华美银行
EAST WEST BANK

EAST WEST BANK (CHINA) LIMITED

ANNUAL REPORT

2016

1 FINANCIAL PERFORMANCE SUMMARY

- Total assets amounted to RMB6,852 million as of 2016-12-31,at an increase of RMB1,472 million, or 27.37% from 2015.
- Net Loans outstanding totaled RMB2,140 million as of 2016-12-31, at an increase of RMB472 million, or 28.30% from 2015. By the end of 2016, our loan provision ratio [1] was 3.71%, Loan provision coverage ratio [1] was 275.94%.
- Total customer deposits totaled RMB4,354 million as of 2016-12-31, at an increase of RMB718 million, or 19.75% from 2015.
- Total revenues decreased from RMB158 million in 2015 to RMB146 million in 2016.
- Total operating expenses increased from RMB108 million in 2015 to RMB129 million in 2016.
- Year 2016 Net Profit was RMB34 million.
- Capital Adequacy ratio was 35.68% , tier 1 capital ratio was 34.63%

Notes:

[1] Loan provision ratio and loan provision coverage ratio are computed based on CBRC definition. As required by CBRC, Loan Loss Provision Ratio should greater or equal to 2.5% and Provision Coverage Ratio should greater or equal to 150%.

2 INTRODUCTION

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 was formally known as TM International Bank ("TMIB"), which was a wholly-owned foreign bank incorporated in Shantou, Guangdong Province, China, by M. Thai Group Limited and Thai Military Bank Public Company Limited on 26 June 1992 with the approval of the People's Bank of China (the "PBOC"). With the approval of the PBOC on 30 November 1994, Thai Military Bank Public Company Limited transferred its equity interest in TMIB to Kasikornbank PCL and Charoen Pokphand Group Company Limited.

With the approval of the PBOC on 30 June 1995, TMIB moved from Shantou to Shanghai and changed its name to Business Development Bank Limited ("BDB") on 4 July 2002.

With the approval of the China Banking Regulatory Commission (the "CBRC") on 28 September 2003, BDB increased its registered capital to USD equivalent of RMB 521.5 million. USD equivalent of RMB 82.7 million was contributed by DEG-Deutsche Investitions-und Entwicklungsgesellschaft mbH, and USD equivalent of RMB 0.46 million was transferred from translation differences. After the additional capital injection, Charoen Pokphand Group Company Limited, M. Thai Group Limited, DEG-Deutsche Investitions-und Entwicklungsgesellschaft mbH and Kasikornbank PCL hold 58.24%, 20.56%, 14.35% and 6.85% of the Bank's equity interest, respectively.

With the approval of the CBRC on 21 November 2007, the former Business Development Bank shareholders, Charoen Pokphand Group Company Limited, M. Thai Group Limited, DEG-Deutsche Investitions-und Entwicklungsgesellschaft mbH and Kasikornbank PCL, transferred all the equity interest of BDB to United Commercial Bank Limited ("UCB"). At the same time, UCB additionally injected paid-in capital equivalent to RMB 478.5 million. The registered capital increased from RMB 521.5 million equivalent to RMB 1 billion equivalent. Meanwhile, BDB was renamed as United Commercial Bank (China) Limited ("UCB China").

On 7 November 2009, the Federal Deposit Insurance Corporation ("FDIC") announced the acquisition of the UCB by EWB, including UCB China. With the approval of the CBRC on 23 March 2010, the shareholder of UCB China was changed to EWB. After the acquisition, EWB held a 100% equity interest in UCB China, and UCB China was renamed as East West Bank (China) Limited, which inherited the tax affairs, credits and debts of the former UCB China. The bank obtained an updated financial license, No. B0305H131000001, on 12 April 2010.

With the approval of the CBRC on 30 September 2010, the Bank raised its registered capital by RMB 400 million equivalent freely convertible currency. The registered capital increased to RMB 1.4 billion equivalent. On 13 January 2012, the qualification of Mr. Dominic Ng as the Legal Representative of the Bank was approved by the CBRC. The Bank obtained an updated business license for enterprises, No. 310000400530410, on 14 April 2015.

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

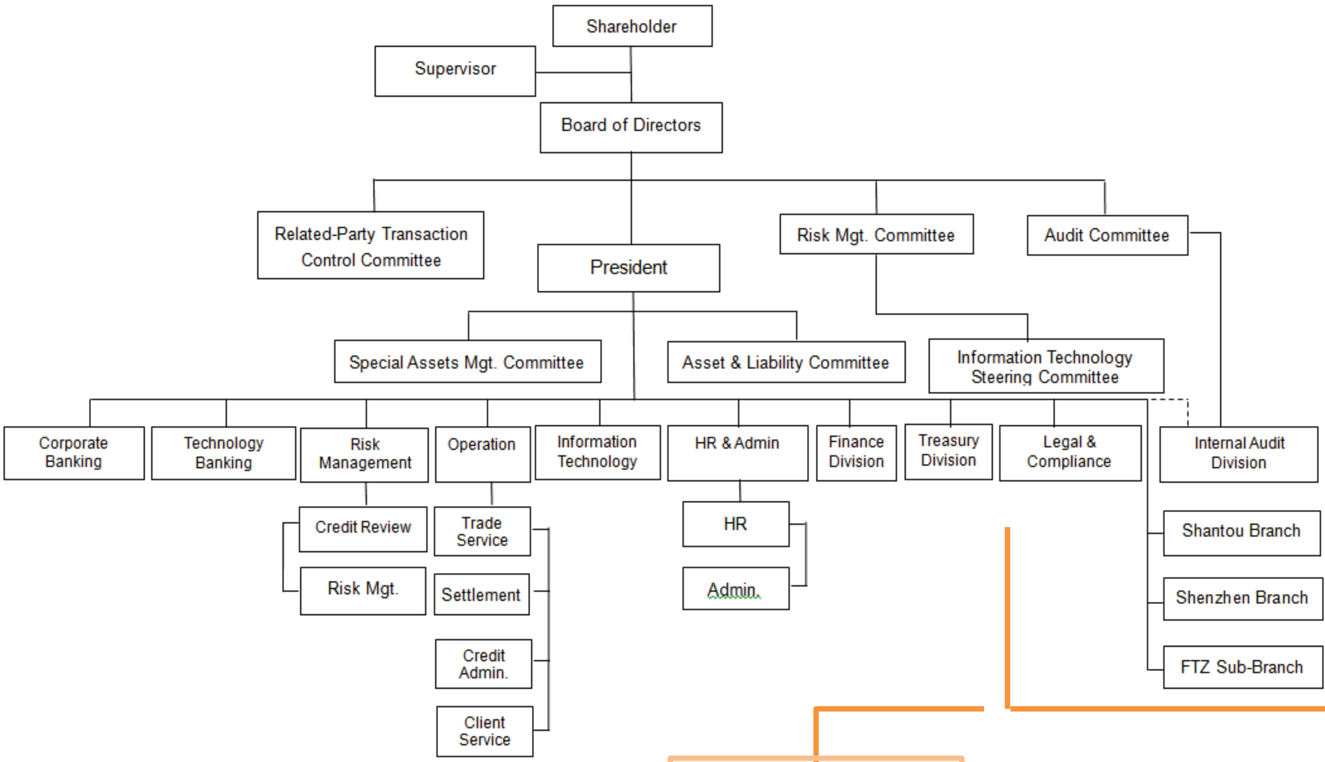
As of 31 December 2016, the Bank has established two branches in Shantou and Shenzhen, and a sub-branch in Shanghai Pilot Free Trade Zone.

3 IMPORTANT INFORMATION DISCLOSURE

- On 3 May 2016, Ms. Rose Li resigned from Shenzhen Branch Manager.
- On 17 May 2016, the qualification of Mr. Ted Lee as Independent Director was approved by the CBRC.
- On 1 November 2016, Mr. Wayne Zhou is appointed as Shenzhen Branch Manager.

4 CORPORATE GOVERNANCE

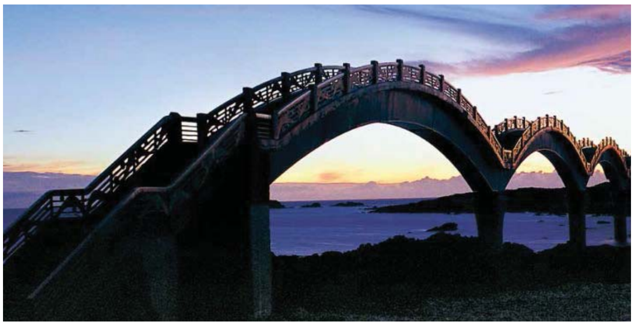
As of 31 December 2016, the Bank's organizational structure was as follows:



In accordance with the Articles of Association and relevant laws and regulations, the Bank has set up a Board of Directors, committees under the Board of Directors, and a Supervisor.
Compared with 2015, there were no significant changes in the responsibilities and duties of the above supervisory bodies.

Shareholder And Its Main Responsibilities And Duties

- Determine the business policy and investment policy of the Bank
- Elect and replace members of the Board of Directors(Executive Directors, Non-Executive Directors including Independent Directors) and the Supervisor of the Bank, and decide the matters concerning the remuneration of the members of the Board of Directors and the Supervisor
- Examine and approve the reports of the Board of Directors and the Supervisor
- Examine and approve the annual budgets of income and expenditure and the annual settlement statements of expenditure
- Examine and approve the annual financial statements after the audit by the designated external auditor
- Examine and approve plans for profit distribution or making up losses of the Bank
- Examine and approve any increase or decrease of the registered capital of the Bank
- Determine the listing of the Bank
- Determine any transfer of equity interest in the Bank
- Determine the Bank's merger or spin-off, changes to the Bank's corporate status, and dissolution of the Bank



- Determine the Bank's liquidation procedure, policy and the members of Liquidation Committee when the Bank decide to dissolve
- Examine and approve the issuance of bonds
- Examine and approve any amendment to the Articles of Association
- Examine and approve the appointment or dismissal of the external auditor and CPA firm
- Examine and approve the significant changes of shareholdings and the financial restructuring program of the Board of Directors.

The Board Of Directors And Its Main Responsibilities And Duties

The Board of Directors has eight directors appointed by the shareholder, including one chairman, one independent director, one executive director and five non-executive directors (one corporate secretary). The Chairman of the Board of Directors, who is also the Legal Representative of the Bank, is responsible for the business strategy and the overall development of the Bank. The President of the Bank is responsible for the Bank's day to day management and operation. The President of the Bank, who is appointed by and reports to the Board of Directors, carries out the responsibilities in accordance with the Articles of Association and the authorization of the Board of Directors. The roles and responsibilities of the Chairman and the President are segregated. The members of the Board of Directors are as follows:

No.	Name	Nature	Holding Positions
1	Dominic Ng	Chairman	Chairman and CEO of EWB
2	Andy Yen	Director	Executive Vice President of EWB
3	John Lee	Director	Director of EWB
4	Andrew Pan	Director	Senior Vice President of EWB
5	Thomas Lo	Director	Senior Vice President of EWB
6	Bennett Chui	Director	Deputy Chief Credit Officer of EWB
7	Tom Chang	Executive Director	President of EWCN
8	Ted Lee	Independent Director	General Manager of Tplus Capital
9	Elisa Bian	Corporate Secretary	Senior Vice President of EWCN

The Main Responsibilities And Duties Of The Board Of Directors Include The Following:

- Report its work to the shareholder and implement the decisions of the shareholder
- Hire or dismiss the President, the vice presidents, Chief Risk Officer and key management personnel of the Bank and determine their remuneration, with the nomination of the Chairman of the Board of Directors
- Approve or modify annual budgets and three-year business plans, annual operation reports, and other important reports submitted by Management
- Develop annual budgets of income and expenditure and the annual settlement statements of expenditure
- Develop plans for distributing profits or for making up losses of the Bank
- Develop plans for increasing or decreasing the registered capital of the Bank
- Develop plans for the Bank’s significant investments, merger or spin-off, changes in its corporate status, or dissolution of the Bank
- Determine the establishment or closure of branches/sub-branches of the Bank
- Develop plans for issuance of bonds
- Approve the Bank’s fundamental management system, including the setup of the Bank’s internal management structure, responsibilities of the respective positions and conduct of staff or strategic procedures
- Determine on the appointment, hiring or dismissal of the members of Audit Committee, Risk Management Committee, Related Party Transactions Control Committee and the person in charge of the Internal Audit department, and determine the matters concerning the remuneration of Head of Internal Audit department, determine the Bank’s policy on compensation and remuneration for its employees

- Approve the Statement of Operating Policy
- Approve any transaction that is not within the ordinary course of business but is within ordinary business terms and at arm's length
- Approve the participation of a partnership, profit sharing plan, franchise agreement, or any other similar arrangement, whereby the income or profits are shared with any third party
- Approve the selling, transferring, leasing or disposing of any assets 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 the conducting of any non-banking or non-banking related financial services, either directly or through a subsidiary
- Appoint or authorize any two people from President and the vice-presidents of the Bank to conduct any legally binding business of the Bank
- Develop the capital planning (including capital supplement planning), take the ultimate responsibility for capital management
- Develop plans for the Bank's significant changes of shareholdings and financial restructuring program
- Deal with other matters that can be determined by the Board of Directors pursuant to the relevant PRC laws.

