Credit Agricole Corporate and Investment Bank (China) Limited

2016 Annual Report

Contents

Bank Profile

Credit Agricole Corporate and Investment Bank (China) Limited was locally incorporated on July 1st, 2009 and officially commenced business on August 3rd, 2009. Headquartered in Shanghai, CA-CIB (China) is a wholly-owned subsidiary of Crédit Agricole Corporate and Investment Bank.

CA-CIB has been present in China in a “continuous” fashion for more than a century, first through “Banque de l’Indochine” which established its presence in China in 1898, making CA-CIB one of the foreign banks with the longest history in China. CA-CIB is also one of the first foreign banks which has obtained the RMB corporate licenses.

At present, CA-CIB (China) has five branches in Beijing, Shanghai, Tianjin, Xiamen and Guangzhou, with 149 employees offering professional financial services to over 300 corporate clients.

CA-CIB and CA-CIB (China) offers their clients a comprehensive range of products and services in capital markets, investment banking, structured finance and corporate banking.

Group and Parent Bank Introduction

Group

Crédit Agricole Group is the world's No.11 Bank by Tier One Capital and No.10 Bank by Total Assets (The Banker, July 2016). As the leading financial partner to the French economy and one of the largest banking groups in Europe, Crédit Agricole Group supports its customers in their plans and projects in France and around the world, through its operations in all segments of the market including insurance, real estate, payment systems, asset management, leasing and factoring, consumer finance, and corporate and investment banking.

2016 Full Year Results of Crédit Agricole Group:

Financial year 2016	EUR
Shareholder's equity Group share	98.6 billion
Net income Group share	4,825 million

Crédit Agricole S.A. has been awarded high ratings by the main rating agencies.

Ratings	Standard & Poor's	Moody's	FitchRatings	DBRS
Long-term	A	A1	A	A (high)
Outlook/Review	Stable outlook	Stable outlook	Positive outlook	Positive outlook
Short-term	A-1	P-1	F1	R-1 (middle)
Last rating action	Dec/2015	Jul/2016	Jun/2016	Sep/2016
Rating action	LT/ST ratings affirmed; LT rating outlook changed to Stable from Negative	LT ratings upgraded; outlook revised to stable from positive; ST debt ratings affirmed	LT/ST ratings affirmed; positive outlook unchanged	LT/ST ratings affirmed; outlook revised to positive from stable

Parent Bank

Our parent bank, Crédit Agricole CIB, is the Corporate & Investment Banking arm of the Crédit Agricole group. Crédit Agricole CIB offers its clients a large range of products and services in capital markets, investment banking, structured finance and corporate banking.

The Corporate and Investment Bank is structured around three Business Lines:

Financing Activities

- Structured Finance
- Commercial Banking

Capital Markets and Investment Banking

- Global Markets Division
- Treasury Division
- Investment Banking

Wealth Management

Crédit Agricole Corporate and Investment Bank ID Card

Head office:
12, Place des Etats-Unis
CS20052 – 92547 Montrouge Cedex, France

Website: http://www.ca-cib.com

Company with limited liability with a capital of EUR 7,851,636,342
Companies Register SIREN 304 187 701

Important Events of the Year

1. Awards

- CA-CIB won the CNH Cross-Border Dealer of the Year in the “mtn-i Asia Pacific Awards 2016” in September.
- CA-CIB (China) won “A” rating in 2016 annual assessment on the implementation of FX management rules organized by SAFE.
- CA-CIB (China) won 3rd prize in the assessment on 2016 regulatory statistical work of Shanghai foreign FIs organized by PBOC.

2. Business

- The Group confirmed its leadership in the syndication market, where CA-CIB (China) is among the top foreign banks for syndicated loans. As an example, in June 2016, Zhang Jia Gang Pohang Stainless Steel (ZPSS), subsidiary of POSCO in China engaged CA-CIB (China) as a Mandated Lead Arranger in a 3-year syndicated term loan facility of RMB 760.5 million. The proceeds were used for the refinancing of an existing USD syndication loan.

- Also, after a RMB 530 million 5-year project financing (CA-CIB as a Coordinating Bank) in September 2015 for three high availability data centres in Shenzhen for GDS Holdings, CA-CIB (China) has been mandated by the client in September 2016 as a Coordinating Bank and Mandated Lead Arranger for a RMB 1,135 million 5-year project financing for three self-built data centres in Shanghai. These were among the first data centres’ financing transactions for CA-CIB globally.

