranteed loans		1,313,433,570.44	1,226,747,211.24
Total loans and advances		5,925,777,636.54	4,477,691,452.92
Interest accrued		23,402,745.50	16,834,552.08
Less: Loan impairment losses	(5)	(97,504,535.62)	(73,890,209.53)
Carrying amount of loans and advances to customers		5,851,675,846.42	4,420,635,795.47

(4) Overdue loans analyzed by overdue period

As of December 31, 2022, the Bank had no overdue loans.

Overdue loans represent loans and advances to customers, of which a portion of or the entire principal or interest was overdue for more than one day. The entire balance of an installment loan is classified as an overdue loan if one or more installments are overdue.

(5) Activity in the impairment provision

	Note	2022			
		Stage 1: 12-Month ECL	*Stage 2 Lifetime ECL*	*Stage 3 Lifetime ECL*	*Total*
Balance at 1 January 2022		73,890,209.53	-	-	73,890,209.53
Transfer to:					
Stage 1		-	-	-	-
Stage 2		-	-	-	-
Stage 3		-	-	-	-
Charge / (reversal) for the year	27	17,157,843.94	5,066,648.48	(34,488,216.00)	(12,263,723.58)
Write-offs during the year		-	-	-	-
Recovery of loans originally written-off this year		-	-	34,488,216.00	34,488,216.00
Exchange gains and losses		1,389,833.67	-	-	1,389,833.67
Balance at December 31, 2022		92,437,887.14	5,066,648.48	-	97,504,535.62

	Note	2021			
		Stage 1: 12-Month ECL	*Stage 2 Lifetime ECL*	*Stage 3 Lifetime ECL*	*Total*
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	27	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 loans originally written-off this year		-	-	965,800.00	965,800.00
Exchange gains and losses		(383,278.90)	-	-	(383,278.90)
Balance at December 31, 2021		73,890,209.53	-	-	73,890,209.53

As of December 31 2022, the Bank's Loan provision ratio was 1.64% (2021: 1.65%). As of December 31 2022, there were no non-performing loans. Accordingly the provision coverage ratio was not applicable (2021: 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 loans graded substandard, doubtful and loss in CBIRC's five-tier risk rating system.

10 Other debt investments

	2022	*2021*
Government bonds	850,051,100.00	901,548,400.00
Interest accrued	14,229,622.02	14,691,032.99
Total	864,280,722.02	916,239,432.99

11 Fixed assets

	Computer equipment	*Office equipment*	*Motor vehicles and others*	*Total*
Cost:				
Balance at 1 January 2021	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
Additions	207,389.57	1,902.66	-	209,292.23
Disposals	(100,271.30)	-	-	(100,271.30)
Balance at 31 December 2022	6,870,113.01	2,220,432.18	889,736.39	9,980,281.58
Less: Accumulated depreciation				
Balance at 1 January 2021	(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)
Write-off of disposals	22,022.49	408,528.81	577,597.64	1,008,148.94
Balance at December 31,2021	(5,377,219.78)	(2,120,122.19)	(889,736.39)	(8,387,078.36)
Charge for the year	(869,634.54)	(50,245.14)	-	(919,879.68)
Write-off of disposals	100,271.30	-	-	100,271.30
Balance at December 31,2022	(6,146,583.02)	(2,170,367.33)	(889,736.39)	(9,206,686.74)
Carrying amount:				
Balance at 31 December 2022	723,529.99	50,064.85	-	773,594.84
Balance at 31 December 2021	1,385,774.96	98,407.33	-	1,484,182.29

As of December 31 2022, management determined there was no impairment of fixed assets.

12 Construction in progress

	Software and others
Balance at 1 January 2021	1,230,150.91
Additions	1,455,094.32
Transfer to intangible assets	(427,358.48)
Balance at 31 December 2021	2,257,886.75
Additions	456,568.95
Transfer to intangible assets	(787,169.80)
Balance at 31 December 2022	1,927,285.90

As of December 31 2022, management determined there was no impairment of construction in progress.

13 Intangible assets

	Software
Cost	
Balance at January1, 2021	59,636,154.88
Additions	2,104,498.99
Transferred from construction in progress	427,358.48
Balance at December 31, 2021	62,168,012.35
Additions	1,410,975.99
Transferred from construction in progress	787,169.80
Balance at December 31, 2022	64,366,158.14
Less: Accumulated amortization	
Balance at January 1, 2021	(43,642,792.94)
Charge for the year	(4,862,125.85)
Balance at December 31, 2021	(48,504,918.79)
Charge for the year	(4,568,130.07)
Balance at December 31, 2022	(53,073,048.86)
Carrying amounts	
Balance at December 31, 2022	11,293,109.28
Balance at December 31, 2021	13,663,093.56

As of December 31 2022, management determined there was no impairment of intangible assets.

14 Deferred tax assets

	Deferred tax assets			
	Balance at the beginning of the year	*Current year increase/ decrease charged to profit or loss*	*Current year increase/ decrease recognized directly in equity*	*Balance at the end of the year*
Unapproved written-off loans	12,655,496.87	(8,622,054.00)	-	4,033,442.87
Impairment provision	2,739,074.22	420,964.50	-	3,160,038.72
Employee benefits payable	1,262,910.86	(7,748.29)	-	1,255,162.57
Changes in fair value	(311,150.00)	-	118,730.62	(192,419.38)
Other unpaid payables	1,489,016.24	(258,280.85)	-	1,230,735.39
Total	17,835,348.19	(8,467,118.64)	118,730.62	9,486,960.17

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

15 Other assets

	Note	*2022*	*2021*
Right-of-use assets	(1)	18,693,907.21	30,743,044.66
Tax to be deducted		6,296,219.97	1,917,109.41
Refundable deposits		5,125,264.25	5,125,264.25
Prepayments		3,155,408.00	1,729,382.20
Long-term deferred expenses		1,116,059.23	1,551,713.11
For settlement and clearing		300,172.50	2,525,680.00
Others		1,060,584.20	1,037,751.63
Total		35,747,615.36	44,629,945.26