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 a proposal from more than one-third of all the directors. Directors shall attend at least two-thirds of the meetings every year in person. Generally, a proposal of the Committee is approved if a committee quorum is achieved and more than 50% of the members that are present vote in favor of the proposal. Some proposals should be approved with all the members voting in favor. Each Board of Directors' resolution shall be signed by the directors attending the meeting and filed by the Board Secretary of the Bank. In 2016, the Board of Directors held four meetings, on 8 April, 3 June, 26 September and 9 December, when a number of proposals were reviewed, discussed and approved. In accordance with the implementation rules for evaluating directors' performance of their duties, the Board of Directors and the Supervisor jointly evaluate directors' performance of their duties. The evaluation focuses on the ability, regularity, adequacy and quality in their performance of duties. The evaluation of directors' performance of duties is carried out every year. The Supervisor completes the year-end review report based on the preliminary report submitted by the Board of Directors.

Board Committees

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

All committees shall keep minutes of meetings. The minutes are to be signed by the directors attending the meeting and filed by the secretaries of committees. All resolutions and voting results of the committee meeting shall be reported to the Board of Directors in writing.

✓ Audit Committee

The Bank's Audit Committee is composed of independent director Mr. Ted Lee, non-executive directors Mr. Bennett Chui, Mr. Andrew Pan and Mr. Andy Yen. Mr. Ted Lee has been appointed as the chairman of the Committee. The main responsibilities of the Audit Committee include the following:

- 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 reassess the adequacy of the Charter of Audit Committee on an annual basis.

According to the Charter of Audit Committee, the Committee shall meet at least quarterly. In addition to the regularly scheduled meetings, the chairman or more than half of the members of Audit Committee may propose any additional convention. The committee quorum is more than two-thirds of members. A proposal of the committee is approved if a committee quorum is achieved and more than 50% of the members that are present vote in favor of the proposal. In 2016, Audit Committee held four meetings, on 25 March, 01 June, 22 September and 02 December, when a number of proposals and audit activities were reviewed, discussed and approved. Audit Committee reports to the Board of Directors.

✓ Risk Management Committee

The Bank's Risk Management Committee is composed of non-executive directors Mr. Andy Yen, Mr. Thomas Lo and Mr. Bennett Chui, executive director Mr. Tom Chang and independent director Mr. Ted Lee. Mr. Andy Yen has been appointed as the chairman of the Committee. The main responsibilities of Risk Management Committee include the following:

- Review and approve the Enterprise-Wide Risk Management ("ERM") Policy and other individual risk management policies approved by the Board of Directors
- Monitor the Bank's risk exposure detailing each individual risk through a standard report at each risk management meeting
- Summarizing the risk assessment process from reports, and supervising the quality of the risk management process
- If exceptions to the policy occur or significant risk (either internal or external) arises, provide suggestion to President of the Bank and Management. Evaluate the cause or likely impact of such events, review or approve the Management's plan of remediation, and monitor the progress until the event is resolved or the risk is mitigated to an acceptable level
- Unless being done by another Committee of the Board, oversee the progress of the compliance of the new laws, regulations and accounting standards, and oversee the progress of Management's implementing the recommendations of 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 analyses or reports from Management, when necessary, in order to improve the Committee's understanding of specific risk issues
- Review and reassess the adequacy of the Charter of Risk Management Committee on an annual basis.

According to the Charter of Risk Management Committee, the Committee shall meet at least quarterly. In addition to the regularly scheduled meetings, the chairman of the Board of Directors, the chairman or more than half of the members of Risk Management Committee, may propose any additional convention. A committee quorum is more than two-thirds of committee members. A proposal of the committee is approved if a committee quorum is achieved and more than 50% of the members that are present vote in favor of the proposal. With the invitation of the chairman, Head of Risk Management, Head of Finance , Head of Legal and Compliance and other relevant personnel shall attend the meeting. In 2016, Risk Management Committee held four meetings, on 25 March, 01 June, 22 September and 02 December when a number of proposals were reviewed, discussed and approved. Risk Management Committee reports to the Board of Directors.

✓ Related-Party Transactions Control Committee

Related-Party Transactions Control Committee is composed of independent director Mr. Ted Lee, non-executive directors Mr. Thomas Lo and Mr. Andrew Pan, and executive director Mr. Tom Chang. Mr. Ted Lee has been appointed as the chairman of the committee. The main responsibilities of the Related-Party Transactions Control Committee include the following:

- Identify and confirm the related parties and related party transactions
- Direct and oversee Management in controlling and managing the risk of related party transactions
- Review and approve any related party transactions raised by the President of the Bank or his/her agent
- Review the internal control procedures in terms of related party transactions
- Confirm and report to the Board of Directors up-to-date related parties information which shall be promulgated to the relevant staff simultaneously
- Veto any related party transaction unless the transaction is reasonable, fair and in compliance with arms-length transaction, with the unanimous consent of all members of Related-Party Transaction Control Committee
- Propose to the Board of Directors to approve any important related party transactions
- Other matters in relation to related parties or related party transactions as directed by the Board of Directors.

According to the Charter of Related-Party Transaction Control Committee, the committee shall meet when necessary. All the members shall be notified seven days before the meeting. The Chairman of 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. A committee quorum is more than 50% of members. A proposal of the committee is approved if a committee quorum is achieved and more than 50% of the members that are present vote in favor of the proposal. In 2016, Related-Party Transaction Control Committee held two meetings on 1 June and 2 December, when a number of proposals were reviewed, discussed and approved. Related-Party Transaction Control Committee reports to the Board of Directors.

➢ Independent Director

Independent Director Mr. Ted Lee has performed his responsibilities and duties properly. In 2016, he has attended all the relevant meetings including the meetings of the Board of Directors, Audit Committee, Related-Party Transactions Control Committee and Risk Management Committee.
Mr. Ted Lee participated and presided over the meetings of Related-Party Transactions Control Committee, discussed the possible impact of related risk management policy on the bank's management and internal control, and made judgment independently based on the discussion and self-experience.

Besides, as the chairman of Audit Committee, the Independent Director could also find the risk of the bank and raise the corresponding rectification opinions timely.

Through the examination of the qualification review of the external auditors which conducting by Audit Committee, Mr. Ted Lee provided independent opinion on the engagement of external auditors.

➢ Senior Management And Other Key Management Personnel

Tom Chang	President
Wayne Zhou	Senior Vice President Head of Treasury & Shenzhen Branch Manager
Elisa Bian	Senior Vice President Head of Operations
Xiong Da Yong	Senior Vice President Head of Legal & Compliance
Calvin Cheng	Head of Technology Banking
Al Mao	Chief Risk Officer
Fred Wei	Head of Finance
Minnie Zhu	Head of Personnel & Administration
Priscilla Dai	Head of Internal Audit
Menei Wei	Head of IT
Eddie Fu	SVP/International Banking
Zhou Yang Qun	Shantou Branch Manager
Kenny Zhang	FTZ Sub-Branch Manager

Supervisor And Its Main Responsibilities

The Bank has one supervisor. Mr. Douglas P. Krause appointed by the shareholder of the Bank carries out the responsibility and the duty as supervisor. None of the directors, members of Senior Management, or financial officers of the Bank is allowed to concurrently serve as Supervisor. Supervisor reports to the shareholder, and oversees the Board of Directors and Senior Management. The main responsibilities of Supervisor include the following:

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

➢ Remuneration Policy

The Remuneration policy of the bank is based on the principle of fairness, competition, encouragement, economy and legality. This Remuneration could give full play to the motivation of the corporate governance and overall control, establish and improve the mechanisms to implement the strategic targets, enhance the competitiveness as well as develop talents and control risks.

The bank's Remuneration includes basic salary, performance related pay, welfare income and other non-cash equity expenditures. The bank's Remuneration is always consistent with the business and development strategies. In order to ensure the efficiency of operation and enrich the internal talent pool, the raise and promotion of staff are evaluated and implemented together with the annual performance appraisal at the end of each year.

In order to maintain the sustainable development of the bank, the bank put Risk Management and Compliance Regulation into the scope of the overall evaluation of performance related pay, so as to ensure the Remuneration is fully consistent with the bank's overall risk management and control. The bank's overall budget has been approved at the first Board meeting in 2016 and the actual expenditure costs were within the budget. In 2016, the total remuneration of Senior Management was RMB 14,740,393.00, the allowance of Independent Director was RMB 329,981.00 and there was no salary payment for Non-executive Directors and Supervisor from our bank.

➢ Overall Evaluation Of Corporate Governance

The Board of Directors of the bank has been devoted to establishing a sound and efficient corporate governance structure in recent years. Combined with the policy and experience of parent bank, the Board of Directors established a corporate governance structure which composed of the shareholders, the Board of Directors and its Board Committees, supervisor and senior management in strict accordance with the relevant laws and regulations as well as regulatory requirements. The components of this corporate governance structure have both segregated hierarchy of authority and effective combination of authorization and supervision.

In 2016, the Bank's corporate governance was overall effective. The Board of Directors feasibly fulfilled fiduciary and custodial duties. In accordance with the relevant laws and regulations, regulatory requirements and the provisions of the bank's Articles of Association, the Board of Directors and its Board Committees actively fulfilled the responsibilities and duties of the bank's corporate governance structure and mechanism, determined the important matters under proper authorization. Meanwhile, the Board of Directors and its Board Committee had monitored the potential risk and supervised the performance of senior management by meetings with senior management, reviewing the bank's related implementation reports of internal control and risk management.

5 RISK MANAGEMENT

Introduction

The business activities of the bank have been confronted with various kinds of financial risks, the bank analysis, evaluate, accept and manage of a certain degree of risk or risk portfolio. The main business risks of the bank including credit risk, market risk, liquidity risk, operational risk, reputation risk and country risk. The market risk mainly includes interest rate risk and exchange rate risk. The details of all above the risks (except operational risk) were disclosed in note 33 to the financial statements. The following would introduce 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 kinds of risks of the Bank. Risk Management Committee is established under the Board of Directors to control 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 the establishment of risk management policies and strategies, the monitoring of internal controls over risk management, and the examination of the effectiveness of the risk management policies. In addition, the Asset Liability Committee (“ALCO”) under President is responsible for market risk and liquidity risk.

Regarding to the country risk, the country risk of the Bank is relatively low and mainly from credit related business. The Bank has established related country risk management process and which has been merged into the integrated risk management mechanism, and Credit Review Department is responsible for the daily monitoring and management of the country risk.

Moreover, Internal Audit Department is responsible for the independent review on risk management and internal controls. Internal Audit Department is independent of other business departments and is responsible for the Bank’s internal audits of all functions at both Head Office and other branches. Head of Internal Audit is in charge of Internal Audit Department and is responsible for reporting to the Board’s Audit Committee. Audit Committee is responsible for reporting to the Board of Directors, to organize and guide the internal audit work upon authorization of the Board of Directors, and to supervise the accountability of Internal Audit Department. Internal audit covers: the Bank’s business management compliance; the effectiveness and soundness of internal control; risk profile as well as the applicability and effectiveness of the procedures of risk identification, assessment and monitoring; and the plan, design, development, operation and maintenance of the information system and the operational performance of the Bank and due diligence of managerial staff. 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.

The Board of Directors is responsible for approving the goals and strategies of the Bank's operational risk management, and takes ultimate responsibility for the effectiveness of the Bank's operational risk management. Risk Management Committee is responsible for implementing the operational risk management goals and strategies approved by the Board of Directors, and for reporting to the Board of Directors. Risk Management Department assists Risk Management Committee in managing operational risk. Risk Management Department is responsible for monitoring the overall operational risk, supervising its proper implementation and execution, collecting and analyzing related reports and data of both external and internal operational risks and monitoring the overall operational risk management of the Bank. The relevant department takes ultimate responsibility for the management of operational risk respectively.

The Bank hasn't launched the private business for domestic residents currently, therefore, the reputation risk based on the existing business scale and product structure is relatively slight. As for the Corporate Governance part, the Board of Directors and Senior Management have the ultimate responsibility for the reputation risk management and the Board of Directors has authorized the President of the Bank to take the responsibility for the reputation risk. The Bank has established related rules and procedures of Customer Complaint Resolution Process ("CCRP"), and Risk Management Department is responsible for the daily monitoring and management of the reputation risk.

6 HEAD OFFICE AND BRANCHES

Head Office

Address : 30/F Jin Mao Tower, 88 Century Boulevard, Shanghai
Zip Code : 200121
Tel : (8621) 50499999
Fax : (8621) 50475288

Branches

Shenzhen Branch
Address : Rm01/04, 37/F Kerry Plaza III, 1-1# Zhong Xin Si Road, Fu Tian District, Shenzhen
Zip Code : 518048
Tel : (86755) 82752688
Fax : (86755) 82709059

Shantou Branch
Address : 1502 /1504 Hua Qiao Commercial Bank Building, 127 East Jin Sha Road, Shantou
Zip Code : 515041
Tel : (86754) 88990001
Fax : (86754) 88990008

Shanghai Pilot Free Trade Zone Sub-Branch
Address : Rm A1, 1/F, Building A, No. 51 Rijing Road, Shanghai Free Trade Zone, Shanghai
Zip Code : 200131
Tel : (8621) 20299999
Fax : (8621) 50199978

7 AUDIT REPORT

EAST WEST BANK (CHINA) LIMITED

ENGLISH TRANSLATION OF THE FINANCIAL STATEMENTS
FOR THE YEAR FROM 1 JANUARY 2016 TO 31 DECEMBER 2016
IF THERE IS ANY CONFLICT BETWEEN THE CHINESE VERSION
AND ITS ENGLISH TRANSLATION, THE CHINESE VERSION WILL PREVAIL

AUDITORS' REPORT

毕马威华振沪审字第 1701141 号

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

We have audited the accompanying financial statements of East West Bank (China) Limited (the "Bank") on pages 1 to 52, which comprise the balance sheet as at 31 December 2016, the income statement, the cash flow statement, the statement of changes in owners' equity for the year then ended, and notes to the financial statements.