- Last but not least, in October 2016, CA-CIB (China) successfully launched its very first participation in a supply chain finance program for Lenovo with a short term credit facility of USD 50 million. This new channel for lending within the existing lending business management structure should help the Bank to build up expertise in structuring and distributing similar domestic supply chain finance programs in China.

3. Social Responsibility

- CA-CIB (China) donated 4,000 trees in Inner Mongolia under “Shanghai Roots & Shoots Million Tree Project” to offset the Bank’s CO2 emissions from office activity and business travel. Since 2011, our bank donated a total of 21,000 trees for the Project.
- CA-CIB (China)’s sponsorship with “Couleurs de Chine” supported 9 scholarships to middle school, high school and universities students for 2013/2014, 2014/2015 and 2015/2016 school years.
- CA-CIB (China) worked with Hadrien de Montferrand Gallery to support the emerging visual art scene in China through the sponsoring of permanent exhibitions in Shanghai and Beijing offices.

Management Report

Business Review

Crédit Agricole CIB has an extended experience in advising and arranging major projects. Considered as one of the most active corporate banking foreign institutions in the country, Crédit Agricole CIB also has close relationships with Chinese banks.

Crédit Agricole CIB has pioneered in China a significant number of structured financings, syndication loan transactions and was among the first foreign banks to be licensed for Chinese currency (RMB) operations.

Credit Agricole CIB (China) Limited leverages upon its **local and global expertise** as well as its **network synergy** to advise and finance its clients' investments in and out of China:

Corporate Banking

- Strong focus on Chinese Corporates and Financial Institutions as well as Foreign Multinational Companies.
- Credit Agricole CIB (China) Ltd also supports clients of Credit Agricole group (especially for the retail banks' networks in Europe such as CRCA, LCL, Cariparma and Bankoa) by offering account services and financing services and accompany their development in China.
- Short term and medium term financing, in RMB and / or foreign currencies, bilateral and/or by way of syndication, combining the strength of international and local banks, Guarantees, Letters of Credit (L/Cs), deposits as well as cash management services (including e-banking), cross-border RMB services.

Capital Markets

- Dealing room in Shanghai.
- Clients are Corporates and Financial Institutions.
- Full range of hedging products (foreign exchange, interest rate derivatives, money market) and investment products.

Structured Finance

- Strong expertise in structured and project finance: Natural resources, Infrastructures and Power.
- Classic & Structured International Trade Finance: SBLCs, Trade and Financial Guarantees, L/Cs, Discounting of receivables, Forfeiting.
- Export Finance both inbound and outbound transactions.
- Commodities Finance: Leading position among international Trading Companies.
- Asset Financing: Strong presence and structuring capabilities for asset and cash-flow based financing (Aviation & Shipping).

Syndication Market

Leading market position established over time. Crédit Agricole CIB has been among the leading foreign banks in China for several years for arranging and distribution of syndicated loans in RMB.

Human Resources

As at the end of 2016, the Bank had 149 employees. The staff composition by age and education background was as follows:

Category	Detailed distribution	Number of employees	% of total
Age	Below 30	40	27%
	Between 31 and 40	60	40%
	Between 41 and 50	37	25%
	Above 51	12	8%
Educational Background	Holders of a Master's degree and above	61	41%
	Bachelor degree holders	64	43%
	Others	24	16%

The Bank implemented a gender balance by grade up to the general management as shown in the table below:

Grade	Male	Female
Manager and above	14%	15%
From Supervisor to deputy Manager	12%	23%
Below Supervisor	10%	26%

Mobility

Being part of a large international network, we encourage the national and international mobility as one of the drivers to promote best practices within Crédit Agricole CIB and retain staff. It offers career opportunities to the employees.

Training

We also attach great importance to training and offered 4,234 hours of training in 2016 in all kinds of topics including banking product knowledge, information technologies, languages, compliance, risk control, law, soft skills etc.

Compensation Management

As authorized by the Board of Directors, the Compensation & Nomination Committee of the Bank shall be responsible, at the highest level in CA-CIB (China) Limited, for defining and formulating the remuneration policy and plans of the Bank's Directors and Senior Management Personnel and has power over all the Bank's branches. Please refer to Corporate Governance (Page

28 of this Annual Report) for the membership composition and main duties and authorities of the Compensation & Nomination Committee.

