Annual Report 2019

华美银行
EAST WEST BANK

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

EAST WEST BANK (CHINA) LIMITED

Contents

/01 FINANCIAL PERFORMANCE SUMMARY

Total assets amounted to RMB10,541 million as of 2019-12-31, at a decrease of RMB1,095 million, or 9.41% from 2018.

Loans and advances to customers outstanding totaled RMB4,257 million as of 2019-12-31, at an increase of RMB394 million, or 10.20% from 2018. By the end of 2019, our loan provision ratio [1] was 1.50%, Loan provision coverage ratio [1] was mathematically calculated as indefinite.

Customer deposits totaled RMB6,995 million as of 2019-12-31, at a decrease of RMB1,234 million, or 15% from 2018.

Total operating income decreased from RMB227,345.7 thousand in 2018 to RMB215,535.9 thousand in 2019 , or a decrease of 5.19% from 2018.

- Total operating expenses decreased from RMB169,519.4 thousand in 2018 to RMB151,759.6 thousand in 2019 , or a decrease of 10.48% from 2018. Total general and administration expenses increased RMB22.49 million in 2019, or an increase of 17.58% from 2018. Impairment losses was booked at RMB 0.20 million in 2019 while it was booked at RMB 40.54 million in 2018.
- Profit before taxation increased from RMB58.03 million in 2018 to RMB63.78 million in 2019, or a increase of 9.92%; Net Profit of 2019 was RMB37.74 million, or a decrease of RMB4.91million from 2018, or a decrease of 11.51%.
- Capital Adequacy ratio was 23.86% , tier 1 capital ratio was 22.81%.

Notes:

[1] Loan provision ratio and loan provision coverage ratio are calculated based on reporting requirements of the CBIRC.

/02 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.

East West Bancorp is a publicly owned global company with total assets over $44.2 billion and is traded on the Nasdaq Global Select Market under the symbol “EWBC”. The Company’s wholly owned subsidiary, East West Bank, is one of the largest independent banks headquartered in Southern California.
We are a premier bank focused on the United States and Greater China markets and operates over 125 locations worldwide. Our understanding of cultural and business practices on both sides of the Pacific is enabling a new generation of customers to seamlessly scale their business and investment opportunities between East and West.

The Bank was formerly 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 former 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 Investi- tions-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 Kasikorn bank 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.

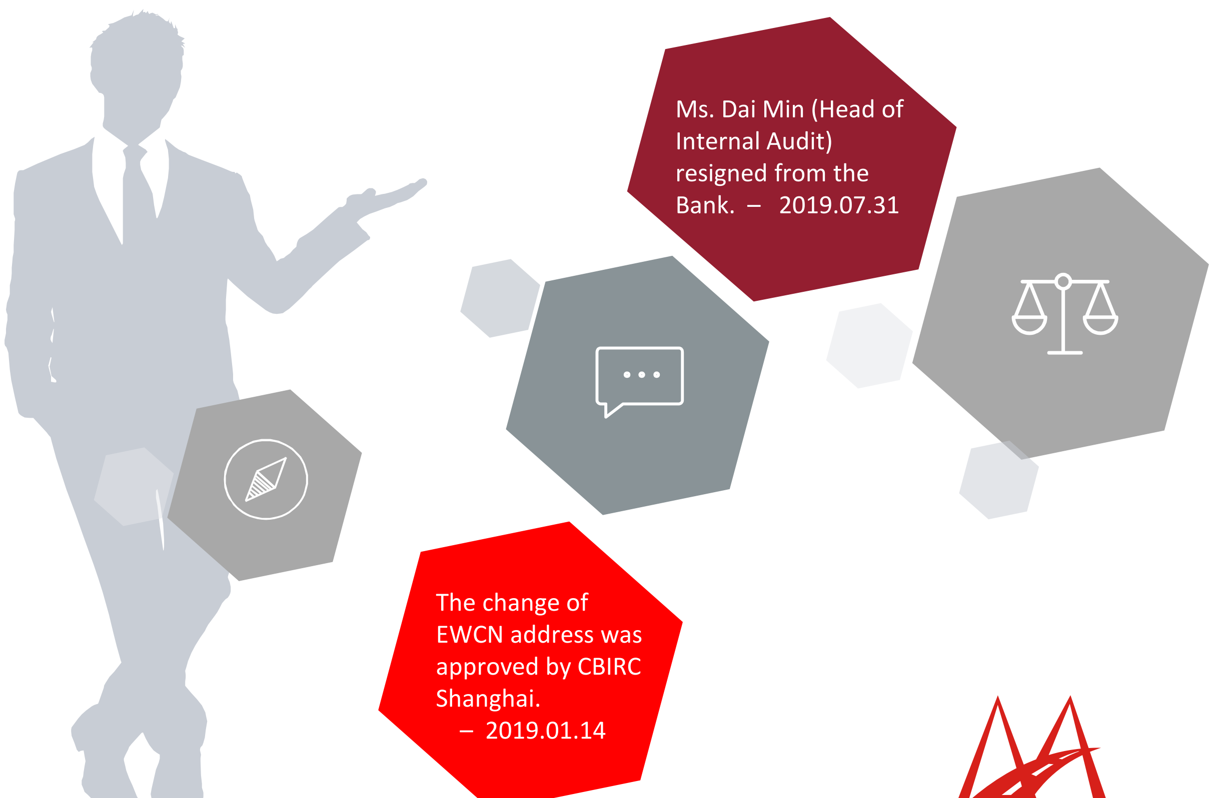
Meanwhile, BDB was renamed as United Commercial Bank (China) Limited ("UCB China"). On 7 November 2009, the Federal Deposit Insurance Corporation ("FDIC") announced the acquisition of the UCB by EWB, including UCB China. With the approval of the CBRC on 23 March 2010, the shareholder of UCB China was changed to EWB. After the acquisition, EWB holds 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.

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 former CBRC.

As stated in the Bank's business license, the Bank's operating period is from 29 June 1992 to non-definite 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 scope: 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 engaging in other businesses approved by the China Banking and Insurance Regulatory Commission (subject to administrative permits for licensed operations).

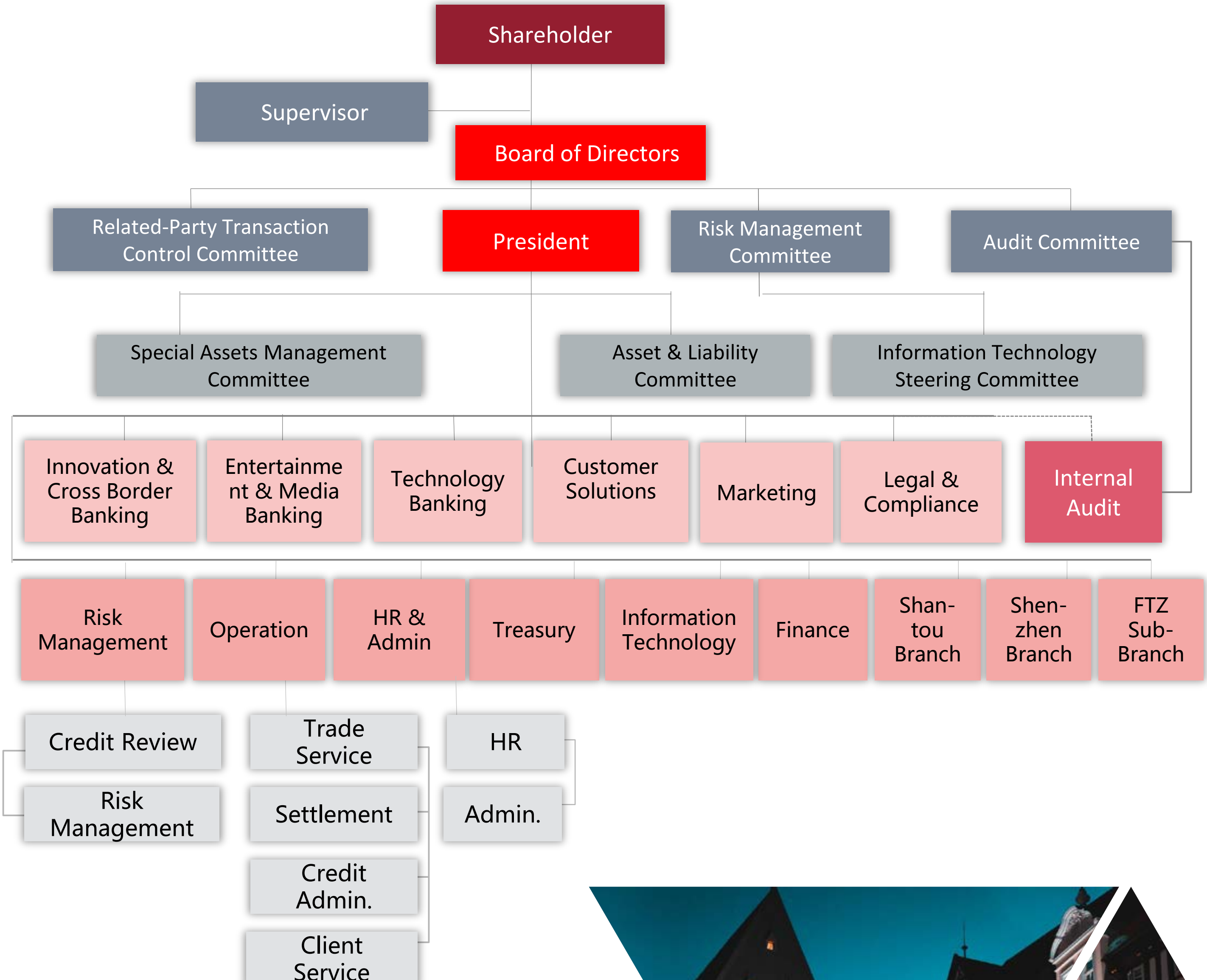
In accordance with approval from the China Banking and Insurance Regulatory Commission Shanghai Branch, the address of our Bank has been changed from Jin Mao Building 30F to 33F. The Bank has obtained a revised business license issued by Shanghai Municipal Administration for Market Regulation on 30 January 2019. As of December 31, 2019, the bank has two branches in Shantou and Shenzhen respectively, and a sub-branch in Shanghai Pilot Free Trade Zone.

/03 IMPORTANT INFORMATION DISCLOSURE



/04 CORPORATE GOVERNANCE

As of 31 December 2019, 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 2018, 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 Their Main Responsibilities And Duties

By serving our community and keeping the customer at the center of every transaction, we have grown East West Bank from one small branch to the premier East-West bridge you trust today.

– Dominic Ng, Chairman and CEO of East West Bank.

Appointed by the shareholder, the Board of Directors has seven directors, including a chairman, two independent directors, one executive director, three non-executive directors and 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	Henry Zhang [2]	Director	CEO of Greater China
3	Yao Yi Zhi	Executive Director	President of EWCN
4	Andrew Pan	Director	Senior Vice President of EWB
5	Bennett Chui	Director	Deputy Chief Credit Officer of EWB
6	Ted Lee	Independent Director	Managing director of T Plus Capital Ltd
7	Brett Krause	Independent Director	Chief Strategy Officer of FunPlus
8	Elisa Bian	Corporate Secretary	Senior Vice President of EWCN

Note:
[2] Mr. Henry Zhang reigned from the Board of Director and CEO of Greater China on March 26, 2020.