Management's Responsibility for the Financial Statements

The Bank's management is responsible for the preparation and fair presentation of these financial statements. This responsibility includes: (1) preparing these financial statements in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China, and fairly presenting them; (2) designing, implementing and maintaining internal control which is necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing for Certified Public Accountants. Those standards require that we comply with China Code of Ethics for Certified Public Accountants, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

毕马威华振沪审字第 1701141 号

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2016, and the financial performance and the cash flows of the Bank for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People’s Republic of China.

KPMG Huazhen LLP
Shanghai Branch

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

Chen Sijie

China Shanghai

Shu Ting

7 April 2017

East West Bank (China) Limited
Balance sheet as at 31 December 2016
(Expressed in Renminbi Yuan)

	Note	*2016*	*2015*
Assets			
Cash and deposits with central bank	*5*	1,033,600,301.71	799,868,953.97
Deposits with inter-banks	*6*	1,259,706,347.11	987,360,269.58
Placements with financial institutions	*7*	2,248,874,597.10	1,472,736,903.75
Interest receivable	*8*	18,641,388.18	20,674,309.82
Loans and advances to customers	*9*	2,139,501,934.72	1,668,361,226.29
Held-to-maturity investment	*10*	98,766,869.86	395,770,969.61
Fixed assets	*11*	3,607,841.91	3,714,594.27
Construction in progress	*12*	2,260,296.72	639,190.40
Intangible assets	*13*	11,903,369.29	17,908,197.35
Deferred tax assets	*14*	23,723,430.18	-
Other assets	*15*	11,060,438.97	11,714,581.23
Total assets		6,851,646,815.75	5,378,749,196.27

The notes on pages 8 to 52 form part of these financial statements.

East West Bank (China) Limited
Balance sheet as at 31 December 2016 (continued)
(Expressed in Renminbi Yuan)

	Note	*2016*	*2015*
Liabilities			
Deposits from financial institutions	*16*	244,680,420.10	9,443,287.53
Borrowings from financial institutions	*17*	819,396,100.00	344,160,800.00
Customer deposits	*18*	4,353,778,091.53	3,635,573,616.69
Employee benefits payable	*19*	6,810,042.52	6,212,009.68
Taxes payable	*4(4)*	10,128,489.65	6,186,703.74
Interest payable	*20*	19,872,847.43	21,086,584.46
Other liabilities	*21*	18,504,728.84	12,008,306.96
Total liabilities		5,473,170,720.07	4,034,671,309.06
Owners' equity			
Paid-in capital	*22*	1,400,000,000.00	1,400,000,000.00
Surplus reserve		7,027,847.21	7,027,847.21
General risk reserve	*23*	23,110,043.31	23,110,043.31
Accumulated losses		(51,661,794.84)	(86,060,003.31)
Total owners' equity		1,378,476,095.68	1,344,077,887.21
Total liabilities and owners' equity		6,851,646,815.75	5,378,749,196.27

These financial statements have been approved by the Border of Directors on 7 April 2017.

Tom Chang President	Fred Wei Head of Finance	Bank Stamp

The notes on pages 8 to 52 form part of these financial statements.

East West Bank (China) Limited
Income statement for the year ended 31 December 2016
(Expressed in Renminbi Yuan)

	Note	*2016*	*2015*
Operating income		146,409,322.85	157,585,046.49
Net interest income	*25*	101,837,639.05	115,762,475.99
Interest income		159,032,783.80	174,761,665.75
Interest expense		(57,195,144.75)	(58,999,189.76)
Net fees and commission income	*26*	10,177,163.74	8,190,077.67
Fees and commission income		10,538,075.04	8,556,226.01
Fees and commission expense		(360,911.30)	(366,148.34)
Investment income	*27*	6,586,260.25	7,746,519.61
Exchange gains		21,320,214.36	19,619,655.73
Other operating income		6,488,045.45	6,266,317.49
Operating expenses		(128,816,435.80)	(108,133,889.66)
Tax and surcharges		(2,328,749.24)	(4,795,746.81)
General and administrative expenses	*28*	(102,024,488.65)	(97,351,397.14)
Impairment losses	*29*	(24,463,197.91)	(5,986,745.71)
Operating profit		17,592,887.05	49,451,156.83
Add: non-operating income	*30*	348,246.61	3,176,736.05
Less: non-operating expenses		(3,619.40)	(61,241.82)
Profit before taxation		17,937,514.26	52,566,651.06
Add / (less): income tax expense	*31*	16,460,694.21	(11,640,068.53)
Net profit		34,398,208.47	40,926,582.53
Other comprehensive income, net of tax		-	-
Total comprehensive income		34,398,208.47	40,926,582.53

The notes on pages 8 to 52 form part of these financial statements.

East West Bank (China) Limited
Cash flow statement for the year ended 31 December 2016
(Expressed in Renminbi Yuan)

	Note	*2016*	*2015*
Cash flows from operating activities			
Net cash inflow from deposits with central bank and inter-banks		201,783,778.53	916,443,706.03
Net cash inflow for borrowing from financial institutions		475,235,300.00	-
Net cash inflow from customer deposits and deposits from financial institutions		953,441,607.41	863,492,212.22
Interest, fees and commission received		175,517,111.87	215,155,019.37
Other cash generated from operating activities		82,796,498.86	51,600,865.11
Sub-total of cash inflows		1,888,774,296.67	2,046,691,802.73
Net cash outflow placements with other financial institutions		(455,263,199.63)	(382,392,170.72)
Net cash outflow for loans and advances to customers		(497,384,362.30)	(378,660,465.85)
Net cash outflow for borrowings from financial institutions		-	(307,877,368.00)
Interest, fees and commission paid		(58,769,793.08)	(67,409,363.70)
Cash outflow to and for employees		(56,551,267.10)	(51,027,198.68)
Taxation paid		(8,822,494.58)	(14,640,524.27)
Other cash paid relating to operating activities		(52,175,341.61)	(46,394,972.36)
Sub-total of cash outflows		(1,128,966,458.30)	(1,248,402,063.58)
Net cash inflow from operating activities	*32(1)*	759,807,838.37	798,289,739.15

The notes on pages 8 to 52 form part of these financial statements.

East West Bank (China) Limited
Cash flow statement for the year ended 31 December 2016 (continued)
(Expressed in Renminbi Yuan)

	Note	*2016*	*2015*
Cash flows from investing activities			
Investment returns received		453,413,739.75	202,253,480.39
Proceeds from investment income		6,710,863.85	7,746,519.61
Net proceeds from disposal of fixed assets		-	56,258.60
Sub-total of cash inflows		460,124,603.60	210,056,258.60
Payment for acquisition of investments		(156,409,640.00)	(598,024,450.00)
Payment for acquisition of fixed assets, construction in progress, intangible assets and other long-term assets		(3,720,143.83)	(3,822,105.60)
Sub-total of cash outflows		(160,129,783.83)	(601,846,555.60)
Net cash inflow / (outflow) from investing activities		299,994,819.77	(391,790,297.00)
Effect of foreign exchange rate changes on cash and cash equivalents		(31,647,454.34)	(10,443,932.31)
Net increase in cash and cash equivalents	*32(2)*	1,028,155,203.80	396,055,509.84
Add: cash and cash equivalents at the beginning of the year		1,115,013,727.83	718,958,217.99
Cash and cash equivalents at the end of the year	*32(3)*	2,143,168,931.63	1,115,013,727.83

The notes on pages 8 to 52 form part of these financial statements.

East West Bank (China) Limited
Statement of changes in owners' equity
for the year ended 31 December 2016
(Expressed in Renminbi Yuan)

	Paid-in capital	*Surplus reserve*	*General risk reserve*	*Accumulated losses*	*Total owners' equity*
Balance at 1 January 2016	1,400,000,000.00	7,027,847.21	23,110,043.31	(86,060,003.31)	1,344,077,887.21
Changes in equity for the year					
Total comprehensive income	-	-	-	34,398,208.47	34,398,208.47
Balance at 31 December 2016	1,400,000,000.00	7,027,847.21	23,110,043.31	(51,661,794.84)	1,378,476,095.68

The notes on pages 8 to 52 form part of these financial statements.

East West Bank (China) Limited
Statement of changes in owners' equity (continued)
for the year ended 31 December 2015
(Expressed in Renminbi Yuan)

	Paid-in capital	*Surplus reserve*	*General risk reserve*	*Accumulated losses*	*Total owners' equity*
Balance at 1 January 2015	1,400,000,000.00	7,027,847.21	23,110,043.31	(126,986,585.84)	1,303,151,304.68
Changes in equity for the year					
Total comprehensive income	-	-	-	40,926,582.53	40,926,582.53
Balance at 31 December 2015	1,400,000,000.00	7,027,847.21	23,110,043.31	(86,060,003.31)	1,344,077,887.21

The notes on pages 8 to 52 form part of these financial statements.

1 General information

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

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

As at 31 December 2016, the Bank has established two branches in Shantou and Shenzhen and a sub-branch in Shanghai Pilot Free Trade Zone.

2 Basis of preparation

The financial statements have been prepared on the 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 MOF. These financial statements present truly and completely the financial position of the Bank as at 31 December 2016, and the financial performance and the cash flows of the Bank for the year then ended.

(2) Accounting year

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

(3) Functional currency and presentation currency

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

3 Significant accounting policies and accounting estimates

(1) Translation of foreign currencies

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

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

(2) Financial instruments

Financial instruments of the Bank mainly include cash and deposits with central bank, deposits with inter-banks, placements with financial institutions, loans and advances to customers, held-to-maturity investment, interest receivable, deposits from financial institutions, borrowings from financial institutions, customer deposits, interest payable, employee benefits payable and paid-in capital.

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

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

The Bank classifies financial assets and liabilities into the following categories at initial recognition based on the purpose of acquiring assets or assuming liabilities: financial assets and financial liabilities at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and other financial liabilities.

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

As at 31 December 2016, the Bank has only loans and receivables, held-to-maturity investments and other financial liabilities.

Subsequent to initial recognition, financial assets and liabilities are measured as follows:

- Loans and receivables are measured at amortized cost using the effective interest method.

- Held-to-maturity investments are measured at amortized cost using the effective interest method.

- Financial liabilities other than those at fair value through profit or loss are subsequently measured at amortized cost using the effective interest method.

(b) Presentation of financial assets and financial liabilities

Financial assets and financial liabilities are generally presented separately in the balance sheet and are not offset. However, a financial assets 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; and

- the Bank intends either to settle on a net basis, or to realize the financial assets and settle the financial liability simultaneously.

(c) Derecognition of financial assets and financial liabilities

A financial asset is derecognized if the Bank's contractual rights to the cash flows from the financial asset expire or if the Bank transfers substantially all the risks and rewards of ownership of the financial asset to another party.

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

- the carrying amount of the financial asset transferred

- the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognized directly in equity

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

(3) Cash and cash equivalents

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

(4) Fixed assets and construction in progress

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

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

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

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

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

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

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

	Estimated useful life	*Residual value rate*	*Depreciation rate*
Computer equipment	3 years	5%	31.67%
Office equipment	5 years	5%	19%
Motor vehicles and other equipment	5 years	5%	19%

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

(5) Operating lease charges

Rental payments under operating leases are recognized as part of the cost of another related asset or as expenses on a straight-line basis over the lease term. Contingent rental payments are expensed as incurred.

(6) Intangible assets

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

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

(7) Long-term deferred expenses

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

Long-term deferred expenses are amortised over their beneficial periods. The respective amortisation periods for the long-term deferred expenses are as follows:

	Amortisation period
Leasehold improvements	5 years

(8) Impairment of assets

Except for impairment of assets set out in Note 3(15), impairment of assets is accounted for using the following principles:

(a) Impairment of financial assets

The carrying amounts of financial assets (other than those at fair value through profit or loss) are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, an impairment loss is recognized.

- Loans, receivables and held-to-maturity investments

  Loans and receivables and held-to-maturity investments are assessed for impairment on an individual basis and on a collective group basis.

  Where impairment is assessed on an individual basis, an impairment loss in respect of a loans and receivable or held-to-maturity investment is calculated as the excess of its carrying amount over the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the original effective interest rate. Impairment losses are recognized in profit or loss.

  The assessment is made collectively where loans and receivables or held-to-maturity investments share similar credit risk characteristics (including those having not been individually assessed as impaired), based on their historical loss experiences, and adjusted by the observable factors reflecting current economic conditions.