The compensation policy of the Bank is designed to compensate the employees competitively, as compared to the market and the environment, while ensuring a strict management of the payroll. The policy relies on an individualized compensation principle that takes into account the level and characteristics of the function performed, the experience and skills of the employees, while making sure that internal equity is observed for functions with equivalent weight in the organization, and that we remain competitive.

The compensation structure is composed of fixed compensation, variable compensation and other benefits.

The fixed compensation represents the compensation for the position held by the employee. Its level is determined by the nature and weight of the position within the organization, the range of responsibilities, the level of experience and the missions inherent to the person's function.

The variable compensation is linked to the Bank's performance and to the individual performance, evaluated based on measurable quantitative and qualitative criteria, specific to each function, in connection with the objectives set for each individual employee. A split between quantitative and qualitative criteria has been implemented. Bases for variable compensation are set taking into account bank's risk profile and all costs including the costs of risk, liquidity and cost of capital. It also takes into account the attention paid by the employees to risk control, compliance issues and fraud prevention.

We implemented a deferred variable compensation for regulated employees which includes the "top management" and "risk takers". At least 40% and up to 60% of the variable compensation is deferred over several years and is not fully vested until performance conditions have been met.

Corporate Social Responsibilities

In 2016, given its strong commitment to financing the real economy and supporting major projects aimed at sustainably revitalizing the regions, the Group implemented sector policies in its evaluation of the environmental and social consequences of the projects it financed. These new corporate social responsibility policies impose specific analysis and potential exclusion criteria for transactions in sensitive sectors.

In 2011, 2012, 2013, 2014 and 2015, our bank donated a total of 17,000 trees planted by Roots & Shoots in Kulun Qi, Inner Mongolia in an effort to offset its carbon footprint. In 2016, another 4,000 trees was donated by our bank. The Shanghai Roots & Shoots Million Tree Project which began in 2007, aims to raise community awareness of the Earth's precious environment while focusing on steps individuals can take to lessen their negative impact on the natural world. The project gives individuals and organizations an opportunity to fight global warming by planting oxygen-producing trees in Inner Mongolia, China. It also encompasses true capacity building as the local population is intimately involved with, and benefits from, every step of planting, maintaining and monitoring the trees.

Our sponsorship with “Couleurs de Chine” supports 9 scholarships to middle school, high school and universities students for 2013/2014, 2014/2015 and 2015/2016 school years. “Couleurs de Chine” has been aiming to grant schooling for young children (mainly girls) from the ethnic minorities of the Great Miao Mountains in China since 1998. In the last 15 years, schooling of 11,000 children has been achieved. Projects on building, repair and refurbishment of schools are also conducted in order to enable the schooling of the children. At the same time, “Couleurs de Chine” pays attention to the preservation of the traditional culture: it encourages the continuation of traditions in forms of dress and cultural and artistic matters, and the maintenance, restoration or rebuilding of community buildings.

We work with Hadrien de Montferrand Gallery to support the emerging visual art scene in China through the sponsoring of permanent exhibitions in Shanghai and Beijing offices. This one-year partnership has been established within the framework of the global Corporate Social Responsibility initiatives of our Bank.

In order to save energy, reduce pollution and protect the environment, our bank implements various projects in the office:

- Switch off the PC screens and lights during lunch time and after working time;
- Stop using the disposable chopsticks and disposable cups;
- Put special box in the office to collect used batteries;
- Put recycling bins for recycling of waste and food composting;
- Recycling of used toners

Along with the deep values of our Group which began life as a cooperative institution making agricultural loans in 1894, the Bank’s various corporate social responsibility policies and projects reflect our solidarity and our commitment to local population and are part of our sustainable development agenda.

Risk Management

Overview

In 2016, China's economic growth rate experienced continuous slowdown with full-year GDP amounted to RMB74.4Trillion, indicating a year-on-year growth of 6.7% but still within the expectation of the Government and the market, i.e. the "new normal" of maintaining a GDP growth rate ranging from 6-6.5%. Manufacturing and various industry sectors as a whole remained stable while consumption was the major contribution to GDP growth.

In 2017, it is expected that China's economic development will remain fundamentally stable and positive with clear targets set by National People Congress ("NPC") through the implementation of "state-owned enterprise reform", "supply side reform" and "deleveraging".