(1) Right-of-use assets

	Leasing of real estate	*Leasing of office equipments*	*Leasing of transportation*	*Total*
Cost				
Balance at January 1, 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 December 31, 2021	35,539,207.32	203,364.22	127,475.85	35,870,047.39
Additions during the year	-	-	252,713.81	252,713.81
Decrease during the year	-	-	-	-
Balance at December 31, 2022	35,539,207.32	203,364.22	380,189.66	36,122,761.20
Less: Accumulated depreciation				
Balance at January 1, 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 December 31, 2021	(4,964,000.60)	(45,332.17)	(117,669.96)	(5,127,002.73)
Charge for the year	(12,258,020.04)	(45,332.16)	(125,974.85)	(12,429,327.05)
Written off on disposal	-	-	127,475.79	127,475.79
Balance at December 31, 2022	(17,222,020.64)	(90,664.33)	(116,169.02)	(17,428,853.99)
Carrying amounts:				
Balance at December 31, 2022	18,317,186.68	112,699.89	264,020.64	18,693,907.21
Balance at December 31, 2021	30,575,206.72	158,032.05	9,805.89	30,743,044.66

16 Deposits from financial institutions

	2022	*2021*
Overseas banks	877,307,199.04	559,761,920.10
Domestic non-bank financial institutions	304,305,865.06	1,562,729.11
Sub total	1,181,613,064.10	561,324,649.21
Interest accrued	855,590.62	343,862.77
Total	1,182,468,654.72	561,668,511.98

17 Borrowings from financial institutions

	2022	*2021*
Overseas banks	69,646,000.00	63,757,000.00
Sub total	69,646,000.00	63,757,000.00
Accrued interest	119,153.16	4,540.14
Total	69,765,153.16	63,761,540.14

18 Customers deposits

	2022	*2021*
Current deposits		
- Commercial deposits	3,490,479,725.98	3,490,065,402.28
- Consumer deposits	37,837,550.40	35,141,299.54
Sub total of current deposits	3,528,317,276.38	3,525,206,701.82
Time deposits (including call deposits)		
- Commercial deposits	1,683,388,123.93	888,821,346.89
- Consumer deposits	68,819,813.00	75,688,420.44
Sub total of time deposits	1,752,207,936.93	964,509,767.33
Other deposits		
- Margin deposits	4,602,255,644.36	4,242,830,315.44
Accrued interest	38,923,737.80	33,854,887.82
Total	9,921,704,595.47	8,766,401,672.41

19 Employee benefits payable

	Note	*2022*	*2021*
Short-term employee benefits	(1)	10,073,700.17	8,392,347.60
Post-employment benefits			
- defined contribution plans	(2)	4,405,884.65	4,425,557.56
Other long-term employee benefits	(3)	661,231.42	973,536.13
Total		15,140,816.24	13,791,441.29

(1) Short-term employee benefits

	2022			
	Balance at 1 January 2022	*Accrued during the year*	*Paid during the year*	*Balance at 31 December 2022*
Salaries, bonuses, allowances	8,392,347.60	63,359,004.85	(61,677,652.28)	10,073,700.17
Staff welfare	-	4,067,436.53	(4,067,436.53)	-
Social insurance				
Medical insurance	-	3,395,954.34	(3,395,954.34)	-
Work-related injury insurance	-	54,624.50	(54,624.50)	-
Maternity insurance	-	27,007.25	(27,007.25)	-
Housing fund	-	4,617,477.42	(4,617,477.42)	-
Labor union fee	-	1,125,888.34	(1,125,888.34)	-
Total	8,392,347.60	76,647,393.23	(74,966,040.66)	10,073,700.17

	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

(2) Post-employment benefits - defined contribution plans

	2022			
	Balance at 1 January 2022	*Accrued during the year*	*Paid during the year*	*Balance at 31 December 2022*
Basic pension insurance	-	5,195,830.75	(5,195,830.75)	-
Unemployment insurance	-	450,340.37	(450,340.37)	-
Annuity	4,425,557.56	4,211,562.59	(4,231,235.50)	4,405,884.65
Total	4,425,557.56	9,857,733.71	(9,877,406.62)	4,405,884.65

	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

(3) Other long-term employee benefits

Other long-term employee benefits include share-based payments and the deferred payment of employee benefits.

The Bank's employees are covered by an equity incentive plan administered by the Bank's ultimate controlling party, East West Bancorp, Inc. The plan is equity-settled, under which the Bank incentivizes employees with shares issued by East West Bancorp, Inc. These employee share grants are valued at the market price of East West Bancorp, Inc. shares on the date of grant. Compensation expense is recognized in the Bank's income statement over a three-year vesting period. The Bank's share-based payment plan is in exchange for employee services.

As of December 31, 2022, the number of East West Bancorp, Inc shares granted by the Bank to employees but not yet vested was 14,471. The total expense recognized for equity-settled share-based payments for the year was RMB2,016,004.30.

20 Other liabilities

	Note	*2022*	*2021*
Amounts to be settled and cleared		21,910,234.78	12,457,664.46
Lease liabilities	(1)	19,829,450.68	31,060,130.96
Contract liabilities		5,557,773.32	8,570,438.74
Other payables		5,104,921.99	3,870,755.91
Provisions		2,560,480.67	2,401,976.10
Delegate collection and payment		961,639.20	997,752.12
Total		55,924,500.64	59,358,718.29

(1) Lease liabilities

The following table presents an analysis of the Bank's lease liabilities by maturity date - undiscounted analysis:

	31 December 2022	*31 December 2021*
Within 1 year	11,093,590.30	12,899,364.27
1 to 2 years	8,952,638.25	11,236,986.58
After 2 years but within 3 years	402,720.42	8,056,667.60
After 3 years but within 5 years	17,309.52	328,969.35
Total undiscounted lease liabilities at December 31, 2022 and December 31, 2021	20,466,258.49	32,521,987.80
Lease liabilities in the balance sheet at December 31, 2022 and December 31, 2021	19,829,450.68	31,060,130.96

21 Paid-in capital

Registered capital and paid-in capital

	2022 and 2021	
	Amount RMB	*Percentage %*
EWB	1,400,000,000.00	100%

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

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

22 Other reserves

(1) Other comprehensive income

	Fair value change of debt investments at FVOCI
Balance at January 1, 2021	(6,383,018.86)
Increase during the year before tax	9,755,291.81
Tax impact	(2,438,822.94)
Balance at December 31, 2021	933,450.01
Decrease during the year before tax	(474,922.35)
Tax impact	118,730.62
Balance at December 31, 2022	577,258.28

(2) Surplus reserve

	Statutory surplus reserve
Balance at January 1, 2021	15,632,401.65
Profit appropriation	2,669,361.88
Balance at December 31, 2021	18,301,763.53
Profit appropriation	9,217,133.57
Balance at December 31, 2022	27,518,897.10

(3) General risk reserve

	Appropriation to general risk reserve in accordance with the regulations issued by the MOF
Balance at January 1, 2021	100,551,033.34
Profit appropriation	15,138,190.11
Balance at December 31, 2021	115,689,223.45
Profit appropriation	50,714,881.89
Balance at December 31, 2022	166,404,105.34

Per 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. If a financial enterprise fails to meet the general provision ratio of 1.5%, it is granted a period of no more than five years to achieve the ratio.