  If, after an impairment loss has been recognized on loans and receivables or held-to-maturity investments, there is a recovery in the value of the financial asset which can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. A reversal of an impairment loss will not result in the asset's carrying amount exceeding what the amortized cost would have been had no impairment loss been recognized in prior years.

(b) Impairment of other assets

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

- fixed assets
- construction in progress
- intangible assets
- long-term deferred expenses

If any indication exists, the recoverable amount of the asset is estimated. In addition, the Bank estimates the recoverable amounts of intangible assets not ready for use at least annually and at each year-end, 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, set of asset groups, same as below) is the higher of its fair value (see Note 3(9)) less costs to sell and its present value of expected future cash flows.

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

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

Once an impairment loss is 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, measured at the amount incurred or accrued at the applicable benchmarks and rates, are recognized as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

(b) Post-employment benefits – defined contribution plans

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

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

(c) Termination benefits

When the Bank terminates the employment with employees before the employment contracts expire, or provides compensation under an offer to encourage employees to accept voluntary redundancy, a provision is recognized with a corresponding expense in profit or loss at the earlier of the following dates:

- When the Bank cannot unilaterally withdraw the offer of termination benefits because of an employee termination plan or a curtailment proposal;

- When the Bank has a formal detailed restructuring plan involving the payment of termination benefits and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

(11) Provisions

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. Where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows.

(12) Fiduciary activities

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

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

(13) Revenue recognition

Revenue is the gross inflow of economic benefits arising in the course of the Bank’s ordinary activities when those inflows result in increase in equity, other than increases relating to contributions from owners. Revenue is recognized in profit or loss when it is probable that the economic benefits will flow to the Bank, the revenue and costs can be measured reliably and the following respective conditions are met:

(a) Interest income

Interest income arising from the use by others of entity assets is recognized in the income statement based on the duration and the effective interest rate. Interest income includes the amortization of any discount or premium or differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated using the effective interest method.

The effective interest method is a method of calculating the amortized cost of financial assets and liabilities and of allocating the interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, or, when appropriate, a shorter period, to the net carrying amount of the financial instrument. When calculating the effective interest rate, the Bank estimates cash flows considering all the contractual terms of the financial instrument (for example, prepayment or similar options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest on the impaired financial assets ("unwinding of discount") is recognized using the interest rate used to discount future cash flows for the purpose of measuring the related impairment loss.

(b) Fee and commission income

Fee and commission income is recognized in the income statement when the corresponding service is provided.

Origination or commitment fees received by the Bank which result in the creation or acquisition of a financial asset are deferred and recognized as an adjustment to the effective interest rate. If the commitment expires without the Bank making a loan, the fee is recognized as revenue on expiry.

(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. Specific transfers from the government, such as investment grants that have been clearly defined in official documents as part of "capital reserve" are also dealt with as capital contributions rather than government grants.

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.

A government grant related to an asset is recognized initially as deferred income and amortized to profit or loss on a straight-line basis over the useful life of the asset. A grant that compensates the Bank for expenses to be incurred in the future is recognized initially as deferred income, and released to profit or loss in the periods in which the expenses are recognized. A grant that compensates the Bank for expenses already incurred is recognized in profit or loss immediately.

(15) Income tax

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

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

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

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

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

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

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

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

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

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

  - the same taxable entity; or

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

(16) Profit distribution to owners

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

(17) Related parties

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

(18) Segment reporting

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

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

(19) Significant accounting estimates and judgments

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

Notes 3(4), (6) and (7) contain information about the accounting estimates relating to depreciation and amortisation of assets such as fixed assets and intangible assets, etc. Notes 37 contains information about the accounting estimates relating to fair value of financial instruments. Other significant accounting estimates are as follows:

(a) Impairment of loans and receivables

As described in Note 3(8)(a), the Bank reviews the portfolios of loans and receivables measured at amortized cost at each balance sheet date to assess whether impairment losses exist and if they exist, an impairment loss is recognized. Objective evidence for impairment includes observable data indicating that there is a measurable decrease in the estimated future cash flows identified with an individual loan. It also includes observable data indicating adverse changes in the repayment status of borrowers or issuers in the assets portfolio or national or local economic conditions that correlate with defaults on the assets in the portfolio. The impairment loss for a loan that is individually assessed for impairment is the decrease in the estimated discounted future cash flow of that asset. When loans and receivables are collectively assessed for impairment, the estimate is based on historical loss experience for assets with credit risk characteristics similar to the loans and advances. Historical loss experience is adjusted on the basis of the relevant observable data that reflect current economic conditions. Management reviews the methodology and assumptions used in estimating future cash flows regularly to reduce any difference between estimated and actual losses.

(b) Deferred income tax

When assessing whether there will be sufficient future taxable profits available against which the deductible temporary differences can be utilised, the Bank recognises deferred tax assets to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised, using tax rates that would apply in the period when the asset would be utilised. In determining the amount of deferred tax assets, the Bank exercises judgements about the estimated timing and amount of taxable profits of the following periods, and of the tax rates applicable in the future according to the existing tax policies and other relevant regulations. Differences between such estimates and the actual timing and amount of future taxable profits and the actual applicable tax rates affect the amount of deferred tax assets that should be recognized.

4 Taxation

The major types of taxes applicable to the Bank and their tax rates are as follows:

(1) Business tax

5% of taxable revenue before 1 May 2016. According to Caishui [2016] No. 36, jointly issued by MOF and the State Administration of Taxation, all taxpayers subject to business tax in China are included in the scope of the VAT pilot scheme. Effective from 1 May 2016, those taxpayers are required to pay VAT in lieu of business tax.

(2) 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.

(3) Income tax

The income tax rate applicable to the Bank is 25% (2015: 25%).

(4) Taxes payable

	2016	*2015*
VAT payable	1,707,870.59	-
Income tax payable	6,862,883.37	3,425,657.96
Withholding income tax payable	1,542,823.09	1,364,832.18
Business tax and surcharges payable	-	1,382,751.66
Others	14,912.60	13,461.94
Total	10,128,489.65	6,186,703.74

5 Cash and deposits with central bank

	Note	*2016*	*2015*
Cash on hand		16,446.75	46,270.96
Statutory deposit reserves	*(1)*	622,006,717.19	389,730,823.91
Surplus deposit reserves	*(2)*	411,577,137.77	410,091,859.10
Total		1,033,600,301.71	799,868,953.97

(1) Statutory deposit reserves represent reserve deposits placed with the PBOC in accordance with the *Administrative Regulation* and relevant regulations, which are not available for use in the Bank's daily business. As at 31 December, the statutory deposit reserves ratios of the Bank are as follows:

	2016	*2015*
Deposit reserve ratio for RMB deposits	15%	15%
Deposit reserve ratio for foreign currency deposits	5%	5%

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

6 Deposits with inter-banks

(1) Analyzed by counterparty

	Note	*2016*	*2015*
Domestic banks		1,146,952,306.57	800,880,728.80
Overseas banks		114,954,040.54	188,479,540.78
Sub-total		1,261,906,347.11	989,360,269.58
Less: Impairment provision	*6(2)*	(2,200,000.00)	(2,000,000.00)
Total		1,259,706,347.11	987,360,269.58

(2) Movements of impairment provision

	2016	*2015*
Balance at the beginning of the year	2,000,000.00	2,000,000.00
Charge during the year	200,000.00	-
Balance at the end of the year	2,200,000.00	2,000,000.00

Allowances for impairment losses represented the country risk reserve that has been provided in accordance with the *Notice of the China Banking Regulatory Commission on Issuing the Guidelines on the Management of Country Risk* by Banking Financial Institutions (*Yin Jian Fa [2010] No. 45*).

7 Placements with financial institutions

(1) Analyzed by counterparty

	Note	*2016*	*2015*
Domestic banks		791,897,000.00	867,020,000.00
Domestic non-bank financial institutions		757,147,148.02	607,303,948.39
Overseas banks		700,637,000.00	-
Sub-total		2,249,681,148.02	1,474,323,948.39
Less: Impairment provision	*7(2)*	(806,550.92)	(1,587,044.64)
Total		2,248,874,597.10	1,472,736,903.75

(2) Movement of allowances for impairment losses

	2016	*2015*
Balance at the beginning of the year	1,587,044.64	-
(Reversal) / charge for the year	(780,493.72)	1,587,044.64
Balance at the end of the year	806,550.92	1,587,044.64

The collectively assessed allowance for impairment losses for placements with auto finance companies and financial leasing companies.

8 Interest receivable

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

	2016			
	Balance at 1 January 2016	*Additions during the year*	*Reductions during the year*	*Balance at 31 December 2016*
Interest receivable	20,674,309.82	159,032,783.80	(161,065,705.44)	18,641,388.18

9 Loans and advances to customers

(1) Analyzed by nature

	Note	*2016*	*2015*
Corporate loans and advances			
- Loans		2,214,534,902.06	1,699,754,291.09
- Trade finance		7,474,578.79	22,639,451.78
Gross loans and advances		2,222,009,480.85	1,722,393,742.87
Less: Impairment provision	*9(6)*	(82,507,546.13)	(54,032,516.58)
Including: Individually assessed		(22,146,354.72)	(20,109,456.10)
Collectively assessed		(60,361,191.41)	(33,923,060.48)
Net loans and advances to customers		2,139,501,934.72	1,668,361,226.29

(2) Analyzed by industry

	Note	*2016*		*2015*	
		Amount	*Percentage (%)*	*Amount*	*Percentage (%)*
Manufacturing		811,574,626.40	37%	683,907,447.03	40%
Culture, sports and entertainment		608,820,520.10	27%	195,002,553.00	11%
Information transmission, IT service and software		252,998,999.61	11%	176,396,742.97	10%
Wholesale and retail trade		212,574,443.71	10%	227,220,944.51	13%
Leasing and Business Services		168,344,000.00	8%	283,511,494.16	17%
Construction		129,100,000.00	6%	29,700,000.00	2%
Real estate		21,000,000.00	1%	104,717,346.35	6%
Finance service		-	0%	16,170,955.64	1%
Others		17,596,891.03	0%	5,766,259.21	0%
Gross loans and advances		2,222,009,480.85	100%	1,722,393,742.87	100%
Less: Impairment provision	*9(6)*	(82,507,546.13)		(54,032,516.58)	
Including: Individually assessed		(22,146,354.72)		(20,109,456.10)	
Collectively assessed		(60,361,191.41)		(33,923,060.48)	
Net loans and advances to customers		2,139,501,934.72		1,668,361,226.29	

(3) Analyzed by geographical sector

	Note	2016 Amount	2016 Percentage (%)	2015 Amount	2015 Percentage (%)
Eastern region		777,930,028.86	35%	719,493,729.61	42%
Northern region		588,750,791.86	27%	409,027,716.26	24%
Central region		410,027,448.25	18%	159,643,806.19	9%
Southern region		341,830,688.98	15%	427,708,236.27	25%
Northwestern region		100,000,000.00	5%	-	0%
Other region		3,470,522.90	0%	6,520,254.54	0%
Gross loans and advances		2,222,009,480.85	100%	1,722,393,742.87	100%
Less: Impairment provision	9(6)	(82,507,546.13)		(54,032,516.58)	
Including: Individually assessed		(22,146,354.72)		(20,109,456.10)	
Collectively assessed		(60,361,191.41)		(33,923,060.48)	
Net loans and advances to customers		2,139,501,934.72		1,668,361,226.29	

(4) Analyzed by security type

	Note	2016	2015
Secured loans		1,262,807,558.02	838,656,761.58
Guaranteed loans		558,212,844.04	651,798,729.51
Unsecured loans		400,989,078.79	231,938,251.78
Gross loans and advances		2,222,009,480.85	1,722,393,742.87
Less: Impairment provision	9(6)	(82,507,546.13)	(54,032,516.58)
Including: Individually Assessed		(22,146,354.72)	(20,109,456.10)
Collectively Assessed		(60,361,191.41)	(33,923,060.48)
Net loans and advances to customers		2,139,501,934.72	1,668,361,226.29

(5) Overdue loans analyzed by overdue period

	2016			
	Within three months (inclusive)	*Between three months and one year (inclusive)*	*Between one year and three year (inclusive)*	*Total*
Monetary assets				
Collateralized loans	-	4,489,010.05	25,411,724.67	29,900,734.72

	2015			
	Within three months (inclusive)	*Between three months and one year (inclusive)*	*Between one year and three year (inclusive)*	*Total*
Monetary assets				
Collateralized loans	-	-	24,301,015.85	24,301,015.85

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

(6) Movements of impairment provision

	2016		
	Collectively assessed Provision	*Individually assessed Provision*	*Total*
Balance as at 1 January 2016	33,923,060.48	20,109,456.10	54,032,516.58
Charge / (Reversal) during the year	26,166,444.47	(1,122,752.84)	25,043,691.63
Recovery of loans written-off in previous years	-	2,231,375.68	2,231,375.68
Exchange difference	271,686.46	928,275.78	1,199,962.24
Balance as at 31 December 2016	60,361,191.41	22,146,354.72	82,507,546.13

	2015		
	Collectively assessed Provision	*Individually assessed Provision*	*Total*
Balance as at 1 January 2015	34,002,942.34	38,406,965.87	72,409,908.21
(Reversal) / charge during the year	(356,997.64)	4,756,698.71	4,399,701.07
Written-off during the year	-	(23,826,831.99)	(23,826,831.99)
Exchange difference	277,115.78	772,623.51	1,049,739.29
Balance as at 31 December 2015	33,923,060.48	20,109,456.10	54,032,516.58

10 Held-to-maturity investment

	2016	*2015*
Certificates of deposit	98,766,869.86	395,770,969.61

As at 31 December 2016, the Bank considered that no impairment provision of held-to-maturity investment was necessary (2015: Nil).