The Main Responsibilities And Duties Of The Board Of Directors

- 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 the 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 that includes, the setup of the Bank's internal management structure, responsibilities of the respective positions and conduct of staff or strategic procedures;
- Determine 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 the 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.

➢ The Convening of The Board Of Directors

In accordance with the Articles of Association, the Board of Directors shall convene at least four times a year. Any additional meeting of the Board of Directors may be convened upon 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 Director's resolution shall be signed by the directors attending the meeting and filed by the Board Secretary of the Bank. In 2019, the Board of Directors held four meetings on 22 March, 11 June, 27 September and 22 November, when a number of proposals were reviewed, discussed and approved.

➢ The Directors' Performance Evaluation

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 the committees. All resolutions and voting results of the committee meeting shall be reported to the Board of Directors in written.

Audit Committee

The Bank's Audit Committee is composed of independent directors Mr. Ted Lee and Mr. Brett Krause, non-executive director Mr. Bennett Chui. 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 2019, Audit Committee held four meetings on 8 March, 30 May, 20 September and 15 November 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. Henry Zhang and Mr. Bennett Chui, executive director Mr. Yao Yi Zhi and independent directors Mr. Ted Lee and Mr. Brett Krause. Mr. Ted Lee was 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 Policy and other risk management policies that should be approved by the Board of Directors;
- Monitor the Bank's risk exposure detailing each individual risk through a standard report at each risk management Committee meeting;
- Summarize the risk assessment process from reports, and supervise 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 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 2019, Risk Management Committee held four meetings on 8 March, 30 May, 20 September and 15 November 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 directors Mr. Ted Lee and Mr. Brett Krause, non-executive directors Mr. Henry Zhang and Mr. Andrew Pan, and executive director Mr. Yao Yi Zhi. Mr. Brett Krause was 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 disclosed 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 2019, Related-Party Transaction Control Committee held four meetings on 8 March, 30 May, 20 September and 15 November when a number of proposals were reviewed, discussed and approved. Related-Party Transaction Control Committee reports to the Board of Directors. There **was** no Related-Party Transaction in 2019.

Independent Directors

Independent Director Mr. Ted Lee has performed his responsibilities and duties properly. In 2019, he attended all the relevant meetings including the meetings of the Board of Directors, Audit Committee, Related-Party Transactions Control Committee and Risk Management Committee. Mr. Ted Lee participated and presided over the meetings of Audit Committee and Risk Management Committee, discussed the possible impact of related risk management policy on the bank's management and internal control, and made judgment independently based on the discussion and self-experience. Besides, as the chairman of Audit Committee, Mr. Ted Lee identified the risk of the bank and raised the corresponding rectification opinions timely. Through the examination of the qualification review of the external auditors which conducted by Audit Committee, Mr. Ted Lee provided independent opinion on the engagement of external auditors.

Independent Director Mr. Brett Krause attended all the relevant meetings including the meetings of the Board of Directors, Audit Committee, Related-Party Transactions Control Committee and Risk Management Committee.

As the chairman of Related-Party Transactions Committee, Mr. Brett Krause participated and presided over the meetings of Related-Party Transactions Committee. Mr. Brett Krause provided independent opinion in various meetings.

Supervisor And His 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 the supervisor. None of the directors, members of Senior Management, or financial officers of the Bank is allowed to concurrently serve as the Supervisor. The 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.

Senior Management And Other Key Management Personnel

Yao Yi Zhi	President
Wayne Zhou	Head of Treasury & FTZ Sub-Branch Manager
Elisa Bian	Head of Operations
Chen Yi	Head of Legal & Compliance
Al Mao	Chief Risk Officer
Fred Wei	Head of Finance
Minnie Zhu	Head of Human Resources & Administration
Cissie Cao	Head of Internal Audit (to be effective upon CBIRC's approval)
Menei Zhong	Head of Information Technology
Calvin Cheng	Managing Director of Technology Banking
David Chang	Head of Innovation & Cross Border Banking
Chanell Chen	Director of Entertainment & Media
Daniel Jing	Head of Customer Solutions
Charlotte Chen	Marketing Manager
Karen Wong	Shenzhen Branch Manager
Zhou Yang Qun	Shantou Branch Manager

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 motivate 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 and various welfares. 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.

➢ Overall Evaluation Of Corporate Governance

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 2019 and the actual expenditure costs were within the budget. In 2019, the total remuneration of Senior Management was RMB24,380,279.00, the allowance of Independent Director was RMB 862,551.00 and there was no salary payment for Non-executive Directors and Supervisor from our Bank.

The Board of Directors of the Bank has been devoted to establishing a sound and efficient corporate governance structure in recent years. Incorporating the policy and experience from the parent bank, the Board of Directors established a corporate governance structure which composed of the shareholders, the Board of Directors and its Board Committees, and 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 2019, 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, and determined the important matters under proper authorization. Meanwhile, the Board of Directors and its Board Committee monitored the potential risk and supervised the performance of senior management by meeting with senior management, reviewing the Bank's related implementation reports of internal control and risk management.

/05 RISK MANAGEMENT

The Bank have been confronted by various kinds of financial risks. The Bank analyzes evaluates, accepts and manages a certain degree of risk or risk portfolio. The main business risks of the Bank include 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 35 on the financial statements. The following explains the management mechanisms of the Bank's operational risk, reputation risk and country risk.

The Board of Directors has the ultimate responsibility for the supervision and management of all 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 the President is responsible for overseeing market risk and liquidity 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 which has been merged into the integrated risk management mechanism, and the 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. The Head of Internal Audit is in charge of Internal Audit Department and reports to the Audit Committee. Audit Committee is reports to the Board of Directors and its responsibilities include organizing and guiding the internal audit work upon authorization of the Board of Directors, and supervising the accountability of Internal Audit Department. Internal audit covers: the Bank's business management compliance; the effectiveness and soundness of internal control; risk profile as well as the applicability and effectiveness of the procedures 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 as well as of its Senior Management. Internal Audit Department audits and evaluates the Bank's operating activities, risk profiles, internal controls and corporate governance in accordance with the approved annual audit plan.

/06 SOCIAL RESPONSIBILITIES

Providing Support to Combat the Coronavirus Outbreak

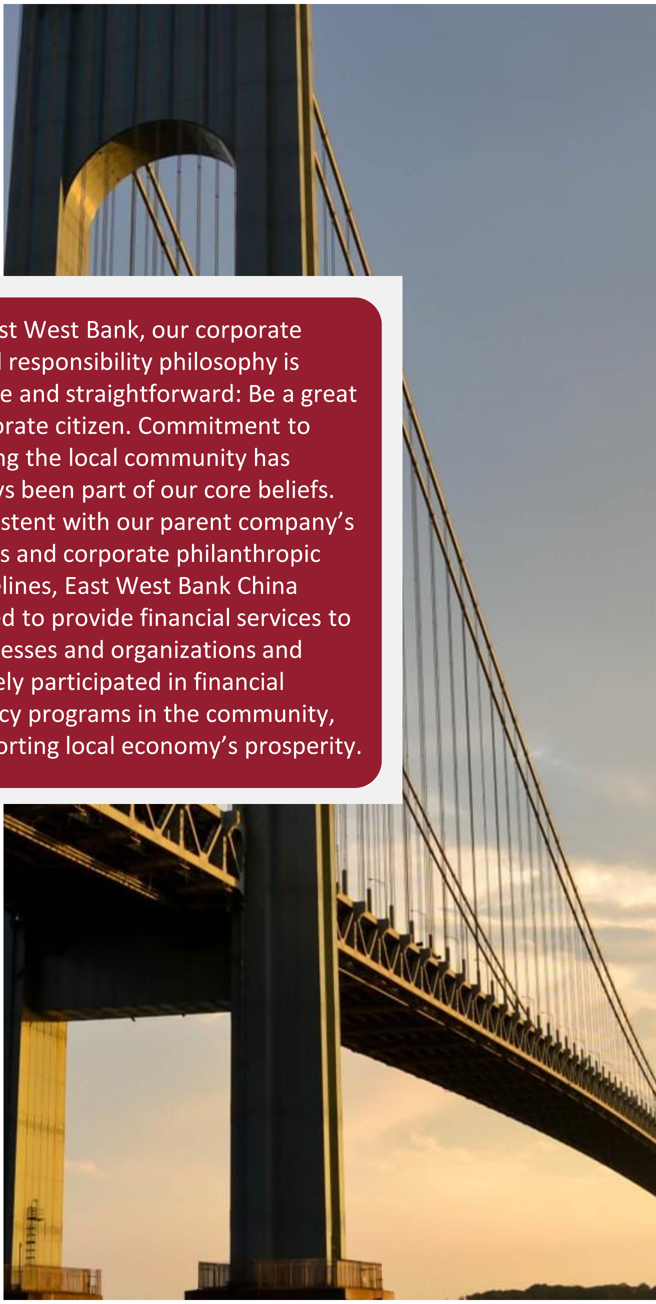
EWB supports the global economy. During the coronavirus outbreak, we strived to fulfill our economic and social responsibilities. Following the guidelines of the Chinese government and regulatory agencies, we took measures to ensure the business and operation continuity so that we were able to provide high quality financial services to customers in this difficult time.

To support the relief effort in China, the Bank donated one million yuan to the China Youth Development Foundation to purchase medical supplies, such as masks, protective clothing and disinfectant, for hospitals in Hubei Province. The funds also will provide subsidies to the youth in families that have been infected by the virus.

Promoting Financial Literacy to Shape the Future of the Next Generation

As a financial institution, we have made financial education our core program as our corporate social responsibility initiative. We hosted a financial literacy course, partnering with a leading non-profit organization committed to empowering youth and children in rural areas and migrants in the cities with social and financial skills.

Volunteers from East West Bank China taught the course to Grade 2-3 students of an elementary School in Shanghai, where more than 50% of its students are migrant children. Through compelling stories, hands-on tasks as well as an interactive board game, our volunteer teachers introduced students to topics such as earnings, savings, loans, risks, insurance and many other financial concepts. We are delighted to play our part in helping future generations to become more knowledgeable in financial management and skillful in life.



At East West Bank, our corporate social responsibility philosophy is simple and straightforward: Be a great corporate citizen. Commitment to serving the local community has always been part of our core beliefs. Consistent with our parent company's values and corporate philanthropic guidelines, East West Bank China strived to provide financial services to businesses and organizations and actively participated in financial literacy programs in the community, supporting local economy's prosperity.

/07 HEAD OFFICE AND BRANCHES

01

Head Office

Address : 33/F Jin Mao Tower, 88 Century Boulevard, Shanghai

Zip Code : 200121

Tel: (8621) 50499999

Fax: (8621) 50475288

02

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

03

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

04

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

/08 FINANCIAL STATEMENTS

EAST WEST BANK (CHINA) LIMITED

ENGLISH TRANSLATION OF THE FINANCIAL STATEMENTS
FOR THE YEAR FROM 1 JANUARY 2019 TO 31 DECEMBER 2019
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 2000576 号

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

Opinion

We have audited the accompanying financial statements of East West Bank (China) Limited ("the Bank") set out on pages 1 to 50, which comprise the Bank's balance sheet as at 31 December 2019, the Bank's income statements, the Bank's cash flow statements, the Bank's statement of changes in owner's equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2019, and the financial performance and cash flows of the Bank for the year then ended in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China.