Under this "New Normal" era of China's economy, our Bank's risk strategy vis-à-vis our counterparty risk, market risk and operational risk will remain prudent with higher attention to be paid to the quality of our portfolio and to the underlying risk of our counterparts. This strategy was proven adequate in the past few years which enabled us to contribute to China's real economic growth, by means of helping our Chinese customers to "go global" on the one hand, and to support our multinational group customers to penetrate into local market on the other hand.

Governance

From a governance point of view, being an independent function, Risk and Permanent Control Department ("RPC") reported major risk events to the Risk Management Committee, to the Board of Directors ("BOD") and to the Supervisor on a regular basis.

The risk management organization remained the same in China as follows:

- The Risk Management Committee, the Connected Transaction Control Committee and the Internal Audit Committee under the BOD;
- Internal Control Committee ("ICC"), Assets and Liabilities Management Committee ("ALM"), Compliance Management Committee ("CMC"), IT Steering Committee ("ITSC"), Credit Review Committee ("CRC"), Market Risk Committee ("MRC"), New Activities and Products Committee ("NAPC") and the New Regulation Committee ("NRC") under the Senior Management; and
- The Head Office supervises and controls all kinds of risks in each branch in China through the centralized and vertical management approach.

All these committees have been held in due time and documented according to the Terms of Reference of each committee.

In line with the Bank's rule and the governance, RPC implemented an independent risk management policy with a functional reporting line to the hierarchy in the Asia-Pacific region of the Parent Bank and to the Board of Directors locally. This rule remained current both at the Parent Bank level and in China.

The risk culture and control mechanism as well as its infrastructure, major risk monitoring system and tools which are deemed critical and essential to the Bank have been optimized and upgraded with strong support from the Parent Bank in order to further enhance the risk management framework.

The Bank's primary risk management objectives are emphasized to maintain the risk parameters within a moderate and acceptable tolerance, to meet requirements of the regulators, sustainable economic development in China and various needs of its customers, and to control risk cost to a minimal level on the one hand and to maximize return on our Risk Weighted Assets and return on our shareholders equity on the other hand.

Credit Risk

The Credit Review Committee is the decision-maker of the Bank for all credit risk related matters in China.

A credit risk occurs when a counterparty is unable to fulfill its obligations and when the book value of these obligations in the Bank's records is positive. The counterparty may be a bank or non-banking financial institution, an industrial or commercial corporate, a government or government entity, an investment fund or an individual.

The exposure may be a loan, debt security, deed of property, performance exchange contract, guarantee or unused confirmed commitment. The risk associated with these exposures includes the settlement risk inherent in any transaction entailing an exchange of cash or physical goods outside a secure settlement system.

Due to the complexity and dynamics of domestic and overseas environment, Chinese economy had faced challenges throughout the year. In 2016, the quality of our credit portfolios maintained at an acceptable level. In other words, credit risk still is controllable to a large extent. As what we did in the past, our Bank reports the quality of credit portfolio to the Board of Directors on regular basis and assists our Parent Bank to conduct the portfolio review once a year. Portfolio review in 2016 was performed in June, no significant credit risk event has been detected, credit approval is complied with internal procedure and policy and we are in line with the Parent Bank's risk strategy in China.

Counterparty Risk: our credit portfolio is deemed sound mainly thanks to our adequate risk appetite and conservative approach when assessing our counterparty risk and suitability of our products explored in our business activities.

Concentration Risk: concentration risk was monitored closely in line with regulatory requirement. Major risk indicators were followed carefully and timely by using our internal tools and reported to the Management on a regular basis.

Country Risk: Country risk always remained as one of the major risks the Bank was monitoring and controlling with internal tools and reported to the Management on a monthly basis and to Finance Department for consolidation on quarterly then semi-annual basis as requested by the regulator.

Industrial / Regional risk: as part of concentration risk, these risk indicators were monitored through our tool and reported on a regular basis. The Bank paid high attention to monitor its risk in the sector with over-capacity or non-compliant environment issue.

In summary, concentration risk, country risk, industrial sector risk, regional risk, currency risk, financing type risk were well under the control and monitored and reported in a timely and regular manner.

Per request of the regulator and based on our internal procedure, the Bank performed two credit portfolio stress testing in 1H and 2H 2016 respectively. The two testing results were satisfactory, demonstrating a very strong resilience of our Capital Adequacy Ratio even under an extreme scenario.