11 Fixed assets

	Computer equipment	*Office equipment*	*Motor vehicles and others*	*Total*
Cost:				
As at 1 January 2015	9,190,412.89	2,510,875.04	2,225,053.73	13,926,341.66
Additions	341,354.24	996,867.30	34,934.31	1,373,155.85
Disposals	(1,084,399.65)	(109,895.08)	-	(1,194,294.73)
As at 31 December 2015	8,447,367.48	3,397,847.26	2,259,988.04	14,105,202.78
Additions	1,286,715.50	13,168.83	43,352.50	1,343,236.83
Disposals	(56,314.43)	-	-	(56,314.43)
As at 31 December 2016	9,677,768.55	3,411,016.09	2,303,340.54	15,392,125.18
Less: Accumulated depreciation				
As at 1 January 2015	(5,896,705.09)	(1,119,756.20)	(1,915,340.29)	(8,931,801.58)
Charge for the year	(2,113,261.19)	(312,428.58)	(173,153.28)	(2,598,843.05)
Written off on disposal	1,067,485.72	105,737.99	(33,187.59)	1,140,036.12
As at 31 December 2015	(6,942,480.56)	(1,326,446.79)	(2,121,681.16)	(10,390,608.51)
Charge for the year	(892,312.75)	(488,368.45)	(66,492.29)	(1,447,173.49)
Written off on disposal	53,498.73	-	-	53,498.73
As at 31 December 2016	(7,781,294.58)	(1,814,815.24)	(2,188,173.45)	(11,784,283.27)
Carrying amount:				
As at 31 December 2016	1,896,473.97	1,596,200.85	115,167.09	3,607,841.91
As at 31 December 2015	1,504,886.92	2,071,400.47	138,306.88	3,714,594.27

As at 31 December 2016, management considered that no impairment of fixed assets was necessary (2015: Nil).

12 Construction in progress

	Software
Cost	
Balance as at 1 January 2015	910,000.00
Additions	579,190.40
Transfer to intangible assets	(850,000.00)
Balance as at 31 December 2015	639,190.40
Additions	2,200,296.72
Transfer to intangible assets	(579,190.40)
Balance as at 31 December 2016	2,260,296.72

As at 31 December 2016, management considered that no impairment of construction in progress was necessary (2015: Nil)

13 Intangible assets

	Software
Cost	
As at 1 January 2015	33,781,068.08
Additions	1,869,759.35
Transfer from construction in progress	850,000.00
As at 31 December 2015	36,500,827.43
Additions	176,610.28
Transfer from construction in progress	579,190.40
As at 31 December 2016	37,256,628.11
Less: Accumulated amortization	
As at 1 January 2015	(11,964,918.97)
Charge for the year	(6,627,711.11)
As at 31 December 2015	(18,592,630.08)
Charge for the year	(6,760,628.74)
As at 31 December 2016	(25,353,258.82)
Carrying amounts	
As at 31 December 2016	11,903,369.29
As at 31 December 2015	17,908,197.35

As at 31 December 2016, management considered that no impairment of intangible assets was necessary (2015: Nil).

14 Deferred tax assets

	Deferred tax assets		
	Balance at the beginning of the year	*Current year increase / decrease charged to profit or loss*	*Balance at the end of the year*
Unapproved written-off for bad and doubtful debts	-	19,953,846.50	19,953,846.50
Fixed assets and intangible assets	-	2,967,073.05	2,967,073.05
Accrued annuity	-	802,510.63	802,510.63
Total	-	23,723,430.18	23,723,430.18

In accordance with the accounting policy set out in Note 3(15), the Bank has not recognized deferred tax assets of RMB 8,928,950.71 in respect of loan loss provisions and so on as it is not probable that the Bank will utilize part of the deferred tax assets (2015: RMB 38,215,480.34).

15 Other assets

	2016	*2015*
Long-term deferred expenses	3,497,201.39	5,599,529.39
Refundable deposits	3,525,288.86	3,538,488.86
Deferred expense	2,046,676.66	2,361,279.23
Others	1,991,272.06	215,283.75
Total	11,060,438.97	11,714,581.23

16 Deposits from financial institutions

	2016	*2015*
Domestic non-bank financial institutions	210,128,670.10	9,443,287.53
Overseas non-bank financial institutions	34,551,750.00	-
Total	244,680,420.10	9,443,287.53

17 Borrowings from financial institutions

	2016	*2015*
Domestic commercial banks	417,050,100.00	-
Overseas commercial banks	402,346,000.00	344,160,800.00
Total	819,396,100.00	344,160,800.00

18 Customers deposits

	2016	*2015*
Current deposits		
- Corporate customers	1,669,396,142.31	1,405,369,308.26
- Personal customers	37,743,985.18	70,636,925.49
Sub-total of current deposits	1,707,140,127.49	1,476,006,233.75
Time deposits (including call deposits)		
- Corporate customers	873,099,172.41	372,560,399.83
- Personal customers	163,947,816.40	420,495,065.82
Sub-total of time deposits	1,037,046,988.81	793,055,465.65
Other deposits		
- Margin deposits	1,609,590,975.23	1,366,511,917.29
Sub-total of other deposits	1,609,590,975.23	1,366,511,917.29
Total	4,353,778,091.53	3,635,573,616.69

19 Employee benefits payable

	Note	*2016*	*2015*
Short-term employee benefits	*(1)*	3,600,000.00	3,600,000.00
Post-employment benefits - defined contribution plans	*(2)*	3,210,042.52	2,612,009.68
Total		6,810,042.52	6,212,009.68

(1) Short-term employee benefits

	2016			
	Balance at 1 January 2016	*Accrued during the year*	*Paid during the year*	*Balance at 31 December 2016*
Salaries, bonuses, allowances	3,600,000.00	42,515,417.89	(42,515,417.89)	3,600,000.00
Staff welfare	-	2,802,239.18	(2,802,239.18)	-
Social insurance	-	1,820,972.74	(1,820,972.74)	-
Medical insurance	-	1,629,410.62	(1,629,410.62)	-
Work-related injury insurance	-	26,029.73	(26,029.73)	-
Maternity insurance	-	165,532.39	(165,532.39)	-
Housing fund	-	2,549,024.78	(2,549,024.78)	-
Labor union fee	-	713,511.73	(713,511.73)	-
Total	3,600,000.00	50,401,166.32	(50,401,166.32)	3,600,000.00

	2015			
	Balance at 1 January 2015	*Accrued during the year*	*Paid during the year*	*Balance at 31 December 2015*
Salaries, bonuses, allowances	2,400,000.00	39,621,237.54	(38,421,237.54)	3,600,000.00
Staff welfare	-	1,921,124.56	(1,921,124.56)	-
Social insurance	-	1,811,996.72	(1,811,996.72)	-
Medical insurance	-	1,581,711.76	(1,581,711.76)	-
Work-related injury insurance	-	74,302.70	(74,302.70)	-
Maternity insurance	-	155,982.26	(155,982.26)	-
Housing fund	-	2,366,149.88	(2,366,149.88)	-
Labor union fee	-	609,273.52	(609,273.52)	-
Total	2,400,000.00	46,329,782.22	(45,129,782.22)	3,600,000.00

(2) Post-employment benefits - defined contribution plans

	2016			
	Balance at 1 January 2016	*Accrued during the year*	*Paid during the year*	*Balance at 31 December 2016*
Basic pension insurance	-	3,337,619.19	(3,337,619.19)	-
Unemployment insurance	-	364,749.40	(364,749.40)	-
Annuity	2,612,009.68	3,045,765.03	(2,447,732.19)	3,210,042.52
Total	2,612,009.68	6,748,133.62	(6,150,100.78)	3,210,042.52

	2015			
	Balance at 1 January 2015	*Accrued during the year*	*Paid during the year*	*Balance at 31 December 2015*
Basic pension insurance	81,441.79	3,119,988.88	(3,201,430.67)	-
Unemployment insurance	120,000.00	277,121.29	(397,121.29)	-
Annuity	2,473,542.01	2,437,332.17	(2,298,864.50)	2,612,009.68
Total	2,674,983.80	5,834,442.34	(5,897,416.46)	2,612,009.68

20 Interest payable

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

	2016			
	Balance at 1 January 2016	*Additions during the year*	*Reductions during the year*	*Balance at 31 December 2016*
Interest payable	21,086,584.46	57,195,144.75	(58,408,881.78)	19,872,847.43

21 Other liabilities

	2016	*2015*
Deferred income	4,354,339.49	4,292,507.05
Suspense accounts	649,632.71	470,713.80
Others	13,500,756.64	7,245,086.11
Total	18,504,728.84	12,008,306.96

22 Paid-in capital

Registered capital and paid-in capital

	2016		*2015*	
	Amount RMB	*Percentage*	*Amount RMB*	*Percentage*
EWB	1,400,000,000.00	100%	1,400,000,000.00	100%

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

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

23 General risk reserve

Appropriation to general risk reserve in accordance with the regulations issued by the MOF	*2016*
As at 1 January 2016	23,110,043.31
Profit distribution (Note 24)	-
As at 31 December 2016	23,110,043.31

According to the *Notice on Administrative Measures on Accrual of Provisions by Financial Enterprises (Cai Jin [2012] No.20)* ("the Administrative Measures") issued by the MOF, a financial enterprise shall appropriate from net profits an amount of not less than 1.5% of its risk-bearing assets at the year-end as general reserve. The amount includes loan and advance to customers, available-for-sale financial assets, held-to-maturity investment, placements with financial institutions, debt assets and other receivable. Where the general provision ratio cannot attain 1.5% one-off, it may attain the ratio over a period of not more than five years in principle. These Measures took effect on 1 July 2012.

As at 31 December 2016, the Bank suffered accumulated losses, therefore, the Bank could not set aside general risk reserve according to the Administrative Measures.

24 Profit distribution

As at 31 December 2016, the Bank is in accumulated loss position, therefore, there is no profit available to be distributed.

25 Net interest income

	2016	*2015*
Interest income:		
Deposits with central bank	7,140,005.50	7,743,645.77
Deposits with financial institutions	20,848,492.38	53,497,704.90
Placements with financial institutions	37,007,393.78	37,610,854.85
Loans and advances	94,036,892.14	75,909,460.23
- Loans	81,887,359.21	62,806,726.77
- Trade finance	2,153,678.40	2,487,472.95
- Discounted bills and transfer discounted bills	9,995,854.53	10,615,260.51
Sub-total of interest income	159,032,783.80	174,761,665.75
Interest expense:		
Deposits from financial institutions	(1,210,828.24)	(454,147.22)
Borrowings from financial institutions	(9,028,223.00)	(4,328,913.36)
Customer deposits	(41,072,174.99)	(54,216,129.18)
Transfer discounted bills	(5,883,918.52)	-
Sub-total of interest expense	(57,195,144.75)	(58,999,189.76)
Net interest income	101,837,639.05	115,762,475.99

26 Net fees and commission income

	2016	*2015*
Fees and commission income		
Guarantee fees	7,099,259.18	5,461,398.20
Credit related fees	2,266,260.32	2,455,387.92
Settlement and clearance fees	900,237.51	517,752.83
Customer service fees	245,543.84	106,248.78
Others	26,774.19	15,438.28
Sub-total of fees and commission income	10,538,075.04	8,556,226.01
Fees and commission expense		
Inter-bank transaction fees	(360,911.30)	(366,148.34)
Sub-total of fees and commission expense	(360,911.30)	(366,148.34)
Net fees and commission income	10,177,163.74	8,190,077.67

27 Investment income

	2016	*2015*
Held-to-maturity investment	6,586,260.25	7,746,519.61

28 General and administrative expenses

	2016	*2015*
Staff costs		
Short-term employee benefits	50,401,166.32	46,329,782.22
Post-employment benefits		
- defined contribution plans	6,748,133.62	5,834,442.34
	57,149,299.94	52,164,224.56
Rental and property management expenses	12,401,640.91	12,204,949.98
Depreciation and amortization	10,147,034.32	11,084,477.14
Communication expenses	4,797,052.22	5,744,718.84
Maintenance expenses	4,263,397.38	3,909,825.06
Consulting expenses	4,101,503.43	4,281,858.30
Office expenses and consumables	3,800,745.38	3,960,593.44
Travelling expenses	1,266,957.61	1,016,340.33
Business entertainment expenses	733,801.65	705,953.18
Others	3,363,055.81	2,278,456.31
Total	102,024,488.65	97,351,397.14

29 Impairment losses

	2016	*2015*
Impairment losses charge for deposit with inter-banks	200,000.00	-
Impairment losses (reversal) / charge for Placements with financial institutions	(780,493.72)	1,587,044.64
Impairment losses charge for loans and advances to customers	25,043,691.63	4,399,701.07
Total	24,463,197.91	5,986,745.71