Basis for Opinion

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

KPMG Huazhen LLP
Shanghai Branch

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

Shanghai, China

Shi Haiyun

Wang Weishun

03 April 2020

East West Bank (China) Limited
Balance sheet as at 31 December 2019
(Expressed in Renminbi Yuan)

	Note	*2019*	*2018*
Assets			
Cash and deposits with central bank	*6*	2,050,100,547.72	1,697,597,603.18
Deposits with inter-banks	*7*	893,355,478.45	2,015,567,691.66
Placements with financial institutions	*8*	3,262,345,313.43	3,952,764,308.03
Interest receivable	*9*	29,954,056.03	44,892,442.60
Loans and advances to customers	*10*	4,256,946,912.38	3,862,734,445.01
Fixed assets	*11*	2,653,608.24	2,595,181.16
Construction in progress	*12*	5,626,731.75	9,989,064.14
Intangible assets	*13*	11,751,586.28	9,892,888.15
Deferred tax assets	*14*	3,160,590.29	28,196,754.98
Other assets	*15*	25,573,215.54	11,835,054.45
Total assets		10,541,468,040.11	11,636,065,433.36

The notes on pages 7 to 50 form part of these financial statements.

East West Bank (China) Limited
Balance sheet as at 31 December 2019 (continued)
(Expressed in Renminbi Yuan)

	Note	*2019*	*2018*
Liabilities			
Deposits from financial institutions	*16*	1,660,967,925.48	1,189,539,552.87
Borrowings from financial institutions	*17*	262,785,800.00	636,672,000.00
Customer deposits	*18*	6,995,135,253.94	8,229,100,329.26
Employee benefits payable	*19*	17,949,248.85	14,123,382.01
Taxes payable	*5(3)*	6,319,561.83	12,411,381.59
Interest payable	*20*	74,625,123.33	64,496,780.69
Other liabilities	*21*	17,304,592.61	21,085,371.90
Total liabilities		9,035,087,506.04	10,167,428,798.32
Owner's equity			
Paid-in capital	*22*	1,400,000,000.00	1,400,000,000.00
Surplus reserve	23	14,652,111.56	10,877,721.66
General risk reserve	*24*	91,728,422.51	57,758,913.38
Total owner's equity		1,506,380,534.07	1,468,636,635.04
Total liabilities and owner's equity		10,541,468,040.11	11,636,065,433.36

These financial statements have been approved by the Border of Directors on 03 April 2020.

Yizhi Yao President	Fred Wei Head of Finance	Bank Stamp

The notes on pages 7 to 50 form part of these financial statements.

East West Bank (China) Limited

Income statement for the year ended 31 December 2019

(Expressed in Renminbi Yuan)

	Note	*2019*	*2018*
Operating income		215,535,903.77	227,345,668.53
Net interest income	*26*	195,115,375.64	194,923,231.69
Interest income		376,446,243.03	340,504,026.45
Interest expense		(181,330,867.39)	(145,580,794.76)
Net fees and commission income	*27*	6,707,107.50	6,391,697.63
Fees and commission income		7,639,793.37	6,949,697.65
Fees and commission expense		(932,685.87)	(558,000.02)
Exchange gains / (losses)		13,730,487.85	25,584,785.98
Losses from asset disposals		(418,696.15)	(4,593.52)
Other income		401,628.93	450,546.75
Operating expenses		(151,759,561.87)	(169,519,436.44)
Tax and surcharges		(1,081,301.06)	(990,416.77)
General and administrative expenses	*28*	(150,482,497.72)	(127,988,317.13)
Impairment losses	*29*	(195,763.09)	(40,540,702.54)
Operating profit		63,776,341.90	57,826,232.09
Add: non-operating income		8,389.51	200,285.48
Less: non-operating expense		(932.22)	-
Profit before taxation		63,783,799.19	58,026,517.57
Less: income tax expense	*30*	(26,039,900.16)	(15,371,909.62)
Net profit		37,743,899.03	42,654,607.95
Other comprehensive income, net of tax		-	-
Total comprehensive income		37,743,899.03	42,654,607.95

The notes on pages 7 to 50 form part of these financial statements.

East West Bank (China) Limited
Cash flow statement for the year ended 31 December 2019
(Expressed in Renminbi Yuan)

	Note	*2019*	*2018*
Cash flows from operating activities			
Net cash inflow from deposits with central bank and inter-banks		547,288,631.61	-
Net cash inflow from placements with financial institutions		221,802,600.00	-
Net cash inflow from deposits from financial institutions		471,428,372.61	969,293,340.39
Net cash inflow from borrowing from financial institutions		-	290,359,400.00
Net cash inflow from customer deposits		-	1,891,575,370.97
Interest, fees and commission received		413,124,708.96	338,235,615.23
Proceeds from other operating activities		858,104.73	2,026,952.97
Sub-total of cash inflows		1,654,502,417.91	3,491,490,679.56
Net cash outflow from deposits with central bank and inter-banks		-	(280,985,984.26)
Net cash outflow from placements with financial institutions		-	(619,058,200.00)
Net cash outflow from loans and advances to customers		(438,502,596.84)	(1,748,661,547.84)
Net cash outflow from borrowings from financial institutions		(373,886,200.00)	-
Net cash outflow from customer deposits		(1,233,965,075.32)	-
Interest, fees and commission paid		(172,135,210.62)	(109,636,690.63)
Payment to and for employees		(83,557,714.52)	(70,911,046.55)
Payment of various taxes		(26,630,640.21)	(22,900,621.91)
Payment for other operating activities		(42,201,556.11)	(85,277,727.31)
Sub-total of cash outflows		(2,370,878,993.62)	(2,937,431,818.50)
Net cash outflow / (inflow) from operating activities	*31(1)*	(716,376,575.71)	554,058,861.06

The notes on pages 7 to 50 form part of these financial statements.

East West Bank (China) Limited
Cash flow statement for the year ended 31 December 2019 (continued)
(Expressed in Renminbi Yuan)

	Note	*2019*	*2018*
Cash flows from investing activities			
Net proceeds from disposal of fixed assets		1,767.73	1,150.35
Sub-total of cash inflows		1,767.73	1,150.35
Payment for acquisition of fixed assets, construction in progress, intangible assets and other long-term assets		(13,307,009.71)	(12,728,338.00)
Sub-total of cash outflows		(13,307,009.71)	(12,728,338.00)
Net cash outflow from investing activities		(13,305,241.98)	(12,727,187.65)
Effect of foreign exchange rate changes on cash and cash equivalents		38,431,536.57	61,965,649.70
Net decrease / (increase) in cash and cash equivalents	*31(2)*	(691,250,281.12)	603,297,323.11
Add: cash and cash equivalents at the beginning of the year		4,139,889,014.69	3,536,591,691.58
Cash and cash equivalents at the end of the year	*31(3)*	3,448,638,733.57	4,139,889,014.69

The notes on pages 7 to 50 form part of these financial statements.

East West Bank (China) Limited
Statement of changes in owner's equity
for the year ended 31 December 2019 and 2018
(Expressed in Renminbi Yuan)

	Note	*Paid-in capital*	*Surplus reserve*	*General risk reserve*	*Accumulated losses*	*Total owner's equity*
Balance at 1 January 2018		1,400,000,000.00	7,027,847.21	23,110,043.31	(4,155,863.43)	1,425,982,027.09
Change in equity for the year						
1.Total comprehensive income		-	-	-	42,654,607.95	42,654,607.95
2.Appropriation of profits						
- Appropriation for surplus reserve	23、25	-	3,849,874.45	-	(3,849,874.45)	-
- Appropriation for general risk preparation	24、25	-	-	34,648,870.07	(34,648,870.07)	-
Balance at 31 December 2018		1,400,000,000.00	10,877,721.66	57,758,913.38	-	1,468,636,635.04
Change in equity for the year						
1.Total comprehensive income		-	-	-	37,743,899.03	37,743,899.03
2.Appropriation of profits						
- Appropriation for surplus reserve	23、25	-	3,774,389.90	-	(3,774,389.90)	-
- Appropriation for general risk preparation	24、25	-	-	33,969,509.13	(33,969,509.13)	-
Balance at 31 December 2019		1,400,000,000.00	14,652,111.56	91,728,422.51	-	1,506,380,534.07

The notes on pages 7 to 50 form part of these financial statements.

1 General information

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

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

2 Basis of preparation

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

(1) Statement of compliance

The financial statements have been prepared in accordance with the requirements of Accounting Standards for Business Enterprises or referred to as China Accounting Standards ("CAS") issued by the Ministry of Finance ("MOF"). These financial statements present truly and completely the financial position of the Bank as at 31 December 2019, 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, 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 different 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.

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

- Financial assets and financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

- Receivables and held-to-maturity investments are measured at amortised cost using the effective interest method.

- Available-for-sale investments in equity instruments whose fair value cannot be measured reliably are measured at cost. Other available-for-sale financial assets are measured at fair value and changes therein are recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses from monetary financial assets which are recognised directly in profit or loss. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss. Dividend income is recognised in profit or loss when the investee approves the dividends. Interest is recognised in profit or loss using the effective interest method.

- Financial liabilities other than those at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. However, a financial guarantee issued by the Bank is subsequently measured at the higher of the amount initially recognised less accumulated amortisation and the amount of a provision determined in accordance with the principles for contingent liabilities (see Note 3(11)).

(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 when one of the following conditions is met:

- the Bank’s contractual rights to the cash flows from the financial asset expire;

- the financial asset has been transferred and the Bank transfers substantially all of the risks and rewards of ownership of the financial asset; or

- the financial asset has been transferred, although the Bank neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

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

- the carrying amount of the financial asset transferred;

- the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognized directly in shareholders’ 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, borrowing costs to be capitalised and any other costs directly attributable to bringing the asset to working condition for its intended use.

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

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

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

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

	Estimated useful life	*Residual value rate*	*Depreciation rate*
Computer equipment	3 years	5%	31.67%
Office equipment	5 years	5%	19.00%
Motor vehicles and other equipment	5 years	5%	19.00%

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 period. As at the balance sheet date, the long-term deferred expenses of the Bank are leasehold improvement which has an amortization period of 3 to 5 years.

(8) Impairment of assets

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 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 payables are recognized as part of the cost of assets or charged to profit or loss as the related services are rendered by the employees.

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

(c) 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.

(d) Other long-term employee benefits

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

(11) Provisions

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 increases 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.

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

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

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

(15) Income tax

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

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

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

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

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

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

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

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

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

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

- the same taxable entity; or

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

(16) Profit distribution to owners

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

(17) Related parties

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

(18) Segment reporting

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

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

(19) Significant accounting estimates and judgments

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

Notes 3(4), 3(6) and 3(7) contain information about the accounting estimates relating to depreciation and amortisation of assets such as fixed assets, intangible assets and long-term deferred expenses. Notes 7, 8, 10, 11, 12, 13 and 15 contain information about the accounting estimates relating to provisions for impairment of various types of assets. Other significant accounting estimates are as follows:

(i) Note 14: Confirmation of deferred income tax assets;

(ii) Note 36: Fair value measurements of financial instruments.