(4) Capital reserve

	2022		
	Balance at January 1, 2022	*Increase during the year*	*Balance at December 31, 2022*
Share-based payments	-	13,768,472.34	13,768,472.34

23 Profit distribution

	Note	*2022*	*2021*
Appropriation for surplus reserve	(1)	9,217,133.57	2,669,361.88
Appropriation for General risk preparation	(2)	50,714,881.89	15,138,190.11

(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 reserve

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 reserve constitutes part of the Bank's owner's equity, and is appropriated from the net profits after statutory surplus reserve.

24 Net interest income

	2022	*2021*
Interest income:		
Loans and advances to customers	217,940,339.65	151,392,938.25
- Loans	203,412,559.02	148,229,415.88
- Bills discounted	13,227,477.86	2,057,578.47
- Trade finance	1,300,302.77	1,105,943.90
Placements with financial institutions	92,082,438.55	86,522,445.53
Debt investments	21,188,710.70	23,529,043.62
Deposits with central bank	9,957,022.96	10,666,855.63
Deposits with financial institutions	9,379,805.81	1,701,169.69
Total interest income	350,548,317.67	273,812,452.72
Interest expense:		
Customer deposits	(123,594,407.64)	(94,166,478.84)
Deposits from financial institutions	(22,875,844.67)	(12,513,057.82)
Borrowings from financial institutions	(1,785,514.75)	(410,165.16)
Lease liabilities	(800,159.48)	(534,086.02)
Total interest expense	(149,055,926.54)	(107,623,787.84)
Net interest income	201,492,391.13	166,188,664.88

25 Net fees and commission income

	2022	*2021*
Fees and commission income		
Guarantee fees	5,882,604.46	6,413,292.78
Credit related fees	2,464,520.30	705,922.88
Settlement and clearance fees	775,814.47	1,140,544.57
Customer service fees	112,973.77	419,856.73
Others	86,399.88	115,212.09
Total fees and commission income	9,322,312.88	8,794,829.05
Fees and commission expenses		
Inter-bank transaction fees	(978,661.34)	(913,188.09)
Others	-	(186,712.53)
Total fees and commission expenses	(978,661.34)	(1,099,900.62)
Net fees and commission income	8,343,651.54	7,694,928.43

26 General and administrative expenses

	2022	*2021*
Staff costs		
Short-term employee benefits	76,647,393.23	74,921,993.13
Post-employment benefits		
- defined contribution plans	9,857,733.71	9,486,981.04
Others	2,331,554.19	282,991.64
Subtotal of staff cost	88,836,681.13	84,691,965.81
Depreciation and amortization	18,352,990.68	22,946,274.95
Consulting expenses	10,847,868.37	4,681,037.47
Maintenance expenses	7,493,001.82	7,313,864.38
Communication expenses	6,250,047.63	6,418,043.29
Office expenses and consumables	3,813,642.46	4,190,095.36
Rental and property management expenses	1,902,774.59	2,042,732.51
Travelling expenses	815,759.91	801,113.66
Business entertainment expenses	779,722.17	781,751.48
Others	8,135,021.10	4,645,861.31
Total	147,227,509.86	138,512,740.22

27 Credit impairment losses

	Note	*2022*	*2021*
Impairment loss (reversal) accrual for deposit with inter-banks	7	(2,272,456.16)	4,417,997.18
Impairment loss accrual (reversal) for placements with financial institutions	8	3,073,091.99	(1,709,724.01)
Impairment loss (reversal) accrual for loans and advances to customers	9	(12,263,723.58)	11,999,744.62
Impairment loss reversal for off-balance-sheet business		(39,254.64)	(4,444,411.53)
Total		(11,502,342.39)	10,263,606.26

28 Income tax expense

(1) Composition of current year income tax

	2022	*2021*
Current year income tax	16,469,430.37	-
Changes in deferred tax assets	8,467,118.64	(2,013,551.11)
Tax filling differences	(251,955.15)	(1,035,724.04)
Total	24,684,593.86	(3,049,275.15)

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

	2022	*2021*
Profit before tax	116,855,929.56	23,644,343.62
Expected income tax expense at tax rate	29,213,982.39	5,911,085.91
Add (subtract) the tax effect:		
- Non-deductible expenses	1,732,349.30	826,989.80
- Non-taxable income	(5,297,177.68)	(5,882,260.91)
- Additional deductible expenses	(128,128.28)	(378,345.63)
- Impact of using deductible losses of deferred tax assets recognized in the previous period	(553,867.69)	(2,685,491.11)
- Adjustment in respect of deferred tax of prior years	(30,609.03)	194,470.83
- Tax filling differences	(251,955.15)	(1,035,724.04)
Income tax expense accrual (reversal)	24,684,593.86	(3,049,275.15)

As of December 31 2022, the Bank had no accumulated deductible losses available for offsetting against future taxable profit (2021: RMB3,156,378). Under the current tax law, deductible losses can be offset against future taxable profit for a period of no more than five years from the year of generation.

29 Supplemental to cash flow statement

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

	2022	*2021*
Net profit	92,171,335.70	26,693,618.77
Add: Credit impairment losses (reversal) accrual	(11,502,342.39)	10,263,606.26
Depreciation and amortization	18,352,990.68	22,946,274.95
Interest expenses from lease liabilities	800,159.48	534,086.02
(Gains) losses from asset disposals	(2,000.00)	18,400.00
Unrealized exchange (gains) losses	(37,059,347.30)	8,712,754.76
Interest income from investment of debt instruments	(21,188,710.70)	(23,529,043.62)
(Decrease) Increase of deferred tax assets	8,467,118.64	(2,013,551.11)
Increase in operating receivables	(1,323,597,798.42)	(1,076,119,938.56)
Increase in operating payables	1,779,095,609.15	258,661,108.05
Net cash inflow (outflow) from operating activities	505,537,014.84	(773,832,684.48)

(2) Change in cash and cash equivalents:

	2022	*2021*
Cash and cash equivalents as of December 31,	3,301,319,966.75	2,699,432,358.92
Less: Cash and cash equivalents as of January 1,	(2,699,432,358.92)	(3,374,482,129.94)
Net increase (decrease) in cash and cash equivalents	601,887,607.83	(675,049,771.02)

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

	2022	*2021*
Central bank deposits available on demand	822,245,377.94	432,459,469.38
Deposits with inter-banks with a maturity of 3 months or less	673,490,788.81	1,375,380,489.54
Placements with financial institutions with a maturity of 3 months or less	1,805,583,800.00	891,592,400.00
Total	3,301,319,966.75	2,699,432,358.92

30 Capital management

The capital management of the Bank covers the calculation and reporting of the capital adequacy ratio ("CAR"), capital assessment and capital planning. The CAR of the Bank shows its operational stability and risk resistance. The CAR management of the Bank aims to ensure the Bank holds an adequate amount of capital, which is proportionate to its risk exposure and consistent with the Bank's risk assessment results, and to meet the demands of its business operations and regulatory requirements. Capital planning aims to set a target CAR which satisfies the Bank's demand for future business development strategy, risk appetite, risk management, external business environment, and the short and long-term sustainability of various capital resources.