Market Risk

Though 2016 “Black Swan” events made the financial market quite volatile with 7% CNY depreciation against USD and the volatile bond market movement, our Bank’s market risk was controlled at a reasonable level with focus on our client genuine needs backed by effectiveness of our existing risk management framework. The bank’s strategy remained at a conservative principle under the guidance of the regulators and supervision of our BoD and senior management thus only those products with simple structure were authorized.

Market risk is defined as the risk of a potential loss to which the Bank is exposed through market positions held and resulting from changes in various market parameters and from the independent valuation of results.

For example Credit Agricole (China) is exposed to risk related to:

- Foreign exchange rates: currency risk is the risk of a change in the fair value of a financial instrument due to change in an exchange rate; and
- Interest rates: interest-rate risk is the risk of a change in the fair value of a financial instrument or the future cash flows from a financial instrument due to change in the interest rate.

Our Market Activities Monitoring team (MAM) under RPC monitors and controls market risks via a standardized organization and by using various systems and tools:

- Market Risk Committee meeting which is held on a monthly basis and if necessary on an ad hoc basis. The Committee reports to the Risk Management Committee directly;
- Production of daily P&L and risk limit report of all business and desks within Global Markets Division;
- Market risk management involves various indicators at different levels of aggregation which mainly include but not limited to VaR (Value at Risk), Sensitivity, P&L Annual & Monthly Loss Alert and FX Position;
- To complement VaR measurements, the Bank applies backtesting and stress scenarios to its market activities in order to simulate potential impact of extreme market turbulence on its book values; and
- The risk limits are reviewed, adjusted and approved or ratified by the Parent Bank and by the Board of Directors at least once a year or if necessary on an ad hoc basis taking into account commercial strategy, economic and market evolution and their impact on market risk.

Operational Risk

From a governance perspective, the BOD and the Senior Management of the Bank have been effectively responsible for the supervision and control of operational risk management as well as the efficiency of the organization. Permanent control is the main function which is responsible for the operational risk management of the Bank.

The operational risk management framework includes preventive control, real-time control and detective control.

1) Preventive Control

The annual risk mapping is the main body of preventive control. The mapping is aiming to identify and estimate the operational risk exposure by taking into account historical events and loss data caused by operational risk, control levels and audit results etc. Such annual exercise was critical to the effective identification, assessment, control and mitigation of operational risk in the next 1 to 5 years. 2016 risk mapping exercise was implemented and submitted to HO in Nov 2016. The inherent risks in the core business processes were assessed by each business unit and support function. The assessment result will be reported to Board after validated by Internal Control Committee.

2) Real-time Control

The real-time control mainly focused on key risk indicators. The relevant departments complete both Dashboard and Scope indicators every month and report to Permanent Control Officer ("PCO"); and the risk assessment results are briefed to Senior Management by PCO in Permanent Control Committee

("PCC") and ICC for validation accordingly and further to the Board for approval.

3) Detective Control.

Reporting Mechanism is the main part of Detective Control which includes data collection. Incidents and losses caused by operational risk are required to be collected and reported to senior management regularly on a timely manner, for instance. All of these practices are to take measures to control and/or mitigate operational risk.

In 2016, The Board and the Senior Management continued to pay high attention to operational risk management. All tasks were implemented as plan. In particular, our Bank launched several projects in 2016 in order to enhance the operational risk management and to reduce operational risk, mainly as below: operational risk training, outsourcing activities control monitoring, self-check and sample-check conducted by relevant departments and PCO. There is no significant breach found in 2016.

Liquidity risk

Liquidity risk is the risk of loss when a company is unable to meet its financial commitments in a timely fashion and at fair prices when they become due.

These commitments include obligations to depositors and suppliers as well as commitments in respect of loans and investments.

Policy and Objectives

CA-CIB (China)'s policy for managing its short-term and medium-term liquidity risk is set by its Assets and Liabilities Management Committee.

Liquidity Management

Medium- and long-term management

The Bank's medium-to long-term liquidity management is performed centrally by the Assets and Liabilities Management Committee. It defines internal transformation policies, rules and procedures, both on an overall basis for major currencies and on a specific basis for certain local currencies. It determines medium-and long-term financing needs. Medium- and long-term risk is measured by calculating the Bank's 1-year and 5-year transformation mismatches.