4 Changes in accounting policies

The Bank has adopted the following revised accounting standards issued by the MOF recently since 1 January 2019:

- CAS No.7 - Exchange of Non-monetary Assets (Revised) ("CAS 7 (2019)")
- CAS No.12 - Debt Restructuring (Revised) ("CAS 12 (2019)")

Major impact of the adoption of the above new/revised regulations and interpretations is as follows:

(i) CAS 7 (2019)

CAS 7 (2019) further clarifies the scope of the standard, specifies the timing for recognition of assets received and derecognition of assets given up, and the accounting treatment for cases in which the timing of recognition and derecognition are inconsistent. The standard modifies the principle of measurement for multiple assets received or given up simultaneously in exchanges of non-monetary assets measured at fair value. It also requires the disclosure of whether exchanges of non-monetary assets have commercial substance and the reasons why they do or do not have commercial substance.

The effective date of CAS 7 (2019) is 10 June 2019. Exchanges of non-monetary assets that occurred between 1 January 2019 and the effective date shall be adjusted according to CAS 7 (2019). Retrospective adjustment is not required for exchanges of non-monetary assets prior to 1 January 2019. The adoption of CAS 7 (2019) has no material effect on the financial position and financial performance of the Bank. .

(ii) CAS 12 (2019)

CAS 12 (2019) modifies the definition of debt restructuring to specify the scope of this standard, as well as the application of relevant financial instruments standards with respect to the recognition, measurement and presentation of financial instruments involved in debt restructuring. For debt restructuring in which a debt is settled by the transfer of assets, CAS 12 (2019) modifies the principle of measurement for initial recognition of non-financial assets received by the creditor, and gains or losses of the debtor from debt restructuring are recognised without distinguishing whether they are gains or losses from asset transfer or debt restructuring. For debt restructuring in which a debt is settled by the issuance of equity instruments to the creditor, CAS 12 (2019) revises the principle of measurement for initial recognition of its share of equity by the creditor, and provides more guidance on the principle of measurement for initial recognition of equity instruments by the debtor.

The effective date of CAS 12 (2019) is 17 June 2019. Debt restructuring that occurred between 1 January 2019 and the effective date shall be adjusted according to CAS 12 (2019). Retrospective adjustment is not required for debt restructuring prior to 1 January 2019. The adoption of CAS 12 (2019) has no material effect on the financial position and financial performance of the Bank.

5 Taxation

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

Tax Name	Tax basis and applicable rate
VAT	Output VAT is 6% of taxable services revenue, based on tax laws. The basis for VAT payable is to deduct input VAT from the output VAT for the period.
tax for maintaining and building cities	On the basis of 7% of the VAT actually paid
education supplementary tax	On the basis of 3% of the VAT actually paid
local education supplementary tax	On the basis of 1% - 2% of the VAT actually paid

(2) Income tax

The income tax rate applicable to the Bank is 25% (2018: 25%).

(3) Taxes payable

	2019	*2018*
VAT payable	4,293,549.99	4,188,916.19
Withholding income tax payable	2,026,011.84	1,933,564.45
Income tax payable	-	6,288,900.95
Total	6,319,561.83	12,411,381.59

6 Cash and deposits with central bank

	Note	*2019*	*2018*
Statutory deposit reserves	*(1)*	585,710,234.04	751,993,665.65
Surplus deposit reserves	*(2)*	1,464,390,313.68	945,603,937.53
Total		2,050,100,547.72	1,697,597,603.18

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

	2019	*2018*
Deposit reserve ratio for RMB deposits	10.5%-11%	11.5%-12.5%
Deposit reserve ratio for foreign currency deposits	5%	5%

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

7 Deposits with inter-banks

(1) Analyzed by counterparty

	Note	*2019*	*2018*
Domestic banks		654,111,103.85	1,757,528,997.04
Overseas banks		240,088,916.04	259,869,680.12
Sub-total		894,200,019.89	2,017,398,677.16
Less: Impairment provision	*7(2)*	(844,541.44)	(1,830,985.50)
Total		893,355,478.45	2,015,567,691.66

(2) Movement of impairment provision

	Note	*2019*	*2018*
Balance at the beginning of the year		1,830,985.50	2,200,684.88
Reversal during the year	*29*	(987,640.17)	(391,436.78)
Exchange difference		1,196.11	21,737.40
Balance at the end of the year		844,541.44	1,830,985.50

8 Placements with financial institutions

(1) Analyzed by counterparty

	Note	*2019*	*2018*
Domestic banks		724,405,000.00	1,681,437,600.00
Domestic non-bank financial institutions		1,392,501,000.00	1,383,971,200.00
Overseas banks		1,151,073,000.00	892,216,000.00
Sub-total		3,267,979,000.00	3,957,624,800.00
Less: Impairment provision	*8(2)*	(5,633,686.57)	(4,860,491.97)
Total		3,262,345,313.43	3,952,764,308.03

(2) Movement of impairment provision

	Note	*2019*	*2018*
Balance at the beginning of the year		4,860,491.97	7,593,649.05
Charged / (Reversal) for the year	*29*	741,995.64	(2,748,825.06)
Exchange difference		31,198.96	15,667.98
Balance at the end of the year		5,633,686.57	4,860,491.97

9 Interest receivable

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

	2019			
	Balance at 1 January 2019	*Additions during the year*	*Collection during the year*	*Balance at 31 December 2019*
Interest receivable	44,892,442.60	373,201,418.16	(388,139,804.73)	29,954,056.03

10 Loans and advances to customers

(1) Analyzed by nature

	Note	*2019*	*2018*
Corporate loans and advances			
- Loans		4,281,342,806.64	3,917,870,957.92
- Trade finance		35,614,001.20	43,959,960.35
- Discount		4,816,707.27	-
Gross loans and advances		4,321,773,515.11	3,961,830,918.27
Less: Impairment provision	*10(5)*	(64,826,602.73)	(99,096,473.26)
Including: Individually assessed		-	-
Collectively assessed		(64,826,602.73)	(99,096,473.26)
Net loans and advances to customers		4,256,946,912.38	3,862,734,445.01

(2) Analyzed by industry

	Note	*2019*		*2018*	
		Amount	*Percentage (%)*	*Amount*	*Percentage (%)*
Manufacturing		1,577,203,421.13	36%	1,470,673,427.13	37%
Information transmission, IT service and software		957,820,290.83	22%	1,000,679,984.14	25%
Culture, sports and entertainment		775,784,681.13	18%	814,886,639.71	21%
Leasing and business services		410,848,432.76	10%	110,202,289.12	3%
Wholesale and retail trade		334,825,732.91	8%	254,698,922.60	6%
Real estate		41,244,289.63	1%	47,776,148.54	1%
Finance service		20,000,000.00	0%	114,000,000.00	3%
Others		204,046,666.72	5%	148,913,507.03	4%
Gross loans and advances		4,321,773,515.11	100%	3,961,830,918.27	100%
Less: Impairment provision	*10 (5)*	(64,826,602.73)		(99,096,473.26)	
Including: Individually assessed		-		-	
Collectively assessed		(64,826,602.73)		(99,096,473.26)	
Net loans and advances to customers		4,256,946,912.38		3,862,734,445.01	

(3) Analyzed by security type

	Note	*2019*	*2018*
Secured loans		2,074,561,471.69	2,117,697,274.40
Guaranteed loans		1,643,651,266.95	1,214,373,683.56
Unsecured loans		603,560,776.47	629,759,960.31
Gross loans and advances		4,321,773,515.11	3,961,830,918.27
Less: Impairment provision	*10(5)*	(64,826,602.73)	(99,096,473.26)
Including: Individually assessed		-	-
Collectively assessed		(64,826,602.73)	(99,096,473.26)
Net loans and advances to customers		4,256,946,912.38	3,862,734,445.01

(4) Overdue loans analyzed by overdue period

At 31 December 2019 and 2018, the Bank had no overdue loans.

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

(5) Movements of impairment provision

	Note	*2019*		
		Collectively assessed provision	*Individually assessed provision*	*Total*
Balance as at 1 January 2019		99,096,473.26	-	99,096,473.26
(Reversal) / Charge for the year	*29*	(34,484,603.25)	39,280,000.00	4,795,396.75
Write-off for the year		-	(39,280,000.00)	(39,280,000.00)
Exchange difference		214,732.72	-	214,732.72
Balance as at 31 December 2019		64,826,602.73	-	64,826,602.73

	Note	*2018*		
		Collectively assessed provision	*Individually assessed provision*	*Total*
Balance as at 1 January 2018		59,865,497.04	-	59,865,497.04
Charge for the year	*30*	39,165,638.46	-	39,165,638.46
Exchange difference		65,337.76	-	65,337.76
Balance as at 31 December 2018		99,096,473.26	-	99,096,473.26

	Note	*2018*		
		Collectively assessed provision	*Individually assessed provision*	*Total*

Balance as at 1 January 2018		59,865,497.04	-	59,865,497.04
Charge for the year	*29*	39,165,638.46	-	39,165,638.46
Exchange difference		65,337.76	-	65,337.76
Balance as at 31 December 2018		99,096,473.26	-	99,096,473.26

On 31 December 2019, the Bank's Loan provision ratio is 1.5% (2018: 2.50%). On 31 December 2019, there is no non-performing loans, provision coverage ratio is not applicable accordingly (2018: not applicable).

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

11 Fixed assets

	Computer equipment	*Office equipment*	*Motor vehicles and others*	*Total*
Cost:				
As at 1 January 2018	9,989,070.46	3,342,447.81	1,503,174.61	14,834,692.88
Additions	1,041,682.04	130,936.64	15,966.73	1,188,585.41
Disposals	(30,488.00)	(61,919.28)	(23,429.20)	(115,836.48)
As at 31 December 2018	11,000,264.50	3,411,465.17	1,495,712.14	15,907,441.81
Additions	1,633,215.77	231,116.99	-	1,864,332.76
Disposals	(7,452,626.31)	(892,929.32)	(24,910.47)	(8,370,466.10)
As at 31 December 2019	5,180,853.96	2,749,652.84	1,470,801.67	9,401,308.47
Less: Accumulated depreciation				
As at 1 January 2018	(8,530,643.83)	(2,197,066.54)	(1,428,015.86)	(12,155,726.23)
Charge for the year	(773,407.24)	(490,051.37)	(3,168.42)	(1,266,627.03)
Written off on disposal	28,963.44	58,871.37	22,257.80	110,092.61
As at 31 December 2018	(9,275,087.63)	(2,628,246.54)	(1,408,926.48)	(13,312,260.65)
Charge for the year	(965,646.48)	(416,765.84)	(3,029.48)	(1,385,441.80)
Written off on disposal	7,079,177.33	846,752.44	24,072.45	7,950,002.22
As at 31 December 2019	(3,161,556.78)	(2,198,259.94)	(1,387,883.51)	(6,747,700.23)
Carrying amount:				
As at 31 December 2019	2,019,297.18	551,392.90	82,918.16	2,653,608.24
As at 31 December 2018	1,725,176.87	783,218.63	86,785.66	2,595,181.16

As at 31 December 2019, management considered that no impairment of fixed assets was necessary (2018: Nil).