Prudent capital management ensures the Bank will maintain its capital at a level adequate to support business development under any condition, and can adjust CAR to a reasonable level timely and effectively, if necessary. The Bank calculates and monitors the utilization of CAR according to regulatory requirements, 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 as of December 31, 2022 and 2021, are calculated in accordance with regulatory requirements as follows:

	December 31, 2022	*December 31, 2021*
Net core tier one capital	1,617,462,475.98	1,521,261,343.43
Net tier one capital	1,617,462,475.98	1,521,261,343.43
Net capital	1,713,561,075.98	1,592,452,943.43
Total risk assets	8,941,538,937.50	7,435,234,950.00
Adequacy ratio of core tier one capital	18.09%	20.46%
Adequacy ratio of tier one capital	18.09%	20.46%
Capital adequacy ratio	19.16%	21.42%

31 Related party relationships and transactions

(1) Information on the Bank's parent company as of December 31, 2022 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 1,937 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:

	2022	*2021*
Remuneration of key management personnel	19,060,209.02	22,276,689.06

(b) The balances of transactions with key management personnel as of December 31, 2022 and 2021 are as follows:

	2022	*2021*
Customer deposits	326,984.25	325,796.60

The related parties of the Bank include close family members of key management personnel, key management personnel of the Bank's parent company 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. As the transactions between the Bank and related parties presented above were not significant, they are not disclosed separately.

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

(a) Transactions with related parties:

	2022	*2021*
Interest income	9,933,042.29	979,160.19
Interest expense	(20,088,612.03)	(10,735,229.07)
Fees and commission expense	(393,751.36)	(317,199.59)
Other operating income	2,691,093.51	1,949,824.61

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

(b) The balances of related party transactions as of December 31, 2022 and 2021 are as follows:

	2022	*2021*
Deposits with inter-banks	564,681,775.13	818,339,622.80
Deposits from financial institutions	(877,867,289.86)	(560,096,579.96)
Borrowings from financial institutions	(69,765,153.16)	(63,761,540.14)

(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.

32 Segment reporting

(1) Business segments

The primary business of the Bank is the corporate banking business, which is treated as a single business segment based on the Bank's internal organization structure, management requirements and internal reporting system. Therefore, no business segment 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). The geographic location of customers is based on the country 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 the case of fixed assets, or the location of the operation to which they are allocated.

	Revenue from external customers		*Specified non-current assets*	
	2022	*2021*	*2022*	*2021*
Mainland China	382,091,321.27	275,571,354.14	33,803,956.46	49,699,920.37
Other countries or regions	21,679,897.73	15,197,459.16	-	-
Total	403,771,219.00	290,768,813.30	33,803,956.46	49,699,920.37

(3) Main customers

Income from each individual customer of the Bank is below 10% of the Bank's total income in both 2022 and 2021.

33 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 risk and reward, while minimizing the negative impact on its financial statements.

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

The Bank's Board of Directors ("BOD") is responsible for developing the Bank's risk management strategy, deciding on risk management policies, determining the organizational structure and basic management system, assuming ultimate responsibility for comprehensive risk management, and supervising senior management in its strategy implementation. The Risk Management Committee was established under the BOD to perform the corresponding risk management duties authorized by the BOD. Senior management is responsible for implementing the risk management policies and basic management system determined by the Board of Directors, formulating and improving various procedures for risk management, managing risks in various business operations, and reporting regularly to the BOD and the Supervisory Committee on the risk status of the Bank. The Internal Control and Risk Management Committee under senior management is the deliberation and decision-making authority. The Risk Management Department is the functional department leading comprehensive risk management.

(1) Credit risk

Credit risk is the risk that the party of a financial instrument fails to meet its obligations, resulting in financial loss to the counter party. Credit risk mainly arises from the Bank's credit business and funding business such as investment in debt instruments.

Credit risk is the risk of loss arising from the potential failure of a borrower to meet its liability in full when due. Credit risk is greater when loans are concentrated by borrower type, 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 declines in a borrower's credit rating.

Credit risk management policy

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

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

Credit approval procedure
A Commercial Credit Request (“CCR”) should be prepared before a new loan is approved. This includes the analysis of all aspects of the applicant, such as the market position, operation management, financial status, loan usage, cash flows, repayment ability and collateral information. The CCR must be endorsed by the heads of business departments and the Credit Reviewer Manager, and approved by the Chief Risk Officer and other delegated authorities in accordance with the credit policy.

Credit risk rating 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 risk rating is consistent with the CBIRC’s five-tier risk rating.

Credit quality review

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

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

In addition, for non-performing loans, the Special Asset Task Force (“SATF”) holds meetings, attended by the Bank President, Chief Risk Officer, Portfolio Managers, Relationship Managers and other 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. Currently, the credit scales of each sector have been maintained within their corresponding limit.

Borrower concentration risk

According to the relevant articles in the *Administrative Measures on Large Risk Exposure of Commercial Banks*, the loan balance offered by a commercial bank to a single non-peer borrower shall not exceed 10% of the bank's net capital, and the risk exposure to a single non-peer borrower shall not exceed 15% of the bank's tier one net capital. The risk exposure of the commercial bank to a Bank of non-peer connected borrowers shall not exceed 20% of the bank's tier one net capital. Non-peer related borrowers shall include non-peer Bank borrowers, and economically dependent borrowers. As of December 31, 2022, the Bank's loan balance to a single non-peer borrower and the total amount of credit granted to non-bank related borrowers met this requirement. In the process of facility application and approval, the Bank confirms 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 borrowers on a quarterly basis to ensure that they are within the range.