30 Non-operating income

	2016	*2015*
Government grants	182,396.14	3,000,000.00
Tax refund	164,040.45	-
Financial fee return	-	173,760.80
Gains on disposal of fixed assets	-	2,000.00
Others	1,810.02	975.25
Total	348,246.61	3,176,736.05

31 Income tax expense

(1) Composition of current year income tax

	2016	*2015*
Current year income tax	8,276,190.04	14,525,692.80
Changes in deferred tax assets	(23,723,430.18)	-
Tax filling differences	(1,013,454.07)	(2,885,624.27)
Total	(16,460,694.21)	11,640,068.53

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

	2016	*2015*
Profit before tax	17,937,514.26	52,566,651.06
Expected income tax expense at tax rate	4,484,378.57	13,141,662.76
Add / (less) the tax effect as follows:		
- Tax effect of non-deductible expenses	216,615.85	222,204.30
- Additional deductible expenses	(91,263.75)	-
- Recognized deferred tax assets not recognized in previous years	(24,131,765.89)	-
- Changes in deferred tax assets not recognized	4,074,795.08	1,161,825.74
- Tax filling differences	(1,013,454.07)	(2,885,624.27)
Income tax expense	(16,460,694.21)	11,640,068.53

32 Supplemental to cash flow statement

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

	2016	*2015*
Net profit	34,398,208.47	40,926,582.53
Add: Impairment losses charge	24,463,197.91	5,986,745.71
Depreciation of fixed assets	1,311,233.58	2,598,843.05
Amortisation of intangible assets	6,760,628.74	6,627,711.11
Amortisation of other long-term assets	2,075,172.00	1,857,922.98
Investment income	(6,710,863.85)	(7,746,519.61)
Losses on disposal of fixed assets	-	2,000.00
Unrealized exchange gains	(18,200,002.98)	(15,456,389.18)
Increase of deferred tax assets	(23,723,430.18)	-
(Increase) / decrease in operating receivables	(750,251,891.50)	185,180,646.57
Increase in operating payables	1,489,685,586.18	578,312,195.99
Net cash inflow from operating activities	759,807,838.37	798,289,739.15

(2) Change in cash and cash equivalents:

	2016	*2015*
Cash and cash equivalents at the end of the year	2,143,168,931.63	1,115,013,727.83
Less: Cash and cash equivalents at the beginning of the year	(1,115,013,727.83)	(718,958,217.99)
Net increase in cash and cash equivalents	1,028,155,203.80	396,055,509.84

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

	2016	*2015*
Cash on hand	16,446.75	46,270.96
Central bank deposits available on demand	411,577,137.77	410,079,404.86
Deposits with inter-banks	1,071,481,347.11	364,888,052.01
Placements with financial institutions	660,094,000.00	340,000,000.00
Total	2,143,168,931.63	1,115,013,727.83

33 Capital management

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

The prudent and solid concept of capital management ensures the Bank to retain its capital at an adequate level to support business development under all conditions and to adjust CAR to a reasonable level timely and effectively, if necessary.

The Bank calculates CAR according to the requirement of the CBRC. The capital of the Bank is composed of core tier one capital, other tier one capital and tier two capital. The Bank's management monitors the utilization of CAR and regulatory capital according to the requirement of the CBRC. The Bank reported relevant information to the CBRC on a quarterly basis.

The scope of the Bank's CAR calculation of the Bank covers all branches and sub-branches located in mainland China. Currently, the Bank does not have any overseas branches.

The CBRC requires commercial banks to comply with the regulatory requirements on the capital adequacy ratio. For systematically important banks, adequacy ratio of core tier one capital, adequacy ratio of tier one capital and capital adequacy ratio should reach or exceed 8.50%, 9.50% and 11.50% respectively before 31 December 2018. For non-systematically important banks, adequacy ratio of core tier one capital, adequacy ratio of tier one capital and capital adequacy ratio should reach or exceed 7.50%, 8.50% and 10.50% respectively before 31 December 2018.

As at 31 December 2016, the CAR of the Bank has been calculated in accordance with *Administrative Measures on Capitals of Commercial Bank* (*For Trial Implementation*) issued by the CBRC and other relevant laws and regulations, and the calculation result is in compliance with the regulatory capital requirements.

The capital adequacy ratio and relevant data of the Bank are calculated on the basis of the financial statements prepared in accordance with the CAS. The Bank is in compliance with the regulatory capital requirements during the year.

The adequacy ratio of core tier one capital, the adequacy ratio of tier one capital and the capital adequacy ratio as at 31 December 2016 calculated in accordance with the *Administrative Measures on Capitals of Commercial Bank* (*For Trial Implementation*) and other relevant laws and regulations are as follows:

	2016	*2015*
Core tier one capital	1,378,476,095.68	1,344,077,887.21
Deductible items in core tier one capital		
Intangible assets net of associated deferred tax liabilities	(11,903,369.29)	(17,908,197.35)
Net core tier one capital	1,366,572,726.39	1,326,169,689.86
Net tier one capital	1,366,572,726.39	1,326,169,689.86
Tier two capital		
Excess loan impairment provision	41,409,620.77	29,731,500.74
Net capital	1,407,982,347.16	1,355,901,190.60
Credit risk weighted assets	3,354,179,282.70	2,658,195,248.89
Market risk weighted assets	297,711,447.78	278,923,761.08
Operational risk weighted assets	294,357,473.54	268,971,358.51
Total risk assets	3,946,248,204.02	3,206,090,368.48
Adequacy ratio of core tier one capital	34.63%	41.36%
Adequacy ratio of tier one capital	34.63%	41.36%
Capital adequacy ratio	35.68%	42.29%

34 Related party relationships and transactions

(1) Information on the parent of the Bank as at 31 December 2016 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 3,123 million	100%	100%

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

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

	2016	*2015*
Remuneration of key management personnel	14,741,412.71	14,695,994.00

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

(a) Transactions with the related parties：

	2016	*2015*
Interest income	559,608.52	433,263.23
Interest expense	(4,249,275.74)	(4,024,660.59)
Fees and commission expense	(238,204.09)	(251,542.83)
Other operating income	6,488,045.45	6,266,317.49

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

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

	2016	*2015*
Deposits with inter-banks	112,519,291.55	184,877,076.73
Deposits from financial institutions	(34,551,750.00)	-
Borrowings from financial institutions	(402,346,000.00)	(344,160,800.00)
Interest payable	(31,010.82)	(8,560.58)

(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

35 Segment reporting

(1) Business segments

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

(2) Geographic information

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

	Revenue from external customers		*Specified non-current assets*	
	2016	*2015*	*2016*	*2015*
Mainland China	169,803,393.35	196,013,515.42	21,268,709.31	27,861,511.41
Other countries or regions	15,961,982.57	5,480,799.99	-	-
Total	185,765,375.92	201,494,315.41	21,268,709.31	27,861,511.41

(3) Main customers

Interest income from each individual loans and advances customer of the Bank is below 10% of the Bank's total interest income in both 2016 and 2015.

36 Risk management

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

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

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

(1) Credit risk

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

Credit risk management policy

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

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

Credit approval procedure

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

Credit grading monitoring

According to the *Guidelines on Loan Risk Classification (Yinjianfa [2007] No. 54)* issued by the CBRC, the Bank classifies loans into normal (tier 1~3), special mention (tier 4), substandard (tier 5), doubtful (tier 6) and loss (tier 7). The classification of the Bank's internal credit grading is consistent with the CBRC's five-tier grading.

The last three grades of the CBRC's five-tier grading are regarded as impaired loans and advances. If there is any indication of objective evidence that impairment and impairment loss has occurred, the loan is classified as impaired loan and advances. The provision for impairment of impaired loans and advances shall be assessed collectively or individually based on the individual situation.

Credit quality review

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

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

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

Credit risk distribution

Industry risk

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

Customer concentration risk

According to the relevant article of *Law of the People's Republic of China on Commercial Banks*, the ratio of the balance of loans to the same borrower and the balance of capital of the commercial bank shall not exceed 10%. In addition, pursuant to *the Decision of the China Banking Regulatory Commission on Amending the Guidelines on the Risk Management of Credits Granted by Commercial Banks to Group Clients* issued by the CBRC (*Yinjianhuiling [2010] No.4*), the balance of credits granted by a commercial bank to a single group client shall not exceed 15% of the commercial bank's net capital. As at 31 December 2016, the Bank has met the requirement regarding credit concentration limit to a single borrower as required by *Law on Commercial Banks* and credit concentration limit to a single group client as required by Guidelines on the Risk Management of Credits Granted to Group Clients. The Bank monthly monitors concentration of credit risk to meet the requirement.

Credit risk on treasury business

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

(a) Maximum credit risk exposure

The maximum exposure to credit risk at the balance sheet date without taking into consideration any collateral held or other credit enhancement is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance. The maximum exposure to credit risk in respect of the credit commitments given by the Bank at the balance sheet date is disclosed in Note 38(1).

(b) Loans and advances to customers analyzed by credit quality

	Note	*2016*	*2015*
Gross impaired loans	*(i)*	29,900,734.72	24,301,015.85
Allowance for impairment		(22,146,354.72)	(20,109,456.10)
Sub-total		7,754,380.00	4,191,559.75
Past due but not impaired loans	*(i)*	-	-
Allowance for impairment	*(ii)*	-	-
Sub-total		-	-
Neither past due nor impaired loans		2,192,108,746.13	1,698,092,727.02
Allowance for impairment	*(ii)*	(60,361,191.41)	(33,923,060.48)
Sub-total		2,131,747,554.72	1,664,169,666.54
Total		2,139,501,934.72	1,668,361,226.29

(i) As at 31 December 2016, the amount of impaired loans and advances is RMB 29,900,734.72 (2015: RMB 24,301,015.85). As at 31 December 2016, the amount of past due but not impaired loans and advances is nil (2015: Nil), which is covered by collaterals. The fair values of collaterals are as follows:

	2016	*2015*
Collaterals against impaired loans	111,525,400.00	48,869,799.60
Collaterals against past due but not impaired loans	-	-
Total	111,525,400.00	48,869,799.60

The Bank assessed the value of the collaterals based on the latest external valuation report, historical disposed experience of collaterals and market conditions.

(ii) The balances represent collectively assessed allowances of impairment losses.

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

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

	2016	*2015*
Neither overdue nor impaired		
- grade A to AAA	1,191,465,578.73	716,367,518.33
- grade B to BBB	847,113,387.90	562,800,276.73
- unrated	1,473,008,528.50	1,184,516,422.91
Total carrying amount	3,511,587,495.13	2,463,684,217.97

(2) Market risk

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

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

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

(a) Interest rate risk

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

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

(i) The analysis of the expected next repricing dates (or maturity dates, whichever are earlier) of the Bank's financial assets and financial liabilities as at the balance sheet date is set out below:

	2016				
	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	68,384,597.95	965,215,703.76	-	-	1,033,600,301.71
Deposits with inter-banks	19,431,182.24	1,223,803,930.87	16,471,234.00	-	1,259,706,347.11
Placements with financial institutions	-	1,268,921,905.65	760,813,137.06	219,139,554.39	2,248,874,597.10
Loans and advances to customers	7,754,380.00	431,873,080.06	1,050,914,990.49	648,959,484.17	2,139,501,934.72
Held-to-maturity investment	-	-	98,766,869.86	-	98,766,869.86
Other assets	24,157,949.10	-	-	-	24,157,949.10
Total assets	119,728,109.29	3,889,814,620.34	1,926,966,231.41	868,099,038.56	6,804,607,999.60
	-	-	-	-	-
Liabilities					
Deposits from financial institutions	-	(235,380,420.10)	-	(9,300,000.00)	(244,680,420.10)
Borrowings from financial institutions	-	(166,483,000.00)	(285,252,100.00)	(367,661,000.00)	(819,396,100.00)
Customer deposits	-	(2,778,330,227.30)	(1,548,193,664.50)	(27,254,199.73)	(4,353,778,091.53)
Other liabilities	(40,833,279.30)	-	-	-	(40,833,279.30)
Total liabilities	(40,833,279.30)	(3,180,193,647.40)	(1,833,445,764.50)	(404,215,199.73)	(5,458,687,890.93)
	-	-	-	-	-
Long / (short) positions	78,894,829.99	709,620,972.94	93,520,466.91	463,883,838.83	1,345,920,108.67

	2015				
	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	29,634,880.96	770,234,073.01	-	-	799,868,953.97
Deposits with inter-banks	16,309,689.78	744,560,558.68	226,490,021.12	-	987,360,269.58
Placements with financial institutions	-	816,802,149.44	591,068,655.05	64,866,099.26	1,472,736,903.75
Loans and advances to customers	-	1,063,260,761.09	519,167,322.57	85,933,142.63	1,668,361,226.29
Held-to-maturity investment	-	199,033,928.19	196,737,041.42	-	395,770,969.61
Other assets	24,428,082.43	-	-	-	24,428,082.43
Total assets	70,372,653.17	3,593,891,470.41	1,533,463,040.16	150,799,241.89	5,348,526,405.63
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Liabilities					
Deposits from financial institutions	-	(143,287.53)	-	(9,300,000.00)	(9,443,287.53)
Borrowings from financial institutions	-	(344,160,800.00)	-	-	(344,160,800.00)
Customer deposits	-	(2,457,707,348.74)	(1,118,495,362.06)	(59,370,905.89)	(3,635,573,616.69)
Other liabilities	(35,014,394.05)	-	-	-	(35,014,394.05)
Total liabilities	(35,014,394.05)	(2,802,011,436.27)	(1,118,495,362.06)	(68,670,905.89)	(4,024,192,098.27)
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Long / (short) positions	35,358,259.12	791,880,034.14	414,967,678.10	82,128,336.00	1,324,334,307.36

(ii) Sensitivity analysis on net interest income

To measure the overall interest rate risk of financial assets and liabilities, the Bank performs sensitivity analysis on future net interest income resulting from changes in interest rates based on the assumption that the yield curves have no asymmetric movement and the current assets / liabilities structure remain unchanged. Based on the data of 31 December 2016, the sensitivity analysis shows that the net interest income of next 12 months will increase by RMB 13.12 million (2015: RMB 16.97 million) if all yield curves increase by 200 bps. And the net interest income of next 12 months will decrease by RMB 20.92 million (2015: RMB 23.62 million) if all yield curves decrease by 200 bps (or when interest rate comes to 0%).