Short-term management

Short-term liquidity management is handled by the Bank's Treasury Department. It renews financing and manages portfolios of liquid assets. Treasury and Market Activities Monitoring Departments calculate 7 days and 30 days cash flow gap for cash flow management.

CFP and Ratios

CA-CIB (China) has established Contingency Funding Plan (CFP) which simulates the impacts based on CBRC liquidity guideline and group liquidity policy. Stress testing on liquidity risk is performed on daily basis with three scenarios (global, systemic and idiosyncratic) and presented to management. Several levels of action plan have been predetermined in case of shortfall of funds.

The main regulatory liquidity ratios have been closely monitored by the Bank. In 2016, the daily liquidity ratios were well controlled above 25%. Daily average loan-to-deposit ratio was below 75% during 2016. By the end of 2016, LCR is 200.35%, fulfill the minimum requirement of 《Commercial bank liquidity risk management rules (testing)（2015 revised version）》

Legal Risk

The legal function contributes to ensuring that the Bank's business activities and operations comply with the applicable laws and regulations. It performs permanent controls on legal risks arising from the Bank's activities, services and transactions, along with the operational risks generated by the legal function itself. It also performs legal consultations to business lines, involvement in legal negotiation of transactions, legal watch operations, staff training, standard contract modeling, legal policies and procedure issuing, the collaboration to decision-making bodies and procedures as required by the Bank's governance rules. The legal function systematically takes part in the process of the approving new products and activities and in major lending decisions.

In 2016, the system of permanent controls and control of legal risks continued to be strengthened.

As of this date, to the Bank's knowledge, there are no government, legal or arbitration proceedings that are liable to produce, or that have recently produced, a material impact on the financial conditions or profitability of the Bank.

At December 31st, 2016, any legal risks that could have a negative impact on the Bank assets were covered by adequate provisions based on the information available to general management.

Compliance Risk

Compliance risk is the risk of failing to comply with banking or financial regulations, internal policies and procedures or rules of conduct which may lead to criminal penalties, penalties assessed by the regulatory authorities, disputes with customers and, more broadly, reputational damage.

Management of compliance risks

Compliance business line oversees compliance with policies and regulations applicable to the Bank's activities. The Compliance function aims at strengthening the confidence of stakeholders involved (customers, employees, investors, regulators, suppliers) in respect of these rules and their implementation.

Compliance also ensures that the systems in place for preventing these risks are efficient by:

- translating policies and regulations into procedures;
- training staff in compliance matters;
- providing opinions on transactions referred to it; and
- Assessing and ensuring that the compliance system operates correctly.

Compliance has two main missions:

- Protect the Bank against any external actions potentially harmful or unlawful: fight against fraud and corruption, but also prevention of money laundering, fight against terrorism financing, obligations in the fields of assets freeze and embargoes, etc.
- Protect the Bank's reputation towards the markets as well as its customers' interests against violations of external rules and regulations, internal ethical standards and failures to meet professional obligations to which the Bank and its employees are submitted (insider dealing, price manipulation, propagation of false information, conflict of interest, failure to advise, etc.) but also against internal or joint fraud and internal corruption.

Corporate Information

Shareholder

Crédit Agricole Corporate and Investment Bank

Registered Name

In Chinese: 东方汇理银行（中国）有限公司

In English: Credit Agricole Corporate and Investment Bank (China) Limited

Registered Address

Unit 1201, 1202, 1206 - 1209, 1212, 1213, 12th Floor, Office Tower 2, Plaza 66, 1266 West Nanjing Road, Jing'an District, Shanghai 200040, PRC

Telephone: 86 21 38566888

Facsimile: 86 21 38566922

SWIFT – CRLYCNSH

Website: http://www.ca-cib.com.cn

Registration Date

July 1st, 2009

Authority of Registration

Shanghai Administration of Industry and Commerce

Unified Social Credit Code

91310000691565587J

Financial Institution License Serial Number

B1022H131000001

Registered Capital

Renminbi 3,196,000,000

Legal Representative

Philippe PELLEGRIN

Auditor

Ernst & Young Hua Ming LLP

Address: 50/F, Shanghai World Financial Center, 100 Century Avenue, Pudong New Area, 200120 Shanghai, China