Credit risk of funding business

The Bank sets credit limits based on trading products and counterparties. Credit limits are monitored in real time through the system, and regular reviews and updates of the credit limit and policies are performed.

ECL measurement

Based on the new financial instrument standards, the Bank identifies the financial instruments that are applicable under ECL into three stages. The ECL model is applied to calculate 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 on determination of 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 an internal rating model, with forward-looking information incorporated, to reflect the borrower’s future 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 factor such as type of product and availability of collateral;
- EAD represents the amount payable under the 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 the 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 performs historical data analysis and identifies the key economic indicators related to ECLs, such as the gross domestic product ("GDP"), consumer price index ("CPI") and the aggregate financing to the real economy. The forecasts of these economic indicators are collected periodically and the most relevant indicators are selected and estimated by the Bank.

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

Management Overlay

For the external policy environment, regulatory environment and changes in risks of specific customer segments not reflected by the ECL model, the Bank performs its own evaluation and recognizes loss allowance, thus further enhancing its risk mitigation ability.

(a) Maximum credit risk exposure

The Bank's maximum exposure to credit risk at the balance sheet is represented by the carrying values of each financial asset on Balance Sheet. The Bank's maximum exposure to credit risk in respect of the credit commitments at Balance Sheet date is disclosed in Note 35(1).

(b) Credit quality analysis of financial assets

The following tables present the Bank's balance of financial instruments that were included in the scope of impairment analysis based on impairment stages as of December 31, 2022 and 2021:

	31 December 2022							
	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	1,541,986,705.63	-	-	1,541,986,705.63	-	-	-	-
Deposits with inter banks	673,549,207.70	-	-	673,549,207.70	(3,898,648.03)	-	-	(3,898,648.03)
Placement with financial institutions	3,896,073,626.11	-	-	3,896,073,626.11	(6,540,048.52)	-	-	(6,540,048.52)
Loans and advances to customers	5,936,165,757.04	13,014,625.00	-	5,949,180,382.04	(92,437,887.14)	(5,066,648.48)	-	(97,504,535.62)
Total	12,047,775,296.48	13,014,625.00	-	12,060,789,921.48	(102,876,583.69)	(5,066,648.48)	-	(107,943,232.17)
Financial assets measured at FVOCI								
Other debt investments	864,280,722.02	-	-	864,280,722.02	-	-	-	-
Total	864,280,722.02	-	-	864,280,722.02	-	-	-	-
Credit commitment	2,880,135,281.72	-	-	2,880,135,281.72	(2,560,480.67)	-	-	(2,560,480.67)

	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	-	-	-	-
Deposits with inter banks	1,386,412,389.54	-	-	1,386,412,389.54	(6,165,190.90)	-	-	(6,165,190.90)
Placement with 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 record impairment provision. The three-stage classification is not applicable.

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

Receivables from inter-banks include deposits from other banks and placements with financial institutions. The following table shows the carrying values of receivables based on the counterparties' credit rating from Standard & Poor's as of December 31, 2022 and 2021:

	December 31, 2022	*December 31, 2021*
- Grade A to AAA	3,515,617,699.44	2,791,797,701.56
- Grade B to BBB	1,043,045,189.37	1,281,992,937.98
- Unrated	-	319,657,900.00
Total	4,558,662,888.81	4,393,448,539.54

(2) Market risk

Market risk management involves an overall process of identifying, measuring, monitoring and controlling risks. Market risk refers to the risk of financial instruments' fair values or future cash flow fluctuations due to changes in market prices, including foreign exchange risk, interest rate risk and other pricing 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 pricing risk refers to the market risks other than foreign exchange risk and interest rate risk.

The Bank's interest rate risk includes risks arising from mismatches of the term structures of assets and liabilities related to the 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 quarterly stress tests on interest rate sensitivity at the next repricing date (or maturity date, whichever is earlier). Meanwhile, by closely observing interest rate trends and market interest rate changes, the Bank conducts proper scenario analyses and makes timely adjustments to the loan and deposit interest rates to comply with the benchmark interest rates and 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 the maximum extent, and to control the currency risk within the Bank's limits set by the Bank. The Bank has no foreign currency risk arising from positions held for proprietary trading.

(a) Interest rate risk

Interest rate risk is the internal risk of the traditional banking activities of the Bank, mainly arising from mismatches in the repricing characteristics of assets and liabilities.

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

(i) The next repricing dates (or maturity dates, whichever are earlier) of the Bank's financial assets and financial liabilities as of the balance sheet dates are presented below:

	2022				
	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	157,397,510.54	1,384,589,195.09	-	-	1,541,986,705.63
Deposits with inter-banks	57,453,215.46	612,197,344.21	-	-	669,650,559.67
Placements with financial institutions	10,901,526.11	2,252,511,274.06	1,626,120,777.42	-	3,889,533,577.59
Loans and advances to customers	23,402,745.50	1,331,856,150.76	4,264,322,069.02	232,094,881.14	5,851,675,846.42
FVOCI investments	14,229,622.02	-	800,407,550.00	49,643,550.00	864,280,722.02
Other assets	6,486,020.95	-	-	-	6,486,020.95
Total assets	269,870,640.58	5,581,153,964.12	6,690,850,396.44	281,738,431.14	12,823,613,432.28
Liabilities					
Deposits from financial institutions	(855,590.62)	(1,181,613,064.10)	-	-	(1,182,468,654.72)
Borrowings from financial institutions	(119,153.16)	-	-	(69,646,000.00)	(69,765,153.16)
Customer deposits	(47,944,750.69)	(5,320,110,173.68)	(2,650,362,047.06)	(1,903,287,624.04)	(9,921,704,595.47)
Other liabilities	(43,117,612.21)	(1,326,817.00)	-	(18,502,633.68)	(62,947,062.89)
Total liabilities	(92,037,106.68)	(6,503,050,054.78)	(2,650,362,047.06)	(1,991,436,257.72)	(11,236,885,466.24)
Long/(short) positions	177,833,533.90	(921,896,090.66)	4,040,488,349.38	(1,709,697,826.58)	1,586,727,966.04

	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

(ii) Sensitivity analysis on net interest income

To measure the overall interest rate risk of financial assets and liabilities, the Bank performs sensitivity analyses on future net interest income from changes in interest rates based on the assumption that the yield curves will have no asymmetric movement and the current assets / liabilities structure remain unchanged. Based on the data of December 31, 2022, the sensitivity analyses show that the net interest income for the next 12 months will increase by RMB 14.17 million (2021: RMB 19.51million) if all yield curves increase by 200 bps. The net interest income for the next 12 months will decrease by RMB 37.95 million (2021: RMB 26.11 million) if all yield curves decrease by 200 bps (or when interest rates fall to 0%).