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

(b) Foreign exchange risk

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

	2016			
	RMB	*USD translated into RMB*	*Other currencies translated into RMB*	*Total translated into RMB*
Assets				
Cash and deposits with central bank	965,229,261.66	68,353,105.93	17,934.12	1,033,600,301.71
Deposits with inter-banks	885,109,061.32	370,329,853.14	4,267,432.65	1,259,706,347.11
Placements with financial institutions	826,963,406.66	1,421,911,190.44	-	2,248,874,597.10
Interest receivable	12,386,336.21	6,255,051.97	-	18,641,388.18
Loans and advances to customers	2,113,469,916.09	26,032,018.63	-	2,139,501,934.72
Held-to-maturity investment	98,766,869.86	-	-	98,766,869.86
Other assets	5,508,992.65	7,568.27	-	5,516,560.92
Total assets	4,907,433,844.45	1,892,888,788.38	4,285,366.77	6,804,607,999.60
Liabilities				
Deposits from financial institutions	(244,678,729.41)	(1,690.69)	-	(244,680,420.10)
Borrowings from financial institutions	(417,050,100.00)	(402,346,000.00)	-	(819,396,100.00)
Customer deposits	(3,160,088,785.68)	(1,190,866,384.71)	(2,822,921.14)	(4,353,778,091.53)
Employee benefits payable	(6,810,042.52)	-	-	(6,810,042.52)
Interest payable	(19,417,528.34)	(453,773.31)	(1,545.78)	(19,872,847.43)
Other liabilities	(8,574,216.46)	(5,561,928.24)	(14,244.65)	(14,150,389.35)
Total liabilities	(3,856,619,402.41)	(1,599,229,776.95)	(2,838,711.57)	(5,458,687,890.93)
Net position	1,050,814,442.04	293,659,011.43	1,446,655.20	1,345,920,108.67
Credit commitments and contingent liabilities	2,078,192,123.12	750,950,756.60	-	2,829,142,879.72

	2015			
	RMB	*USD translated into RMB*	*Other currencies translated into RMB*	*Total translated into RMB*
Assets				
Cash and deposits with central bank	770,264,222.66	29,583,952.69	20,778.62	799,868,953.97
Deposits with inter-banks	425,324,217.57	557,347,295.10	4,688,756.91	987,360,269.58
Placements with financial institutions	861,737,794.21	610,999,109.54	-	1,472,736,903.75
Interest receivable	18,007,772.39	2,666,537.43	-	20,674,309.82
Loans and advances to customers	1,528,788,555.35	139,572,670.94	-	1,668,361,226.29
Held-to-maturity investment	395,770,969.61	-	-	395,770,969.61
Other assets	3,567,417.98	186,354.63	-	3,753,772.61
Total assets	4,003,460,949.77	1,340,355,920.33	4,709,535.53	5,348,526,405.63
Liabilities				
Deposits from financial institutions	(9,441,705.69)	(1,581.84)	-	(9,443,287.53)
Borrowings from financial institutions	-	(344,160,800.00)	-	(344,160,800.00)
Customer deposits	(2,907,564,742.66)	(724,760,504.65)	(3,248,369.38)	(3,635,573,616.69)
Employee benefits payable	(6,212,009.68)	-	-	(6,212,009.68)
Interest payable	(20,201,167.99)	(883,908.06)	(1,508.41)	(21,086,584.46)
Other liabilities	(5,002,743.59)	(785,761.11)	(1,927,295.21)	(7,715,799.91)
Total liabilities	(2,948,422,369.61)	(1,070,592,555.66)	(5,177,173.00)	(4,024,192,098.27)
Net position	1,055,038,580.16	269,763,364.67	(467,637.47)	1,324,334,307.36
Credit commitments and contingent liabilities	1,439,816,383.31	674,072,897.94	-	2,113,889,281.25

(ii) Sensitivity analysis:

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

	Movement of equity	*Movement of net profit*
As at 31 December 2016		
USD	2,202,442.59	2,202,442.59
Other currencies	10,849.91	10,849.91
Total	2,213,292.50	2,213,292.50
As at 31December 2015		
USD	2,023,225.24	2,023,225.24
Other currencies	(3,507.28)	(3,507.28)
Total	2,019,717.96	2,019,717.96

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

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

(3) Liquidity risk

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

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

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

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

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

	2016						
	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*
Assets							
Cash and deposits with central bank	1,033,600,301.71	1,033,600,301.71	1,033,600,301.71	-	-	-	-
Deposits with inter-banks	1,259,706,347.11	1,261,882,593.38	227,277,421.01	898,815,972.89	119,144,881.77	16,644,317.71	-
Placements with financial institutions	2,248,874,597.10	2,299,795,820.96	-	788,619,214.03	486,362,604.41	778,018,382.21	246,795,620.31
Loans and advances to customers	2,139,501,934.72	2,278,850,961.45	7,754,380.00	158,330,698.10	282,980,458.72	1,103,312,787.19	726,472,637.44
Held-to-maturity investment	98,766,869.86	100,000,000.00	-	-	-	100,000,000.00	-
Other assets	24,157,949.10	24,157,949.10	7,420,770.42	3,654,780.83	4,572,922.17	5,353,083.45	3,156,392.23
Total assets	6,804,607,999.60	6,998,287,626.60	1,276,052,873.14	1,849,420,665.85	893,060,867.07	2,003,328,570.56	976,424,649.98
Liabilities							
Deposits from financial institutions	(244,680,420.10)	(245,561,465.94)	(235,380,420.10)	-	-	-	(10,181,045.84)
Borrowings from financial institutions	(819,396,100.00)	(839,921,162.18)	-	(34,687,890.42)	(132,492,520.86)	(291,375,153.19)	(381,365,597.71)
Customer deposits	(4,353,778,091.53)	(4,374,983,621.05)	(1,816,459,829.92)	(328,713,513.10)	(635,183,927.36)	(1,566,288,747.97)	(28,337,602.70)
Other liabilities	(40,833,279.30)	(40,833,279.30)	(21,720,619.91)	(1,330,071.50)	(5,448,629.20)	(10,654,370.41)	(1,679,588.28)
Total liabilities	(5,458,687,890.93)	(5,501,299,528.47)	(2,073,560,869.93)	(364,731,475.02)	(773,125,077.42)	(1,868,318,271.57)	(421,563,834.53)
Net position	1,345,920,108.67	1,496,988,098.13	(797,507,996.79)	1,484,689,190.83	119,935,789.65	135,010,298.99	554,860,815.45

	2015						
	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*
Assets							
Cash and deposits with central bank	799,868,953.97	799,868,953.97	799,868,953.97	-	-	-	-
Deposits with inter-banks	987,360,269.58	992,466,511.51	206,793,388.26	373,623,375.34	181,737,286.04	230,312,461.87	-
Placements with financial institutions	1,472,736,903.75	1,503,519,389.40	-	366,041,797.82	309,611,369.18	604,377,506.07	223,488,716.33
Loans and advances to customers	1,668,361,226.29	1,782,780,748.48	4,191,559.75	37,859,831.12	215,759,538.08	816,982,539.31	707,987,280.22
Held-to-maturity investment	395,770,969.61	400,000,000.00	-	60,000,000.00	140,000,000.00	200,000,000.00	-
Other assets	24,428,082.43	24,428,082.43	3,983,184.92	2,108,831.10	4,860,359.66	8,007,118.95	5,468,587.80
Total assets	5,348,526,405.63	5,503,063,685.79	1,014,837,086.90	839,633,835.38	851,968,552.96	1,859,679,626.20	936,944,584.35
Liabilities							
Deposits from financial institutions	(9,443,287.53)	(10,773,445.86)	(143,287.53)	-	-	-	(10,630,158.33)
Borrowings from financial institutions	(344,160,800.00)	(355,458,048.30)	-	(271,808.60)	(526,081.17)	(2,411,205.36)	(352,248,953.17)
Customer deposits	(3,635,573,616.69)	(3,651,921,684.00)	(1,610,802,791.09)	(279,146,817.01)	(569,540,053.50)	(1,131,158,132.38)	(61,273,890.02)
Other liabilities	(35,014,394.05)	(35,014,394.05)	(15,459,440.22)	(2,442,382.96)	(4,027,293.37)	(10,477,040.68)	(2,608,236.82)
Total liabilities	(4,024,192,098.27)	(4,053,167,572.21)	(1,626,405,518.84)	(281,861,008.57)	(574,093,428.04)	(1,144,046,378.42)	(426,761,238.34)
Net position	1,324,334,307.36	1,449,896,113.58	(611,568,431.94)	557,772,826.81	277,875,124.92	715,633,247.78	510,183,346.01

37 Fair value of financial instruments

The Bank's financial assets mainly include deposits with central bank, deposits with financial institutions, placements with financial institutions, loans and advances to customers and held-to-maturity investment.

Except for loans and advances to customers, most financial assets are due within one year or are measured at fair value; therefore their carrying amounts are close to their fair values.

Loans and advances to customers are recorded at amortized cost less impairment losses (Note 3(8)(a)). Since the interest rates for loans and advances are adjusted on a real-time basis based on PBOC's stipulated interest rates, and impaired loans have been reduced at the amount of impairment losses to reflect the recoverable amount, the carrying amounts of loans and advances are close to their fair values.

The Bank's financial liabilities mainly include deposits from financial institutions, borrowings from financial institutions and customer deposits, whose carrying amounts are close to their fair values as at the balance sheet date.

All of the above assumptions and methods for the calculation of the fair value of the Bank's assets and liabilities provide a unified basis. The fair values might not be comparable between financial institutions due to different assumptions and methods might be adopted by other financial institutions.

38 Commitments and contingent liabilities

(1) Credit commitments

At any given time the Bank has outstanding commitments to extend credit. The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. Acceptances comprise undertakings by the Bank to pay bills of exchange drawn by customers. The Bank expects most acceptances to be settled simultaneously with reimbursement from customers.

The amounts in the table for commitments assume that amounts are fully advanced. The amounts in the table for guarantees and letters of credit represent the maximum potential loss that would be recognized at the balance sheet date if counterparties failed completely to perform as contracted.

Contractual amount	*2016*	*2015*
Loan commitments		
- with an original maturity under one year	1,312,972,717.74	842,889,244.32
- with an original maturity of one year or over	16,382,032.90	104,631,453.62
Bank acceptances	958,183.49	1,311,032.00
Standby letters of credit	1,498,829,945.59	1,165,057,551.31
Total	2,829,142,879.72	2,113,889,281.25

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

(2) Credit risk weighted amount

	2016	*2015*
Credit risk weighted amount of contingent liabilities and commitments	410,765,763.33	144,768,959.21

The credit risk-weighted assets refers to the amount as computed in accordance with the *Administrative Measures on Capitals of Commercial Banks (For Trial Implementation)* (CBRC [2012] No.1) set out by the CBRC and depends on the status of the counterparty and the maturity characteristics. The risk weightings used in the computation of credit risk-weighted assets range from 0% to 150%.