12 Construction in progress

	Software and others
Balance as at 1 January 2018	2,601,091.10
Additions	9,174,913.22
Transfer to intangible assets	(1,726,940.18)
Transfer to others	(60,000.00)
Balance as at 31 December 2018	9,989,064.14
Additions	6,590,401.35
Transfer to intangible assets	(3,607,509.57)
Transfer to others	(7,345,224.17)
Balance as at 31 December 2019	5,626,731.75

As at 31 December 2019, management considered that no impairment of construction in progress was necessary (2018: Nil)

13 Intangible assets

	Software
Cost	
As at 1 January 2018	41,363,218.27
Additions	2,364,839.37
Transferred from construction in progress	1,726,940.18
As at 31 December 2018	45,454,997.82
Additions	2,018,772.90
Transferred from construction in progress	3,607,509.57
As at 31 December 2019	51,081,280.29
Less: Accumulated amortization	
As at 1 January 2018	(31,995,666.67)
Charge for the year	(3,566,443.00)
As at 31 December 2018	(35,562,109.67)
Charge for the year	(3,767,584.34)
As at 31 December 2019	(39,329,694.01)
Carrying amounts	
As at 31 December 2019	11,751,586.28
As at 31 December 2018	9,892,888.15

As at 31 December 2019, management considered that no impairment of intangible assets was necessary (2018: 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*
Employee benefits payable	1,262,009.30	226,111.42	1,488,120.72
Impairment provision	7,845,731.25	(6,903,870.23)	941,861.02
Depreciation and amortization	1,698,711.57	(968,103.02)	730,608.55
Unapproved written-off loans	17,390,302.86	(17,390,302.86)	-
Total	28,196,754.98	(25,036,164.69)	3,160,590.29

As at balance sheet date, net value of deferred tax assets and liability in balance sheet:

	2019年	2018年
Deferred tax assets	3,160,590.29	28,196,754.98
Deferred tax liability	-	-
Total	3,160,590.29	28,196,754.98

15 Other assets

	2019	*2018*
Tax to be deducted	9,471,468.59	-
Long-term deferred expenses	7,230,135.48	1,367,671.36
Refundable deposits	5,129,304.55	4,169,865.72
prepayments	3,087,320.86	5,882,357.64
Others	654,986.06	415,159.73
Total	25,573,215.54	11,835,054.45

16 Deposits from financial institutions

	2019	*2018*
Domestic banks	763,175,000.00	679,887,500.00
Overseas banks	746,427,290.61	383,155,325.91
Domestic non-bank financial institutions	151,365,634.87	126,496,726.96
Total	1,660,967,925.48	1,189,539,552.87

17 Borrowings from financial institutions

	2019	*2018*
Domestic banks	200,000,000.00	396,460,000.00
Overseas banks	62,785,800.00	240,212,000.00
Total	262,785,800.00	636,672,000.00

18 Customers deposits

	2019	*2018*
Current deposits		
- Corporate customers	2,322,191,831.36	2,707,995,806.06
- Personal customers	47,769,653.82	37,607,114.55
Sub-total of current deposits	2,369,961,485.18	2,745,602,920.61
Time deposits (including call deposits)		
- Corporate customers	1,486,952,438.06	2,303,519,894.57
- Personal customers	71,661,473.29	52,406,597.39
Sub-total of time deposits	1,558,613,911.35	2,355,926,491.96
Other deposits		
- Margin deposits	3,066,559,857.41	3,127,570,916.69
Total	6,995,135,253.94	8,229,100,329.26

19 Employee benefits payable

	Note	*2019*	*2018*
Short-term employee benefits	*(1)*	11,036,632.38	8,499,992.00
Post-employment benefits			
- defined contribution plans	*(2)*	4,810,611.70	3,948,227.91
Other long-term employee benefits	*(3)*	2,102,004.77	1,675,162.10
Total		17,949,248.85	14,123,382.01

(1) Short-term employee benefits

	2019			
	Balance at 1 January 2019	*Accrued during the year*	*Paid during the year*	*Balance at 31 December 2019*
Salaries, bonuses, allowances	8,499,992.00	65,773,179.85	(63,236,539.47)	11,036,632.38
Staff welfare	-	3,818,741.45	(3,818,741.45)	-
Social insurance				
Medical insurance	-	2,427,527.90	(2,427,527.90)	-
Work-related injury insurance	-	36,094.18	(36,094.18)	-
Maternity insurance	-	256,952.88	(256,952.88)	-
Housing fund	-	3,816,933.88	(3,816,933.88)	-
Labor union fee	-	1,129,502.07	(1,129,502.07)	-
Total	8,499,992.00	77,258,932.21	(74,722,291.83)	11,036,632.38

	2018			
	Balance at 1 January 2018	*Accrued during the year*	*Paid during the year*	*Balance at 31 December 2018*
Salaries, bonuses, allowances	5,000,000.00	56,849,421.31	(53,349,429.31)	8,499,992.00
Staff welfare	-	3,945,221.90	(3,945,221.90)	-
Social insurance				
Medical insurance	-	1,979,440.16	(1,979,440.16)	-
Work-related injury insurance	-	28,745.66	(28,745.66)	-
Maternity insurance	-	201,119.73	(201,119.73)	-
Housing fund	-	3,103,640.07	(3,103,640.07)	-
Labor union fee	-	938,755.78	(938,755.78)	-
Total	5,000,000.00	67,046,344.61	(63,546,352.61)	8,499,992.00

	2018			
	Balance at 1 January 2018	*Accrued during the year*	*Paid during the year*	*Balance at 31 December 2018*
Salaries, bonuses, allowances	5,000,000.00	56,849,421.31	(53,349,429.31)	8,499,992.00
Staff welfare	-	3,945,221.90	(3,945,221.90)	-
Social insurance				
Medical insurance	-	1,979,440.16	(1,979,440.16)	-
Work-related injury insurance	-	28,745.66	(28,745.66)	-
Maternity insurance	-	201,119.73	(201,119.73)	-
Housing fund	-	3,103,640.07	(3,103,640.07)	-
Labor union fee	-	938,755.78	(938,755.78)	-

Total	5,000,000.00	67,046,344.61	(63,546,352.61)	8,499,992.00

(2) Post-employment benefits - defined contribution plans

	2019			
	Balance at 1 January 2019	*Accrued during the year*	*Paid during the year*	*Balance at 31 December 2019*
Basic pension insurance	-	4,692,049.91	(4,692,049.91)	
Unemployment insurance	-	327,389.09	(327,389.09)	
Annuity	3,948,227.91	4,081,467.12	(3,219,083.33)	4,810,611.70
Total	3,948,227.91	9,100,906.12	(8,238,522.33)	4,810,611.70

	2018			
	Balance at 1 January 2018	*Accrued during the year*	*Paid during the year*	*Balance at 31 December 2018*
Basic pension insurance	-	3,762,544.65	(3,762,544.65)	-
Unemployment insurance	-	273,044.60	(273,044.60)	-
Annuity	3,152,014.32	3,877,708.52	(3,081,494.93)	3,948,227.91
Total	3,152,014.32	7,913,297.77	(7,117,084.18)	3,948,227.91

(3) Other long-term employee benefits

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

20 Interest payable

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

	2019			
	Balance at 1 January 2019	*Additions during the year*	*Payment for the year*	*Balance at 31 December 2019*
Interest payable	64,496,780.69	181,330,867.39	(171,202,524.75)	74,625,123.33

21 Other liabilities

	2019	*2018*
For settlement and clearing	8,058,771.13	3,569,361.24
Other Payables	5,269,088.31	7,816,346.07
Deferred income	2,541,553.20	4,186,260.87
Provisions	438,059.21	4,789,531.44
Collection and payment	997,120.76	723,872.28
Total	17,304,592.61	21,085,371.90

22 Paid-in capital

Registered capital and paid-in capital

	2019 and 2018	
	Amount RMB	*Percentage %*
EWB	1,400,000,000.00	100%

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

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

23 Surplus reserve

	Statutory surplus reserve
Balance at 1 January 2018	7,027,847.21
Profit appropriation	3,849,874.45
Balance at 31 December 2018	10,877,721.66
Profit appropriation	3,774,389.90
Balance at 31 December 2019	14,652,111.56

24 General risk reserve

	Appropriation to general risk reserve in accordance with the regulations issued by the MOF
Balance at 1 January 2018	23,110,043.31
Profit appropriation	34,648,870.07
Balance at 31 December 2018	57,758,913.38
Profit appropriation	33,969,509.13
Balance at 31 December 2019	91,728,422.51

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

25 Profit distribution

	Note	*2019*	*2018*
Appropriation for surplus reserve	(1)	3,774,389.90	3,849,874.45
Appropriation for General risk preparation	(2)	33,969,509.13	34,648,870.07

(1) Appropriation for surplus reserve

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

(2) Appropriation for general risk preparation

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

26 Net interest income

	2019	*2018*
Interest income:		
Loans and advances to customers	206,296,749.29	145,528,093.89
- Loans	203,051,924.42	142,052,340.70
- Trade finance	3,209,259.06	3,475,753.19
- Bills discounted	35,565.81	-
Placements with financial institutions	116,655,759.31	137,282,393.28
Deposits with financial institutions	41,510,270.55	44,622,564.13
Deposits with central bank	11,983,463.88	13,070,975.15
Sub-total of interest income	376,446,243.03	340,504,026.45
Interest expense:		
Customer deposits	(119,561,525.84)	(98,264,489.70)
Deposits from financial institutions	(44,478,082.45)	(27,957,350.24)
Borrowings from financial institutions	(17,291,259.10)	(19,358,954.82)
Sub-total of interest expense	(181,330,867.39)	(145,580,794.76)
Net interest income	195,115,375.64	194,923,231.69

27 Net fees and commission income

	2019	*2018*
Fees and commission income		
Guarantee fees	4,843,079.15	4,015,087.24
Settlement and clearance fees	1,537,555.97	1,938,069.46
Credit related fees	785,390.81	705,497.44
Customer service fee	401,618.48	242,334.15
Others	72,148.96	48,709.36
Sub-total of fees and commission income	7,639,793.37	6,949,697.65
Fees and commission expense		
Inter-bank transaction fees	(932,685.87)	(558,000.02)
Net fees and commission income	6,707,107.50	6,391,697.63

28 General and administrative expenses

	2019	*2018*
Staff costs		
Short-term employee benefits	77,258,932.21	67,046,344.61
Post-employment benefits		
- defined contribution plans	9,100,906.12	7,913,297.77
Other long-term employee benefits	1,023,743.03	1,084,512.14
Sub-total of staff cost	87,383,581.36	76,044,154.52
Rental and property management expenses	18,932,241.71	15,085,865.06
Depreciation and amortization	9,563,638.89	7,381,666.35
Communication expenses	6,193,235.84	6,127,294.98
Office expenses and consumables	5,995,569.24	5,629,079.95
Maintenance expenses	5,571,236.01	5,002,294.72
Consulting expenses	5,491,294.02	2,895,958.79
Travelling expenses	3,062,311.90	2,314,179.39
Business entertainment expenses	1,602,268.44	1,409,193.01
Others	6,687,120.31	6,098,630.36
Total	150,482,497.72	127,988,317.13

29 Impairment losses

	Note	*2019*	*2018*
Impairment losses reversal for deposit with inter-banks	*7*	(987,640.17)	(391,436.78)
Impairment losses charged/ (reversal) for placements with financial institutions	*8*	741,995.64	(2,748,825.06)
Impairment losses charged for loans and advances to customers	*10*	4,795,396.75	39,165,638.46
Impairment losses (reversal) / charged for Off-Balance-Sheet Business		(4,353,989.13)	4,515,325.92
Total		195,763.09	40,540,702.54