The sensitivity analyses are based on simplified situations for illustration purposes only. The figures above show the changes of the 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 the Treasury Department or other departments of the Bank to reduce the interest risk is not reflected in the analysis. In practice, the Treasury Department is devoted to reducing the loss and increasing the profit in the fluctuations of interest rates. The estimated values above assume full year interest rate changes at the same level. Therefore, the impact of non-symmetric interest fluctuations are not reflected in the analyses. The analysis model also includes assumptions such as that all positions are held until maturity.

(b) Foreign exchange risk

(i) The following tables present the net foreign exchange risk positions of the Bank's financial assets and financial liabilities as of December 31, 2022 and 2021:

	2022			
	RMB	*USD translated into RMB*	*Other currencies translated into RMB*	*Total translated into RMB*
Assets				
Cash and deposits with central bank	1,384,848,524.53	157,093,517.60	44,663.50	1,541,986,705.63
Deposits with inter-banks	70,030,629.80	586,843,236.75	12,776,693.12	669,650,559.67
Placements with financial institutions	2,048,991,562.55	1,840,542,015.04	-	3,889,533,577.59
Loans and advances to customers	5,249,868,225.77	601,807,620.65	-	5,851,675,846.42
FVOCI investments	864,280,722.02	-	-	864,280,722.02
Other assets	6,157,366.98	328,653.97	-	6,486,020.95
Total assets	9,624,177,031.65	3,186,615,044.01	12,821,356.62	12,823,613,432.28
Liabilities				
Deposits from financial institutions	(1,167,710,551.91)	(14,758,102.81)	-	(1,182,468,654.72)
Borrowings from financial institutions	-	(69,765,153.16)	-	(69,765,153.16)
Customer deposits	(7,357,636,469.72)	(2,552,637,279.44)	(11,430,846.31)	(9,921,704,595.47)
Other liabilities	(34,970,266.92)	(27,976,795.97)	-	(62,947,062.89)
Total liabilities	(8,560,317,288.55)	(2,665,137,331.38)	(11,430,846.31)	(11,236,885,466.24)
Net position	1,063,859,743.10	521,477,712.63	1,390,510.31	1,586,727,966.04
Credit commitments and contingent liabilities	52,406,108.28	2,315,445,751.33	512,283,422.11	2,880,135,281.72

	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 investments	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

(ii) Sensitivity analysis:

Assuming all other risk variables remain constant, a 1% strengthening of the Renminbi against the US dollar and other currencies as of December 31 would have decreased the Bank’s equity and net profit by the amount shown below:

	Movement of equity	*Movement of net profit*
Balance at 31 December 2022	(3,921,511.67)	(3,921,511.67)
Balance at 31 December 2021	(3,067,118.62)	(3,067,118.62)

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

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

(3) Liquidity risk

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

The Bank has adopted liquidity risk management measures in accordance with regulatory requirements and prudent principles. These measures include:

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

By keeping appropriate cash and short-term funds, the Bank maintains adequate liquidity to handle liquidity risk and meet the demands of short-term financing. The Bank also conducts regular liquidity stress testing to ensure adequate liquidity is maintain under stressed market conditions.

The following tables present the remaining contractual maturity of the undiscounted cash flows of the Bank's financial liabilities:

	2022						
	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	(1,182,468,654.72)	(1,182,468,654.72)	(1,182,468,654.72)	-	-	-	-
Borrowings from financial institutions	(69,765,153.16)	(70,619,084.14)	-	(422,452.11)	(606,597.91)	(2,729,690.57)	(66,860,343.55)
Customer deposits	(9,921,704,595.47)	(10,014,994,132.89)	(3,529,681,749.16)	(1,298,924,836.09)	(486,011,129.44)	(2,729,199,128.10)	(1,971,177,290.10)
Other liabilities	(63,456,832.39)	(64,060,802.39)	(43,594,543.90)	(1,085,113.69)	(2,170,227.38)	(7,838,249.23)	(9,372,668.19)
Total liabilities	(11,237,395,235.74)	(11,332,142,674.14)	(4,755,744,947.78)	(1,300,432,401.89)	(488,787,954.73)	(2,739,767,067.90)	(2,047,410,301.84)

	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)

34 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 of the Bank's assets and liabilities which are measured at fair value at each balance sheet date on a recurring basis. The Bank's assets and liabilities are classified in their entirety based on the lowest level of input that is significant to their fair value measurements. 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:

	2022			
	Level 1 fair value measurements	*Level 2 fair value measurements*	*Level 3 fair value measurements*	*Total*
Recurring fair value measurements				
Assets				
FVOCI				
- Bonds	-	864,280,722.02	-	864,280,722.02

	2021			
	Level 1 fair value measurements	*Level 2 fair value measurements*	*Level 3 fair value measurements*	*Total*
Recurring fair value measurements				
Assets				
FVOCI				
- Bonds	-	916,239,432.99	-	916,239,432.99

(b) Level 2 fair value measurement

The fair value of FVOCI invested in government bonds is determined using the quotation from the valuation system of the relevant securities clearing institutions. In the process of forming the quotation, the relevant institutions adopt the observable inputs reflected in 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, the majority of the financial assets are due within one year, and their book value is close to the fair value.

Loans and advances are carried at amortized cost less provision for impairment (Note 3(2)(g)). 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 for 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.

35 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 draft issued by customers. The Bank expects most acceptances to be settled simultaneously with the reimbursement from the customers. The amounts for loan commitments in the 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 recognized if counterparties failed to completely perform as contracted.

Contractual amount	*2022*	*2021*
Standby letters of credit and guarantee letters issued	2,866,929,173.44	2,718,996,345.34
Bank acceptances	13,206,108.28	25,011,828.70
Total	2,880,135,281.72	2,744,008,174.04

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 commitments are expected to expire without being drawn upon, the total contractual amounts shown above do not necessarily represent expected future cash outflows.

(2) Credit risk weighted amount

	2022	*2021*
Credit risk weighted amount of credit commitments	818,420,750.00	876,704,250.00

The credit risk-weighted assets refer 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) Capital commitments

The Bank's capital commitment balance as of December 31 of 2022 and 2021 are as follows:

	2022	*2021*
Participated in and not fulfilled or not fully fulfilled	3,769,437.00	3,665,493.42

36 Entrusted loans and funds

The Bank’s entrusted loans and funds as of December 31 of 2022 and 2021 are as follows:

	2022	*2021*
Entrusted loans	426,447,388.12	435,137,088.12
Entrusted funds	426,447,388.12	435,137,088.12

37 Comparative figures

Certain comparative figures have been reclassified to conform to the presentation requirements of the current year's financial statements.