(3) Operating lease commitments

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

	2016	*2015*
Within 1 year (inclusive)	4,372,045.45	12,104,557.67
After 1 year but within 2 years (inclusive)	1,300,421.05	3,829,948.53
After 2 years but within 3 years (inclusive)	1,171,921.05	1,148,021.05
After 3 years	874,685.79	1,969,986.84
Total	7,719,073.34	19,052,514.09

(4) Capital commitments

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

39 Entrusted loans and deposits

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

	2016	*2015*
Entrusted loans	-	27,069.84
Entrusted deposits	-	27,069.84

East West Bank (China) Limited
Balance sheet as at 31 December 2016
(Expressed in Renminbi Yuan)

	2016			2015		
	RMB business	FCY business	Total	RMB business	FCY business	Total
Assets						
Cash and deposits with central bank	965,229,261.66	68,371,040.05	1,033,600,301.71	770,264,222.66	29,604,731.31	799,868,953.97
Deposits with inter-banks	885,109,061.32	374,597,285.79	1,259,706,347.11	425,324,217.57	562,036,052.01	987,360,269.58
Placements with financial institutions	826,963,406.66	1,421,911,190.44	2,248,874,597.10	861,737,794.21	610,999,109.54	1,472,736,903.75
Interest receivable	12,386,336.21	6,255,051.97	18,641,388.18	18,007,772.39	2,666,537.43	20,674,309.82
Loans and advances to customers	2,113,469,916.09	26,032,018.63	2,139,501,934.72	1,528,788,555.35	139,572,670.94	1,668,361,226.29
Held-to-maturity investment	98,766,869.86	-	98,766,869.86	395,770,969.61	-	395,770,969.61
Fixed assets	3,464,589.54	143,252.37	3,607,841.91	3,464,251.65	250,342.62	3,714,594.27
Construction in progress	2,260,296.72	-	2,260,296.72	639,190.40	-	639,190.40
Intangible assets	11,133,606.20	769,763.09	11,903,369.29	16,823,401.21	1,084,796.14	17,908,197.35
Deferred tax assets	23,723,430.18	-	23,723,430.18	-	-	-
Other assets	12,579,010.70	(1,518,571.73)	11,060,438.97	11,528,226.60	186,354.63	11,714,581.23
Total assets	4,955,085,785.14	1,896,561,030.61	6,851,646,815.75	4,032,348,601.65	1,346,400,594.62	5,378,749,196.27

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

East West Bank (China) Limited
Balance sheet as at 31 December 2016 (continued)
(Expressed in Renminbi Yuan)

	2016			2015		
	RMB business	FCY business	Total	RMB business	FCY business	Total
Liabilities						
Deposits from financial institutions	244,678,729.41	1,690.69	244,680,420.10	9,441,705.69	1,581.84	9,443,287.53
Borrowings from financial institutions	417,050,100.00	402,346,000.00	819,396,100.00	-	344,160,800.00	344,160,800.00
Customer deposits	3,160,088,785.68	1,193,689,305.85	4,353,778,091.53	2,907,564,742.66	728,008,874.03	3,635,573,616.69
Employee benefits payable	6,810,042.52	-	6,810,042.52	6,212,009.68	-	6,212,009.68
Taxes payable	441,843.02	9,686,646.63	10,128,489.65	2,414,362.31	3,772,341.43	6,186,703.74
Interest payable	19,417,528.34	455,319.09	19,872,847.43	20,201,167.99	885,416.47	21,086,584.46
Other liabilities	11,690,671.02	6,814,057.82	18,504,728.84	(10,325,891.24)	22,334,198.20	12,008,306.96
Total liabilities	3,860,177,699.99	1,612,993,020.08	5,473,170,720.07	2,935,508,097.09	1,099,163,211.97	4,034,671,309.06

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

East West Bank (China) Limited
Balance sheet as at 31 December 2016 (continued)
(Expressed in Renminbi Yuan)

	2016			2015		
	RMB business	FCY business	Total	RMB business	FCY business	Total
Owners' equity						
Paid-in capital	1,072,000,000.00	328,000,000.00	1,400,000,000.00	1,072,000,000.00	328,000,000.00	1,400,000,000.00
Surplus reserve	1,865,740.24	5,162,106.97	7,027,847.21	1,865,740.24	5,162,106.97	7,027,847.21
General risk reserve	8,944,771.23	14,165,272.08	23,110,043.31	8,944,771.23	14,165,272.08	23,110,043.31
Retained earnings / (accumulated losses)	12,097,573.68	(63,759,368.52)	(51,661,794.84)	14,029,993.09	(100,089,996.40)	(86,060,003.31)
Total owners' equity	1,094,908,085.15	283,568,010.53	1,378,476,095.68	1,096,840,504.56	247,237,382.65	1,344,077,887.21
Total liabilities and owners' equity	4,955,085,785.14	1,896,561,030.61	6,851,646,815.75	4,032,348,601.65	1,346,400,594.62	5,378,749,196.27

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

East West Bank (China) Limited
Income statement for the year ended 31 December 2016
(Expressed in Renminbi Yuan)

	2016			2015		
	RMB business	FCY business	Total	RMB business	FCY business	Total
Operating income	98,912,581.83	47,496,741.02	146,409,322.85	117,102,900.64	40,482,145.85	157,585,046.49
Net interest income	85,946,976.10	15,890,662.95	101,837,639.05	96,408,127.64	19,354,348.35	115,762,475.99
Interest income	134,928,670.59	24,104,113.21	159,032,783.80	149,446,130.84	25,315,534.91	174,761,665.75
Interest expense	(48,981,694.49)	(8,213,450.26)	(57,195,144.75)	(53,038,003.20)	(5,961,186.56)	(58,999,189.76)
Net fees and commission income	3,259,134.10	6,918,029.64	10,177,163.74	5,688,267.57	2,501,810.10	8,190,077.67
Fees and commission income	3,362,302.15	7,175,772.89	10,538,075.04	5,777,929.42	2,778,296.59	8,556,226.01
Fees and commission expense	(103,168.05)	(257,743.25)	(360,911.30)	(89,661.85)	(276,486.49)	(366,148.34)
Investment income	6,586,260.25	-	6,586,260.25	7,746,519.61	-	7,746,519.61
Exchange gains	3,120,211.38	18,200,002.98	21,320,214.36	4,163,266.55	15,456,389.18	19,619,655.73
Other operating income	-	6,488,045.45	6,488,045.45	3,096,719.27	3,169,598.22	6,266,317.49

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

East West Bank (China) Limited
Income statement for the year ended 31 December 2016 (continued)
(Expressed in Renminbi Yuan)

	2016			2015		
	RMB business	FCY business	Total	RMB business	FCY business	Total
Operating expenses	(105,904,306.05)	(22,912,129.75)	(128,816,435.80)	(107,616,916.19)	(516,973.47)	(108,133,889.66)
Tax and surcharges	(1,792,693.43)	(536,055.81)	(2,328,749.24)	(3,687,978.17)	(1,107,768.64)	(4,795,746.81)
General and administrative expenses	(74,076,406.59)	(27,948,082.06)	(102,024,488.65)	(95,816,687.26)	(1,534,709.88)	(97,351,397.14)
Impairment losses	(30,035,206.03)	5,572,008.12	(24,463,197.91)	(8,112,250.76)	2,125,505.05	(5,986,745.71)
Operating profit	(6,991,724.22)	24,584,611.27	17,592,887.05	9,485,984.45	39,965,172.38	49,451,156.83
Add: non-operating income	347,520.60	726.01	348,246.61	3,176,734.96	1.09	3,176,736.05
Less: non-operating expenses	(3,245.36)	(374.04)	(3,619.40)	(58,363.55)	(2,878.27)	(61,241.82)
Profit before taxation	(6,647,448.98)	24,584,963.24	17,937,514.26	12,604,355.86	39,962,295.20	52,566,651.06
Less: income tax expense	24,336,171.45	(7,875,477.24)	16,460,694.21	1,212,305.63	(12,852,374.16)	(11,640,068.53)
Net profit	17,688,722.47	16,709,486.00	34,398,208.47	13,816,661.49	27,109,921.04	40,926,582.53
Other comprehensive income, net of tax	-	-	-	-	-	-
Total comprehensive income	17,688,722.47	16,709,486.00	34,398,208.47	13,816,661.49	27,109,921.04	40,926,582.53

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

East West Bank (China) Limited
Balance sheet as at 31 December 2016
(Expressed in Renminbi Yuan)

	Shanghai Branch	Shenzhen Branch	Shantou Branch	Total
Assets				
Cash and deposits with central bank	1,033,571,309.30	-	28,992.41	1,033,600,301.71
Deposits with inter-banks	1,256,945,943.04	1,046,029.54	1,714,374.53	1,259,706,347.11
Placements with financial institutions	2,248,874,597.10	-	-	2,248,874,597.10
Interest receivable	16,545,610.90	1,969,008.11	126,769.17	18,641,388.18
Loans and advances to customers	1,692,158,297.49	370,016,692.24	77,326,944.99	2,139,501,934.72
Held-to-maturity investment	98,766,869.86	-	-	98,766,869.86
Fixed assets	3,253,923.96	305,806.58	48,111.37	3,607,841.91
Construction in progress	2,260,296.72	-	-	2,260,296.72
Intangible assets	11,474,533.08	403,195.18	25,641.03	11,903,369.29
Deferred tax assets	23,723,430.18	-	-	23,723,430.18
Other assets	9,681,174.59	1,311,449.38	67,815.00	11,060,438.97
Domestic deposit from correspondent banks (Net)	15,355,406.78	(84,345,347.91)	68,989,941.13	-
Total assets	6,412,611,393.00	290,706,833.12	148,328,589.63	6,851,646,815.75

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

East West Bank (China) Limited
Balance sheet as at 31 December 2016 (continued)
(Expressed in Renminbi Yuan)

	Shanghai Branch	Shenzhen Branch	Shantou Branch	Total
Liabilities				
Deposits from financial institutions	244,574,289.64	106,130.46	-	244,680,420.10
Borrowings from financial institutions	819,396,100.00	-	-	819,396,100.00
Customer deposits	4,147,979,470.88	189,387,253.41	16,411,367.24	4,353,778,091.53
Employee benefits payable	6,318,563.00	318,366.26	173,113.26	6,810,042.52
Taxes payable	9,591,312.75	371,098.82	166,078.08	10,128,489.65
Interest payable	19,248,134.47	141,354.86	483,358.10	19,872,847.43
Other liabilities	18,222,119.51	187,772.12	94,837.21	18,504,728.84
Total liabilities	5,265,329,990.25	190,511,975.93	17,328,753.89	5,473,170,720.07

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

East West Bank (China) Limited
Balance sheet as at 31 December 2016 (continued)
(Expressed in Renminbi Yuan)

	Shanghai Branch	Shenzhen Branch	Shantou Branch	Total
Owners' equity				
Paid-in capital	1,200,000,000.00	100,000,000.00	100,000,000.00	1,400,000,000.00
Surplus reserve	7,027,847.21	-	-	7,027,847.21
General risk reserve	23,110,043.31	-	-	23,110,043.31
(Accumulated losses) / retained earnings	(82,856,487.77)	194,857.19	30,999,835.74	(51,661,794.84)
Total owners' equity	1,147,281,402.75	100,194,857.19	130,999,835.74	1,378,476,095.68
Total liabilities and owners' equity	6,412,611,393.00	290,706,833.12	148,328,589.63	6,851,646,815.75

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

East West Bank (China) Limited
Income statement for the year ended 31 December 2016
(Expressed in Renminbi Yuan)

	Shanghai Branch	Shenzhen Branch	Shantou Branch	Elimination Adjustment	Total
Operating income	118,394,109.09	14,349,265.19	13,665,948.57	-	146,409,322.85
Net interest income	82,526,955.46	13,481,170.70	5,829,512.89	-	101,837,639.05
Interest income	137,258,676.58	18,050,720.97	6,232,302.49	(2,508,916.24)	159,032,783.80
Interest expense	(54,731,721.12)	(4,569,550.27)	(402,789.60)	2,508,916.24	(57,195,144.75)
Net fees and commission income	9,791,472.03	293,755.95	91,935.76	-	10,177,163.74
Fees and commission income	10,149,732.21	294,377.35	93,965.48	-	10,538,075.04
Fees and commission expense	(358,260.18)	(621.40)	(2,029.72)	-	(360,911.30)
Investment income	6,586,260.25	-	-	-	6,586,260.25
Exchange gains	13,001,375.90	574,338.54	7,744,499.92	-	21,320,214.36
Other operating income	6,488,045.45	-	-	-	6,488,045.45

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

East West Bank (China) Limited
Income statement for the year ended 31 December 2016 (continued)
(Expressed in Renminbi Yuan)

	Shanghai Branch	Shenzhen Branch	Shantou Branch	Elimination Adjustment	Total
Operating expenses	(111,285,713.87)	(13,169,882.26)	(4,360,839.67)	-	(128,816,435.80)
Tax and surcharges	(1,755,170.44)	(417,348.40)	(156,230.40)	-	(2,328,749.24)
General and administrative expenses	(85,067,345.52)	(12,752,533.86)	(4,204,609.27)	-	(102,024,488.65)
Impairment losses	(24,463,197.91)	-	-	-	(24,463,197.91)
Operating profit	7,108,395.22	1,179,382.93	9,305,108.90	-	17,592,887.05
Add: non-operating income	145,906.96	196,554.59	5,785.06	-	348,246.61
Less: non-operating expenses	(3,619.40)	-	-	-	(3,619.40)

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

East West Bank (China) Limited
Income statement for the year ended 31 December 2016 (continued)
(Expressed in Renminbi Yuan)

	Shanghai Branch	Shenzhen Branch	Shantou Branch	Elimination Adjustment	Total
Profit before taxation	7,250,682.78	1,375,937.52	9,310,893.96	-	17,937,514.26
Less: income tax expense	16,762,367.39	(177,062.61)	(124,610.57)	-	16,460,694.21
Net profit	24,013,050.17	1,198,874.91	9,186,283.39	-	34,398,208.47
Other comprehensive income, net of tax	-	-	-	-	-
Total comprehensive income	24,013,050.17	1,198,874.91	9,186,283.39	-	34,398,208.47

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