30 Income tax expense

(1) Composition of current year income tax

	2019	*2018*
Current year income tax	1,743,702.18	18,413,772.43
Changes in deferred tax assets	25,036,164.69	(3,249,607.57)
Tax filling differences	(739,966.71)	207,744.76
Total	26,039,900.16	15,371,909.62

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

	2019	*2018*
Profit before tax	63,783,799.19	58,026,517.57
Expected income tax expense at tax rate	15,945,949.81	14,506,629.39
Add / (less) the tax effect as follows:		
- Non-deductible expenses	10,696,697.17	803,949.27
- Additional deductible expenses	(136,895.63)	(9,682.29)
- Adjustment in respect of deferred tax of prior years	274,115.52	(136,731.51)
- Tax filling differences	(739,966.71)	207,744.76
Income tax expense	26,039,900.16	15,371,909.62

31 Supplemental to cash flow statement

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

	2019	*2018*
Net profit	37,743,899.03	42,654,607.95
Add: Impairment losses	195,763.09	40,540,702.54
Depreciation of fixed assets	1,385,441.80	1,266,627.03
Amortisation of intangible assets	3,767,584.34	3,566,443.00
Amortisation of other long-term assets	4,410,612.75	796,009.92
Losses on disposal of fixed assets	418,696.15	4,593.52
Unrealized exchange gains	(6,749,099.59)	(16,156,929.54)
decrease / (increase) of deferred tax assets	25,036,164.69	(3,249,607.57)
decrease / (increase) in operating receivables	351,825,322.98	(2,634,536,418.50)
(decrease) / increase in operating payables	(1,134,410,960.95)	3,119,172,832.71
Net cash (outflow) / inflow from operating activities	(716,376,575.71)	554,058,861.06

(2) Change in cash and cash equivalents:

	2019	*2018*
Cash and cash equivalents at the end of the year	3,448,638,733.57	4,139,889,014.69
Less: Cash and cash equivalents at the beginning of the year	(4,139,889,014.69)	(3,536,591,691.58)
Net (decrease) / increase in cash and cash equivalents	(691,250,281.12)	603,297,323.11

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

	2019	*2018*
Central bank deposits available on demand	1,464,390,313.68	945,603,937.53
Deposits with inter-banks with a maturity of 3 months or less	513,390,019.89	1,255,583,477.16
Placements with financial institutions with a maturity of 3 months or less	1,470,858,400.00	1,938,701,600.00
Total	3,448,638,733.57	4,139,889,014.69

32 Capital management

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

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

The adequacy ratio of core tier one capital, the adequacy ratio of tier one capital and the capital adequacy ratio as at 31 December 2019 calculated in accordance with regulatory requirements are as follows:

	2019	*2018*
Net core tier one capital	1,494,628,947.78	1,458,662,044.59
Net tier one capital	1,494,628,947.78	1,458,662,044.59
Net capital	1,494,628,947.78	1,536,056,644.59
Total risk assets	6,553,313,250.00	6,954,281,197.50
Adequacy ratio of core tier one capital	22.81%	20.98%
Adequacy ratio of tier one capital	22.81%	20.98%
Capital adequacy ratio	23.86%	22.09%

33 Related party relationships and transactions

(1) Information on the parent of the Bank as at 31 December 2019 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

(a) Transactions with key management personnel:

	2019	*2018*
Remuneration of key management personnel	24,380,278.50	22,710,670.03

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

	2019	*2018*
Customer deposits	323,520.52	327,601.88

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

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

(a) Transactions with the related parties:

	2019	*2018*
Interest income	3,442,621.42	1,214,549.55
Interest expense	(15,761,760.22)	(15,394,138.86)
Fees and commission expense	(389,467.93)	(260,484.17)

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:

	2019	*2018*
Deposits with inter-banks	217,372,636.80	259,765,070.88
Deposits from financial institutions	(746,427,290.61)	(383,155,325.91)
Borrowings from financial institutions	(62,785,800.00)	(240,212,000.00)
Interest payable	(1,036,933.01)	(202,092.03)

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

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

(4) Annuity plan

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

34 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*	
	2019	*2018*	*2019*	*2018*
Mainland China	289,196,412.58	258,527,230.82	27,262,061.75	23,844,804.81
Other countries or regions	102,272,641.01	95,017,689.48	-	-
Total	391,469,053.59	353,544,920.30	27,262,061.75	23,844,804.81

(3) Main customers

Income from each individual customer of the Bank is below 10% of the Bank's total income in both 2019 and 2018.

35 Risk management

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

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

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

(1) Credit risk

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

Credit risk management policy

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

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

Credit approval procedure

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

Credit grading monitoring

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

The first two grades of loans and advances in the five-tier grading should assess the provision for impairment collectively, and based on the bank's historical loss experience of loans and advances with similar credit risk characteristics. When the bank lacks relevant historical data or experience, the management obtains and adjusts the provision for impairment with reference to the peer-related observable loss data released by the regulatory authority. The last three grades of the CBIRC's five-tier grading ("non-performing loans") 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 loans and advances. The provision for impairment of impaired loans and advances shall be assessed individually.

Credit quality review

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

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

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

Credit risk distribution

Industry risk

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

Customer concentration risk

According to the relevant articles of *Administrative Measures on Large Risk Exposure of Commercial*, the loan balance offered by a commercial bank to a single non-peer customer shall not exceed 10% of the bank's net capital, and the risk exposure to a single non-peer customer shall not exceed 15% of the bank's tier one net capital. The risk exposure of a commercial bank to a group of non-peer connected customers shall not exceed 20% of the bank's tier one net capital. Non-peer related customers shall include non-peer group customers, and economically dependent customers. On December 31, 2019, the bank's loan balance to a single non-peer customer and the total amount of credit granted to non-bank related customers met this requirement. The bank monitors the credit risk concentration of single borrower and non-peer connected customers on a monthly basis to ensure that they are within the scope specified above.

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 37(1).

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

	Note	*2019*	*2018*
Neither past due nor impaired loans		4,321,773,515.11	3,961,830,918.27
Allowance for impairment	*(i)*	(64,826,602.73)	(99,096,473.26)
Aggregate carrying amount		4,256,946,912.38	3,862,734,445.01

(i) 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:

	2019	*2018*
Neither overdue nor impaired		
- grade A to AAA	2,233,538,038.10	2,920,088,053.33
- grade B to BBB	357,607,212.20	1,378,893,656.20
- unrated	1,571,033,769.59	1,676,041,767.63
Total carrying amount	4,162,179,019.89	5,975,023,477.16

(2) Market risk

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

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

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

(a) Interest rate risk

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

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

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

	2019				
	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	101,525,588.80	1,948,574,958.92	-	-	2,050,100,547.72
Deposits with inter-banks	40,009,676.54	472,895,463.97	380,450,337.94	-	893,355,478.45
Placements with financial institutions	-	2,183,112,621.33	1,079,232,692.10	-	3,262,345,313.43
Loans and advances to customers	-	1,679,461,519.57	2,494,351,392.81	83,134,000.00	4,256,946,912.38
Other assets	35,738,346.93	-	-	-	35,738,346.93
Total assets	177,273,612.27	6,284,044,563.79	3,954,034,422.85	83,134,000.00	10,498,486,598.91
Liabilities					
Deposits from financial institutions	-	(1,177,792,925.48)	(483,175,000.00)	-	(1,660,967,925.48)
Borrowings from financial institutions	-	(62,785,800.00)	(200,000,000.00)	-	(262,785,800.00)
Customer deposits	-	(4,213,927,533.44)	(1,611,309,460.38)	(1,169,898,260.12)	(6,995,135,253.94)
Other liabilities	(106,899,352.38)	-	-	-	(106,899,352.38)
Total liabilities	(106,899,352.38)	(5,454,506,258.92)	(2,294,484,460.38)	(1,169,898,260.12)	(9,025,788,331.80)
Long / (short) positions	70,374,259.89	829,538,304.87	1,659,549,962.47	(1,086,764,260.12)	1,472,698,267.11

	2018				
	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	128,198,444.80	1,569,399,158.38	-	-	1,697,597,603.18
Deposits with inter-banks	22,556,078.91	1,417,026,050.55	575,985,562.20	-	2,015,567,691.66
Placements with financial institutions	-	2,687,189,314.42	1,265,574,993.61	-	3,952,764,308.03
Loans and advances to customers	-	1,042,380,806.74	2,533,053,681.47	287,299,956.80	3,862,734,445.01
Other assets	49,477,468.05	-	-	-	49,477,468.05
Total assets	200,231,991.76	6,715,995,330.09	4,374,614,237.28	287,299,956.80	11,578,141,515.93
Liabilities					
Deposits from financial institutions	-	(617,772,052.87)	(571,767,500.00)	-	(1,189,539,552.87)
Borrowings from financial institutions	-	(131,000,000.00)	(443,903,200.00)	(61,768,800.00)	(636,672,000.00)
Customer deposits	-	(5,235,906,126.67)	(1,632,909,756.76)	(1,360,284,445.83)	(8,229,100,329.26)
Other liabilities	(90,729,742.29)	-	-	-	(90,729,742.29)
Total liabilities	(90,729,742.29)	(5,984,678,179.54)	(2,648,580,456.76)	(1,422,053,245.83)	(10,146,041,624.42)
Long / (short) positions	109,502,249.47	731,317,150.55	1,726,033,780.52	(1,134,753,289.03)	1,432,099,891.51

	2018				
	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	128,198,444.80	1,569,399,158.38	-	-	1,697,597,603.18
Deposits with inter-banks	22,556,078.91	1,417,026,050.55	575,985,562.20	-	2,015,567,691.66
Placements with financial institutions	-	2,687,189,314.42	1,265,574,993.61	-	3,952,764,308.03
Loans and advances to customers	-	1,042,380,806.74	2,533,053,681.47	287,299,956.80	3,862,734,445.01
Other assets	49,477,468.05	-	-	-	49,477,468.05
Total assets	200,231,991.76	6,715,995,330.09	4,374,614,237.28	287,299,956.80	11,578,141,515.93
Liabilities					
Deposits from financial institutions	-	(617,772,052.87)	(571,767,500.00)	-	(1,189,539,552.87)
Borrowings from financial institutions	-	(131,000,000.00)	(443,903,200.00)	(61,768,800.00)	(636,672,000.00)
Customer deposits	-	(5,235,906,126.67)	(1,632,909,756.76)	(1,360,284,445.83)	(8,229,100,329.26)

Other liabilities	(90,729,742.29)	-	-	-	(90,729,742.29)
Total liabilities	(90,729,742.29)	(5,984,678,179.54)	(2,648,580,456.76)	(1,422,053,245.83)	(10,146,041,624.42)
Long / (short) positions	109,502,249.47	731,317,150.55	1,726,033,780.52	(1,134,753,289.03)	1,432,099,891.51

(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 2019, the sensitivity analysis shows that the net interest income of next 12 months will increase by RMB 26.96 million (2018: RMB 25.74 million) if all yield curves increase by 200 bps. And the net interest income of next 12 months will decrease by RMB 41.06 million (2018: RMB 42.72 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:

	2019			
	RMB	*USD translated into RMB*	*Other currencies translated into RMB*	*Total translated into RMB*
Assets				
Cash and deposits with central bank	1,948,574,958.92	101,489,757.60	35,831.20	2,050,100,547.72
Deposits with inter-banks	152,193,656.04	707,638,331.27	33,523,491.14	893,355,478.45
Placements with financial institutions	1,206,136,248.13	2,056,209,065.30	-	3,262,345,313.43
Loans and advances to customers	3,952,991,386.62	303,955,525.76	-	4,256,946,912.38
Other assets	23,243,020.29	12,495,326.64	-	35,738,346.93
Total assets	7,283,139,270.00	3,181,788,006.57	33,559,322.34	10,498,486,598.91
Liabilities				
Deposits from financial institutions	(951,032,314.80)	(709,935,610.68)	-	(1,660,967,925.48)
Borrowings from financial institutions	(200,000,000.00)	(62,785,800.00)	-	(262,785,800.00)
Customer deposits	(5,002,995,680.75)	(1,966,871,416.90)	(25,268,156.29)	(6,995,135,253.94)
Other liabilities	(43,427,679.15)	(60,166,876.85)	(3,304,796.38)	(106,899,352.38)
Total liabilities	(6,197,455,674.70)	(2,799,759,704.43)	(28,572,952.67)	(9,025,788,331.80)
Net position	1,085,683,595.30	382,028,302.14	4,986,369.67	1,472,698,267.11
Credit commitments and contingent liabilities	128,897,942.81	1,845,618,298.73	128,976,386.50	2,103,492,628.04

	2018			
	RMB	*USD translated into RMB*	*Other currencies translated into RMB*	*Total translated into RMB*
Assets				
Cash and deposits with central bank	1,569,399,158.38	128,163,396.80	35,048.00	1,697,597,603.18
Deposits with inter-banks	968,620,321.61	1,042,730,006.76	4,217,363.29	2,015,567,691.66
Placements with financial institutions	1,627,454,113.44	2,325,310,194.59	-	3,952,764,308.03
Loans and advances to customers	3,596,793,177.15	265,941,267.86	-	3,862,734,445.01
Other assets	24,970,703.59	24,506,764.46	-	49,477,468.05
Total assets	7,787,237,474.17	3,786,651,630.47	4,252,411.29	11,578,141,515.93
Liabilities				
Deposits from financial institutions	(842,217,458.78)	(347,322,094.09)	-	(1,189,539,552.87)
Borrowings from financial institutions	(396,460,000.00)	(240,212,000.00)	-	(636,672,000.00)
Customer deposits	(5,432,821,590.61)	(2,794,926,046.24)	(1,352,692.41)	(8,229,100,329.26)
Other liabilities	(77,720,611.26)	(13,007,756.20)	(1,374.83)	(90,729,742.29)
Total liabilities	(6,749,219,660.65)	(3,395,467,896.53)	(1,354,067.24)	(10,146,041,624.42)
Net position	1,038,017,813.52	391,183,733.94	2,898,344.05	1,432,099,891.51
Credit commitments and contingent liabilities	148,155,937.70	2,252,753,885.55	124,795,915.29	2,525,705,738.54

	2018			
	RMB	*USD translated into RMB*	*Other currencies translated into RMB*	*Total translated into RMB*
Assets				
Cash and deposits with central bank	1,569,399,158.38	128,163,396.80	35,048.00	1,697,597,603.18
Deposits with inter-banks	968,620,321.61	1,042,730,006.76	4,217,363.29	2,015,567,691.66
Placements with financial institutions	1,627,454,113.44	2,325,310,194.59	-	3,952,764,308.03
Loans and advances to customers	3,596,793,177.15	265,941,267.86	-	3,862,734,445.01
Other assets	24,970,703.59	24,506,764.46	-	49,477,468.05
Total assets	7,787,237,474.17	3,786,651,630.47	4,252,411.29	11,578,141,515.93
Liabilities				
Deposits from financial institutions	(842,217,458.78)	(347,322,094.09)	-	(1,189,539,552.87)
Borrowings from financial institutions	(396,460,000.00)	(240,212,000.00)	-	(636,672,000.00)
Customer deposits	(5,432,821,590.61)	(2,794,926,046.24)	(1,352,692.41)	(8,229,100,329.26)
Other liabilities	(77,720,611.26)	(13,007,756.20)	(1,374.83)	(90,729,742.29)
Total liabilities	(6,749,219,660.65)	(3,395,467,896.53))	(1,354,067.24)	(10,146,041,624.42)
Net position	1,038,017,813.52	391,183,733.94	2,898,344.05	1,432,099,891.51
Credit commitments and contingent liabilities	148,155,937.70	2,252,753,885.55	124,795,915.29	2,525,705,738.54

(ii) Sensitivity analysis:

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

	Movement of equity	*Movement of net profit*
As at 31 December 2019	(2,902,610.04)	(2,902,610.04)
As at 31 December 2018	(2,955,615.58)	(2,955,615.58)

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:

	2019						
	Carrying amount	*Contractual undiscounted cash flows*	*Undated / Repayable on demand*	*Within one month*	*Between one month and three months*	*Between three months and one year*	*Between one year and five years*
Liabilities							
Deposits from financial institutions	(1,660,967,925.48)	(1,685,774,575.35)	(409,458,925.48)	-	(777,035,607.86)	(499,280,042.01)	-
Borrowings from financial institutions	(262,785,800.00)	(269,573,604.19)	-	(62,912,642.25)	(121,600.83)	(206,539,361.11)	-
Customer deposits	(6,995,135,253.94)	(7,133,822,075.38)	(2,965,950,428.03)	(663,206,052.38)	(595,919,350.80)	(1,650,444,606.87)	(1,258,301,637.30)
Other liabilities	(32,274,229.05)	(32,274,229.05)	(32,274,229.05)	-	-	-	-
Total liabilities	(8,951,163,208.47)	(9,121,444,483.97)	(3,407,683,582.56)	(726,118,694.63)	(1,373,076,559.49)	(2,356,264,009.99)	(1,258,301,637.30)

	2018						
	Carrying amount	*Contractual undiscounted cash flows*	*Undated / Repayable on demand*	*Within one month*	*Between one month and three months*	*Between three months and one year*	*Between one year and five years*
Liabilities							
Deposits from financial institutions	(1,189,539,552.87)	(1,216,638,483.15)	(509,652,052.87)	-	(111,810,375.86)	(595,176,054.42)	-
Borrowings from financial institutions	(636,672,000.00)	(657,571,006.82)	-	(634,666.36)	(136,640,366.06)	(458,201,268.12)	(62,094,706.28)
Customer deposits	(8,229,100,329.26)	(8,368,944,078.62)	(3,149,996,085.54)	(1,612,350,176.72)	(493,697,232.20)	(1,662,029,139.27)	(1,450,871,444.89)
Other liabilities	(31,022,493.04)	(31,022,493.04)	(31,022,493.04)	-	-	-	-
Total liabilities	(10,086,334,375.17)	(10,274,176,061.63)	(3,690,670,631.45)	(1,612,984,843.08)	(742,147,974.12)	(2,715,406,461.81)	(1,512,966,151.17)

	2018						
	Carrying amount	*Contractual undiscounted cash flows*	*Undated / Repayable on demand*	*Within one month*	*Between one month and three months*	*Between three months and one year*	*Between one year and five years*
Liabilities							
Deposits from financial institutions	(1,189,539,552.87)	(1,216,638,483.15)	(509,652,052.87)	-	(111,810,375.86)	(595,176,054.42)	-
Borrowings from financial institutions	(636,672,000.00)	(657,571,006.82)	-	(634,666.36)	(136,640,366.06)	(458,201,268.12)	(62,094,706.28)
Customer deposits	(8,229,100,329.26)	(8,368,944,078.62)	(3,149,996,085.54)	(1,612,350,176.72)	(493,697,232.20)	(1,662,029,139.27)	(1,450,871,444.89)
Other liabilities	(31,022,493.04)	(31,022,493.04)	(31,022,493.04)	-	-	-	-
Total liabilities	(10,086,334,375.17)	(10,274,176,061.63)	(3,690,670,631.45)	(1,612,984,843.08)	(742,147,974.12)	(2,715,406,461.81)	(1,512,966,151.17)

36 Fair value of financial instruments

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

37 Commitments and contingent liabilities

(1) Credit commitments

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

Contractual amount	*2019*	*2018*
Standby letters of credit and guarantee letters issued	2,054,079,112.23	2,505,756,245.00
Bank acceptances	49,413,515.81	17,771,422.70
Letter of Credit	-	2,178,070.84
Total	2,103,492,628.04	2,525,705,738.54

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

	2019	*2018*
Credit risk weighted amount of credit commitments	615,181,250.00	590,207,510.00

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

(3) Operating lease commitments

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

	2019	*2018*
Within 1 year (inclusive)	15,004,978.41	15,776,176.89
After 1 year but within 2 years (inclusive)	10,053,823.41	12,716,992.17
After 2 years but within 3 years (inclusive)	243,456.70	8,508,165.00
After 3 years	662,542.23	-
Total	25,964,800.75	37,001,334.06

(4) Capital commitments

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

	2019	2018
Participated in and not fulfilled or not fully fulfilled	49,510,057.31	7,106,882.88

38 Entrusted loans and deposits

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

	2019	*2018*
Entrusted loans	20,848,540.93	122,309,226.30
Entrusted funds	20,848,540.93	122,309,226.30

39 Non-adjusting post balance sheet date events

Since the outbreak of novel coronavirus in January 2020, the prevention and control of it is continuing nationwide. The coronavirus will have a certain impact on China's overall economic and enterprise operation, which may affect the asset quality and asset income level of the bank's credit assets to a certain extent. The extent of the impact will depend on the situation of coronavirus prevention and control, duration and implementation of various policies. The bank will pay close attention to the development and assess and actively respond to its impact on the bank's financial situation, operating results and other aspects continuously. As of the date of this report, the assessment is still in progress.