East West Bank (China) Limited
Balance Sheet at 31 December 2022
(Expressed in Renminbi Yuan)

	2022			*2021*		
	RMB business	*FCY business*	*Total*	*RMB business*	*FCY business*	*Total*
Assets						
Cash and deposits with central bank	1,384,848,524.53	157,138,181.10	1,541,986,705.63	936,246,494.11	259,803,399.30	1,196,049,893.41
Deposits with inter-banks	70,030,629.80	599,619,929.87	669,650,559.67	68,362,923.24	1,311,884,275.40	1,380,247,198.64
Placements with financial institutions	2,048,991,562.55	1,840,542,015.04	3,889,533,577.59	1,824,615,408.20	1,187,799,601.76	3,012,415,009.96
Loans and advances to customers	5,249,868,225.77	601,807,620.65	5,851,675,846.42	3,759,763,312.88	660,872,482.59	4,420,635,795.47
FVOCI investments	864,280,722.02	-	864,280,722.02	916,239,432.99	-	916,239,432.99
Fixed assets	773,594.77	0.07	773,594.84	1,477,435.46	6,746.83	1,484,182.29
Construction in progress	1,927,285.90	-	1,927,285.90	2,257,886.75	-	2,257,886.75
Intangible assets	11,141,166.50	151,942.78	11,293,109.28	13,499,452.29	163,641.27	13,663,093.56
Deferred tax assets	9,486,960.17	-	9,486,960.17	17,835,348.19	-	17,835,348.19
Other assets	36,177,098.57	(429,483.21)	35,747,615.36	43,023,189.94	1,606,755.32	44,629,945.26
Total assets	9,677,525,770.58	3,198,830,206.30	12,876,355,976.88	7,583,320,884.05	3,422,136,902.47	11,005,457,786.52

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

East West Bank (China) Limited
Balance Sheet at 31 December 2022 (continued)
(Expressed in Renminbi Yuan)

	2022			*2021*		
	RMB business	*FCY business*	*Total*	*RMB business*	*FCY business*	*Total*
Liabilities						
Deposits from financial institutions	1,167,710,551.91	14,758,102.81	1,182,468,654.72	548,566,278.94	13,102,233.04	561,668,511.98
Borrowings from financial institutions	-	69,765,153.16	69,765,153.16	-	63,761,540.14	63,761,540.14
Customer deposits	7,357,636,469.72	2,564,068,125.75	9,921,704,595.47	5,863,280,503.84	2,903,121,168.57	8,766,401,672.41
Employee benefits payable	15,140,816.24	-	15,140,816.24	13,791,441.29	-	13,791,441.29
Taxes payable	506,563.33	2,090,108.06	2,596,671.39	992,911.39	4,558,554.03	5,551,465.42
Other liabilities	(14,635,686.93)	70,560,187.57	55,924,500.64	17,112,616.14	42,246,102.15	59,358,718.29
Total liabilities	8,526,358,714.27	2,721,241,677.35	11,247,600,391.62	6,443,743,751.60	3,026,789,597.93	9,470,533,349.53

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

East West Bank (China) Limited
Balance Sheet at 31 December 2022 (continued)
(Expressed in Renminbi Yuan)

	2022			*2021*		
	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
Other reserves	167,042,222.98	41,226,510.08	208,268,733.06	115,597,057.94	19,327,379.05	134,924,436.99
(Accumulated losses)/Retained earnings	(87,875,166.67)	108,362,018.87	20,486,852.20	(48,019,925.49)	48,019,925.49	-
Total owner's equity	1,151,167,056.31	477,588,528.95	1,628,755,585.26	1,139,577,132.45	395,347,304.54	1,534,924,436.99
Total liabilities and owner's equity	9,677,525,770.58	3,198,830,206.30	12,876,355,976.88	7,583,320,884.05	3,422,136,902.47	11,005,457,786.52

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

East West Bank (China) Limited
Income statement for the year ended 31 December 2022
(Expressed in Renminbi Yuan)

	2022			*2021*		
	RMB business	*FCY business*	*Total*	*RMB business*	*FCY business*	*Total*
Operating income	168,663,644.57	86,285,693.22	254,949,337.79	156,971,565.12	16,578,899.22	173,550,464.34
Net interest income	159,496,952.63	41,995,438.50	201,492,391.13	147,891,355.01	18,297,309.87	166,188,664.88
Interest income	286,880,228.49	63,668,089.18	350,548,317.67	252,980,022.27	20,832,430.45	273,812,452.72
Interest expense	(127,383,275.86)	(21,672,650.68)	(149,055,926.54)	(105,088,667.26)	(2,535,120.58)	(107,623,787.84)
Net fees and commission income	1,112,744.12	7,230,907.42	8,343,651.54	700,584.32	6,994,344.11	7,694,928.43
Fees and commission income	1,583,193.57	7,739,119.31	9,322,312.88	1,316,652.49	7,478,176.56	8,794,829.05
Fees and commission expense	(470,449.45)	(508,211.89)	(978,661.34)	(616,068.17)	(483,832.45)	(1,099,900.62)
Exchange gains / (losses)	5,136,325.49	37,059,347.30	42,195,672.79	6,211,706.92	(8,712,754.76)	(2,501,047.84)
Other operating income	2,691,093.51	-	2,691,093.51	1,949,824.61	-	1,949,824.61
Gains from asset disposals	2,000.00	-	2,000.00	-	-	-
Other income	224,528.82	-	224,528.82	218,094.26	-	218,094.26

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

East West Bank (China) Limited
Income statement for the year ended 31 December 2022 (continued)
(Expressed in Renminbi Yuan)

	2022			2021		
	RMB business	*FCY business*	*Total*	*RMB business*	*FCY business*	*Total*
Operating expenses	(133,116,040.97)	(4,982,800.01)	(138,098,840.98)	(139,516,402.91)	(10,389,984.62)	(149,906,387.53)
Tax and surcharges	(2,373,673.51)	-	(2,373,673.51)	(1,111,641.05)	-	(1,111,641.05)
General and administrative expenses	(145,132,616.65)	(2,094,893.21)	(147,227,509.86)	(127,362,660.76)	(11,150,079.46)	(138,512,740.22)
Credit impairment reversal/ (losses)	14,390,249.19	(2,887,906.80)	11,502,342.39	(11,023,701.10)	760,094.84	(10,263,606.26)
Losses from asset disposals	-	-	-	(18,400.00)	-	(18,400.00)
Operating profit	35,547,603.60	81,302,893.21	116,850,496.81	17,455,162.21	6,188,914.60	23,644,076.81
Add: non-operating income	1,739.03	3,693.72	5,432.75	27.10	239.71	266.81
Less: non-operating expense	-	-	-	-	-	-
Profit before taxation	35,549,342.63	81,306,586.93	116,855,929.56	17,455,189.31	6,189,154.31	23,644,343.62
income tax expense (charged)/reversal	(24,684,593.86)	-	(24,684,593.86)	3,049,275.15	-	3,049,275.15
Net profit	10,864,748.77	81,306,586.93	92,171,335.70	20,504,464.46	6,189,154.31	26,693,618.77
Other comprehensive income, net of tax	(356,191.73)	-	(356,191.73)	7,316,468.87	-	7,316,468.87
Total comprehensive income	10,508,557.04	81,306,586.93	91,815,143.97	27,820,933.33	6,189,154.31	34,010,087.64

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

East West Bank (China) Limited
Balance Sheet at 31 December 2022
(Expressed in Renminbi Yuan)

	Shanghai Branch	*Shenzhen Branch*	*Shantou Branch*	*Total*
Assets				
Cash and deposits with central bank	1,541,986,705.63	-	-	1,541,986,705.63
Deposits with inter-banks	668,176,229.63	208,081.68	1,266,248.36	669,650,559.67
Placements with financial institutions	3,889,533,577.59	-	-	3,889,533,577.59
Loans and advances to customers	4,731,477,282.90	968,926,521.13	151,272,042.39	5,851,675,846.42
FVOCI investments	864,280,722.02	-	-	864,280,722.02
Fixed assets	771,882.38	1,712.46	-	773,594.84
Construction in progress	1,927,285.90	-	-	1,927,285.90
Intangible assets	11,293,109.28	-	-	11,293,109.28
Deferred tax assets	9,486,960.17	-	-	9,486,960.17
Other assets	31,589,975.94	2,714,103.61	1,443,535.81	35,747,615.36
Domestic deposit from correspondent banks (Net)	(359,416,643.31)	342,660,353.72	16,756,289.59	-
Total assets	11,391,107,088.13	1,314,510,772.60	170,738,116.15	12,876,355,976.88

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

East West Bank (China) Limited
Balance Sheet at 31 December 2022 (continued)
(Expressed in Renminbi Yuan)

	Shanghai Branch	*Shenzhen Branch*	*Shantou Branch*	*Total*
Liabilities				
Deposits from financial institutions	878,977,341.69	303,491,313.03	-	1,182,468,654.72
Borrowings from financial institutions	69,765,153.16	-	-	69,765,153.16
Customer deposits	8,995,685,853.95	894,842,882.43	31,175,859.09	9,921,704,595.47
Employee benefits payable	14,588,650.13	431,682.00	120,484.11	15,140,816.24
Taxes payable	2,004,202.46	446,346.66	146,122.27	2,596,671.39
Other liabilities	53,465,566.26	1,834,236.69	624,697.69	55,924,500.64
Total liabilities	10,014,486,767.65	1,201,046,460.81	32,067,163.16	11,247,600,391.62

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

East West Bank (China) Limited
Balance Sheet at 31 December 2022 (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
Other reserves	208,268,733.06	-	-	208,268,733.06
Retained earnings	(31,648,412.58)	13,464,311.79	38,670,952.99	20,486,852.20
Total owner's equity	1,376,620,320.48	113,464,311.79	138,670,952.99	1,628,755,585.26
Total liabilities and owner's equity	11,391,107,088.13	1,314,510,772.60	170,738,116.15	12,876,355,976.88

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

East West Bank (China) Limited
Income statement for the year ended 31 December 2022
(Expressed in Renminbi Yuan)

	Shanghai Branch	*Shenzhen Branch*	*Shantou Branch*	*Total*
Operating income	224,504,255.17	12,703,676.95	17,741,405.67	254,949,337.79
Net interest income	185,546,149.43	9,345,239.92	6,601,001.78	201,492,391.13
Interest income	322,275,117.27	21,261,159.91	7,012,040.49	350,548,317.67
Interest expense	(136,728,967.84)	(11,915,919.99)	(411,038.71)	(149,055,926.54)
Net fees and commission income	7,540,736.50	785,884.12	17,030.92	8,343,651.54
Fees and commission income	8,514,655.84	787,851.12	19,805.92	9,322,312.88
Fees and commission expense	(973,919.34)	(1,967.00)	(2,775.00)	(978,661.34)
Exchange gains	28,538,073.04	2,544,570.68	11,113,029.07	42,195,672.79
Other operating income	2,691,093.51	-	-	2,691,093.51
Gains from asset disposals	-	-	2,000.00	2,000.00
Other income	188,202.69	27,982.23	8,343.90	224,528.82

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

East West Bank (China) Limited
Income statement for the year ended 31 December 2022 (continued)
(Expressed in Renminbi Yuan)

	Shanghai Branch	*Shenzhen Branch*	*Shantou Branch*	*Total*
Operating expenses	(122,474,055.12)	(12,563,970.48)	(3,060,815.38)	(138,098,840.98)
Tax and surcharges	(2,191,514.08)	(140,372.20)	(41,787.23)	(2,373,673.51)
General and administrative expenses	(131,784,883.43)	(12,423,598.28)	(3,019,028.15)	(147,227,509.86)
Credit impairment losses	11,502,342.39	-	-	11,502,342.39
Losses from asset disposals	-	-	-	-
Operating profit	102,030,200.05	139,706.47	14,680,590.29	116,850,496.81
Add: non-operating income	5,430.60	2.15	-	5,432.75
Less: non-operating expense	-	-	-	-

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

East West Bank (China) Limited
Income statement for the year ended 31 December 2022 (continued)
(Expressed in Renminbi Yuan)

	Shanghai Branch	*Shenzhen Branch*	*Shantou Branch*	*Total*
Profit before taxation	102,035,630.65	139,708.62	14,680,590.29	116,855,929.56
Income tax expense	(23,686,467.83)	(810,155.26)	(187,970.77)	(24,684,593.86)
Net profit	78,349,162.82	(670,446.64)	14,492,619.52	92,171,335.70
Other comprehensive income, net of tax	(356,191.73)	-	-	(356,191.73)
Total comprehensive income	77,992,971.09	(670,446.64)	14,492,619.52	91,815,143.97

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