40 Comparative figures

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

East West Bank (China) Limited
Balance sheet as at 31 December 2019
(Expressed in Renminbi Yuan)

	2019			*2018*		
	RMB business	*FCY business*	*Total*	*RMB business*	*FCY business*	*Total*
Assets						
Cash and deposits with central bank	1,948,574,958.92	101,525,588.80	2,050,100,547.72	1,569,399,158.38	128,198,444.80	1,697,597,603.18
Deposits with inter-banks	152,193,656.04	741,161,822.41	893,355,478.45	968,620,321.61	1,046,947,370.05	2,015,567,691.66
Placements with financial institutions	1,206,136,248.13	2,056,209,065.30	3,262,345,313.43	1,627,454,113.44	2,325,310,194.59	3,952,764,308.03
Interest receivable	17,635,986.30	12,318,069.73	29,954,056.03	20,642,611.15	24,249,831.45	44,892,442.60
Loans and advances to customers	3,953,008,734.44	303,938,177.94	4,256,946,912.38	3,596,793,177.15	265,941,267.86	3,862,734,445.01
Fixed assets	2,526,837.98	126,770.26	2,653,608.24	2,362,706.73	232,474.43	2,595,181.16
Construction in progress	4,845,397.35	781,334.40	5,626,731.75	9,989,064.14	-	9,989,064.14
Intangible assets	11,502,888.72	248,697.56	11,751,586.28	9,558,313.19	334,574.96	9,892,888.15
Deferred tax assets	3,160,590.29	-	3,160,590.29	28,196,754.98	-	28,196,754.98
Other assets	28,086,587.87	(2,513,372.33)	25,573,215.54	25,295,421.44	(13,460,366.99)	11,835,054.45
Total assets	7,327,671,886.04	3,213,796,154.07	10,541,468,040.11	7,858,311,642.21	3,777,753,791.15	11,636,065,433.36

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 2019 (continued)
(Expressed in Renminbi Yuan)

	2019			*2018*		
	RMB business	*FCY business*	*Total*	*RMB business*	*FCY business*	*Total*
Liabilities						
Deposits from financial institutions	951,032,314.80	709,935,610.68	1,660,967,925.48	842,217,458.78	347,322,094.09	1,189,539,552.87
Borrowings from financial institutions	200,000,000.00	62,785,800.00	262,785,800.00	396,460,000.00	240,212,000.00	636,672,000.00
Customer deposits	5,002,995,680.75	1,992,139,573.19	6,995,135,253.94	5,432,821,590.61	2,796,278,738.65	8,229,100,329.26
Employee benefits payable	17,949,248.85	-	17,949,248.85	14,123,382.01	-	14,123,382.01
Taxes payable	3,080,733.71	3,238,828.12	6,319,561.83	9,293,919.52	3,117,462.07	12,411,381.59
Interest payable	63,632,932.44	10,992,190.89	74,625,123.33	55,655,211.68	8,841,569.01	64,496,780.69
Other liabilities	(30,531,326.96)	47,835,919.57	17,304,592.61	(12,087,146.17)	33,172,518.07	21,085,371.90
Total liabilities	6,208,159,583.59	2,826,927,922.45	9,035,087,506.04	6,738,484,416.43	3,428,944,381.89	10,167,428,798.32

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 2019 (continued)
(Expressed in Renminbi Yuan)

	2019			*2018*		
	RMB business	*FCY business*	*Total*	*RMB business*	*FCY business*	*Total*
Owner's equity						
Paid-in capital	1,072,000,000.00	328,000,000.00	1,400,000,000.00	1,072,000,000.00	328,000,000.00	1,400,000,000.00
Surplus reserve	9,490,004.59	5,162,106.97	14,652,111.56	5,715,614.69	5,162,106.97	10,877,721.66
General risk reserve	77,259,394.66	14,469,027.85	91,728,422.51	43,593,641.30	14,165,272.08	57,758,913.38
(accumulated losses) / Retained earnings	(39,237,096.80)	39,237,096.80	-	(1,482,030.21)	1,482,030.21	-
Total owner's equity	1,119,512,302.45	386,868,231.62	1,506,380,534.07	1,119,827,225.78	348,809,409.26	1,468,636,635.04
Total liabilities and owner's equity	7,327,671,886.04	3,213,796,154.07	10,541,468,040.11	7,858,311,642.21	3,777,753,791.15	11,636,065,433.36

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 2019
(Expressed in Renminbi Yuan)

	2019			2018		
	RMB business	*FCY business*	*Total*	*RMB business*	*FCY business*	*Total*
Operating income	144,268,969.90	71,266,933.87	215,535,903.77	149,226,210.73	78,119,457.80	227,345,668.53
Net interest income	136,067,115.75	59,048,259.89	195,115,375.64	138,022,786.63	56,900,445.06	194,923,231.69
Interest income	275,357,692.62	101,088,550.41	376,446,243.03	250,873,863.11	89,630,163.34	340,504,026.45
Interest expense	(139,290,576.87)	(42,040,290.52)	(181,330,867.39)	(112,851,076.48)	(32,729,718.28)	(145,580,794.76)
Net fees and commission income	1,180,067.84	5,527,039.66	6,707,107.50	1,328,029.66	5,063,667.97	6,391,697.63
Fees and commission income	1,603,686.82	6,036,106.55	7,639,793.37	1,562,171.51	5,387,526.14	6,949,697.65
Fees and commission expense	(423,618.98)	(509,066.89)	(932,685.87)	(234,141.85)	(323,858.17)	(558,000.02)
Exchange gains / (losses)	6,981,388.26	6,749,099.59	13,730,487.85	9,427,856.44	16,156,929.54	25,584,785.98
Other operating expense	-	-	-	1,584.77	(1,584.77)	-
Gains / (losses) from asset disposals	(361,230.88)	(57,465.27)	(418,696.15)	(4,593.52)	-	(4,593.52)
Other income	401,628.93	-	401,628.93	450,546.75	-	450,546.75

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 2019 (continued)
(Expressed in Renminbi Yuan)

	2019			*2018*		
	RMB business	*FCY business*	*Total*	*RMB business*	*FCY business*	*Total*
Operating expenses	(118,550,481.10)	(33,209,080.77)	(151,759,561.87)	(155,987,577.48)	(13,531,858.96)	(169,519,436.44)
Tax and surcharges	(1,081,301.06)	-	(1,081,301.06)	(990,416.77)	-	(990,416.77)
General and administrative expenses	(107,451,329.95)	(43,031,167.77)	(150,482,497.72)	(80,108,241.10)	(47,880,076.03)	(127,988,317.13)
Impairment (losses) / reversal	(10,017,850.09)	9,822,087.00	(195,763.09)	(29,114,445.03)	(11,426,257.51)	(40,540,702.54)
Operating profit / (losses)	25,718,488.80	38,057,853.10	63,776,341.90	(6,761,366.75)	64,587,598.84	57,826,232.09
Add: non-operating income	7,420.25	969.26	8,389.51	199,958.80	326.68	200,285.48
Less non-operating expense	(932.22)	-	(932.22)	-	-	-
Profit / (losses) before taxation	25,724,976.83	38,058,822.36	63,783,799.19	(6,561,407.95)	64,587,925.52	58,026,517.57
income tax expense	(26,039,900.16)	-	(26,039,900.16)	(15,371,909.62)	-	(15,371,909.62)
Net profit	(314,923.33)	38,058,822.36	37,743,899.03	(21,933,317.57)	64,587,925.52	42,654,607.95
Other comprehensive income, net of tax	-	-	-	-	-	-
Total comprehensive income	(314,923.33)	38,058,822.36	37,743,899.03	(21,933,317.57)	64,587,925.52	42,654,607.95

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 2019
(Expressed in Renminbi Yuan)

	Shanghai Branch	*Shenzhen Branch*	*Shantou Branch*	*Total*
Assets				
Cash and deposits with central bank	2,050,100,547.72	-	-	2,050,100,547.72
Deposits with inter-banks	890,577,419.71	1,548,952.48	1,229,106.26	893,355,478.45
Placements with financial institutions	3,262,345,313.43	-	-	3,262,345,313.43
Interest receivable	27,431,220.28	2,308,441.41	214,394.34	29,954,056.03
Loans and advances to customers	3,289,007,973.31	854,677,688.27	113,261,250.80	4,256,946,912.38
Fixed assets	2,324,801.37	197,739.64	131,067.23	2,653,608.24
Construction in progress	5,626,731.75	-	-	5,626,731.75
Intangible assets	11,727,878.09	13,451.79	10,256.40	11,751,586.28
Deferred tax assets	3,160,590.29	-	-	3,160,590.29
Other assets	24,456,486.22	957,177.21	159,552.11	25,573,215.54
Domestic deposit from correspondent banks (Net)	260,693,607.39	(303,484,255.24)	42,790,647.85	-
Total assets	9,827,452,569.56	556,219,195.56	157,796,274.99	10,541,468,040.11

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 2019 (continued)
(Expressed in Renminbi Yuan)

	Shanghai Branch	*Shenzhen Branch*	*Shantou Branch*	*Total*
Liabilities				
Deposits from financial institutions	1,659,945,135.92	1,022,789.56	-	1,660,967,925.48
Borrowings from financial institutions	262,785,800.00	-	-	262,785,800.00
Customer deposits	6,542,398,449.22	431,460,718.96	21,276,085.76	6,995,135,253.94
Employee benefits payable	17,320,447.55	423,121.18	205,680.12	17,949,248.85
Taxes payable	5,339,476.01	844,859.45	135,226.37	6,319,561.83
Interest payable	73,765,232.05	655,340.96	204,550.32	74,625,123.33
Other liabilities	16,416,099.52	247,548.52	640,944.57	17,304,592.61
Total liabilities	8,577,970,640.27	434,654,378.63	22,462,487.14	9,035,087,506.04

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 2019 (continued)
(Expressed in Renminbi Yuan)

	Shanghai Branch	*Shenzhen Branch*	*Shantou Branch*	*Total*
Owner’s equity				
Paid-in capital	1,200,000,000.00	100,000,000.00	100,000,000.00	1,400,000,000.00
Surplus reserve	14,652,111.56	-	-	14,652,111.56
General risk reserve	34,829,817.73	21,564,816.93	35,333,787.85	91,728,422.51
Total owner’s equity	1,249,481,929.29	121,564,816.93	135,333,787.85	1,506,380,534.07
Total liabilities and owner’s equity	9,827,452,569.56	556,219,195.56	157,796,274.99	10,541,468,040.11

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 2019
(Expressed in Renminbi Yuan)

	Shanghai Branch	*Shenzhen Branch*	*Shantou Branch*	*Total*
Operating income	178,488,414.63	27,987,400.92	9,060,088.22	215,535,903.77
Net interest income	163,056,812.91	25,124,866.71	6,933,696.02	195,115,375.64
Interest income	331,208,862.79	38,034,278.66	7,203,101.58	376,446,243.03
Interest expense	(168,152,049.88)	(12,909,411.95)	(269,405.56)	(181,330,867.39)
Net fees and commission income	6,528,270.99	126,293.85	52,542.66	6,707,107.50
Fees and commission income	7,454,639.50	127,129.85	58,024.02	7,639,793.37
Fees and commission expense	(926,368.51)	(836.00)	(5,481.36)	(932,685.87)
Exchange (losses) / gains	9,235,914.62	2,425,924.09	2,068,649.14	13,730,487.85
Losses from asset disposals	(418,696.15)	-	-	(418,696.15)
Other income	86,112.26	310,316.27	5,200.40	401,628.93

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 2019 (continued)
(Expressed in Renminbi Yuan)

	Shanghai Branch	*Shenzhen Branch*	*Shantou Branch*	*Total*
Operating expenses	(133,344,194.44)	(14,136,097.67)	(4,279,269.76)	(151,759,561.87)
Tax and surcharges	(728,386.63)	(314,171.85)	(38,742.58)	(1,081,301.06)
General and administrative expenses	(132,420,044.72)	(13,821,925.82)	(4,240,527.18)	(150,482,497.72)
Impairment (losses)	(195,763.09)	-	-	(195,763.09)
Operating profit / (losses)	45,144,220.19	13,851,303.25	4,780,818.46	63,776,341.90
Add: non-operating income	8,389.30	0.21	-	8,389.51
Less: non-operating expense	(932.22)	-	-	(932.22)

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 2019 (continued)
(Expressed in Renminbi Yuan)

	Shanghai Branch	*Shenzhen Branch*	*Shantou Branch*	*Total*
Profit / (losses) before taxation	45,151,677.27	13,851,303.46	4,780,818.46	63,783,799.19
Income tax expense	(24,976,865.47)	(867,834.06)	(195,200.63)	(26,039,900.16)
Net profit / (losses)	20,174,811.80	12,983,469.40	4,585,617.83	37,743,899.03
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income	20,174,811.80	12,983,469.40	4,585,617.83	37,743,899.03

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