Directors, Supervisor and Senior Management

1. Composition

Supervisor
LECHAUDEL, Eric

Board of Directors	
ROY, Michel	Chairman, Non-executive Director
CHEVRE, Eric	Vice-Chairman, Non-executive Director
PELLEGRIN, Philippe	Executive Director, President
TCHOURBASSOFF, André	Executive Director, Vice-President
HONG, Didier	Executive Director, Head of Shanghai Branch
MARTIN, François	Non-executive Director
BALAŸ , Jean- François	Non-executive Director
BOLESLAWSKI, Alexandra	Non-executive Director
LIN, Yi Xiang	Independent Non-executive Director

Senior Management	
PELLEGRIN, Philippe	President (Legal Representative)
TCHOURBASSOFF, André	Vice-President
LEE, Helen	Chief Risk Officer
LI, Lan	Chief Financial Officer
FU, Di	Head of Compliance
SUN, Vanessa	Head of Internal Audit
YIP, Martin	Chief Information Officer
ZHAO, Jennifer	Secretary to the Board of Directors
HONG, Didier	Head of Shanghai Branch
YUAN, Arthur	Head of Beijing Branch
KONG, Lyn	Head of Guangzhou Branch
LI, Davy	Head of Tianjin Branch
HSIEH, Henry	Head of Xiamen Branch

2. Working Experience and Other Positions held by Directors and Supervisor

a. Directors

 ***Michel ROY***	**Education:** Michel Roy holds a Ph.D in Oriental Studies from University of Paris III, a Master Degree in Chinese Language from University of Paris III and a BA in Economics from University of Paris II. **Professional experience:** Michel Roy was appointed Senior Regional Officer for Crédit Agricole CIB Asia-Pacific on March 1st 2016. He was Senior Country Officer for Crédit Agricole CIB Japan since September 2011. Michel began his career at Crédit du Nord in the International division in 1983. He became Chief Representative for Indonesia in Jakarta in 1987 and Head of Corporate Banking department in Singapore in 1991. In 1992, he joined Credit Lyonnais in Taiwan as Head of Corporate Banking and became Head of Multinational Group based in Hong Kong in 1997. He was thereafter appointed Senior Country Officer for Credit Agricole CIB in Taiwan (2000 - 2005), Korea (2005-2008) and India (2008-2011). He was appointed Chairman of CA-CIB (China) in June 2016.

 ***CHEVRE, Eric***	**Education:** Eric Chèvre graduated from HEC, major in Banking & Finance. **Professional experience:** Since September 2016, Eric Chevre has been appointed Head of Corporate and Public Affairs within Crédit Agricole CIB (CA-CIB). Eric Chevre has spent his whole career within the Group, starting in 1981 with Banque de l'Indochine et de Suez in Export Finance. He was appointed Senior Banker for French Corporates in 1985. In 1988, he became co-Head of Equity origination and in 1992 he was appointed CEO of WI Carr and then of Indosuez Capital Securities, based in London. In 1995, he was appointed Managing Director of Indosuez Capital Emerging Markets. In 1997, he left London for Singapore to take over the capital market activities of Crédit Agricole Indosuez (CAI) in Asia-Pacific. In 2001, he returned to France as Head of Coverage for Banks at Crédit Agricole Indosuez, after which he joined the team in charge of coordinating the Crédit Agricole Indosuez/Crédit Lyonnais merger in 2003. In 2004, he was appointed Senior Country Officer for Nordic countries based in Stockholm. In November 2007, he was Head of International Corporate Coverage and was then promoted Head of International Client Coverage (including Financial Institutions) in September 2008. In June 2011, he was appointed Global Head of Sales for Fixed Income Markets. From November 2012 to September 2015, he was Global Head of the Financial Institutions Group, managing Senior Bankers in charge of Financial Institutions Global Coverage. He was appointed as Vice-Chairman of CA-CIB China in January 2014 and is a Board member of CA-CIB bank's subsidiary in Russia.

PELLEGRIN, Philippe

Education:
Philippe Pellegrin holds a Master Degree in Applied Economics (Abidjan University).

Professional experience:
After 3 years in the hotel industry (PLM/Rotschild group) and in Import Export Trade, Philippe Pellegrin joined Banque Indosuez in 1979 where he held various operational and managerial positions in Asia, the Middle-East, Africa and Europe. He was appointed Senior Country Officer for South Africa in 2002, and appointed Senior Country Officer for Taiwan in 2005. Philippe Pellegrin became Senior Country Officer for Italy in December 2009.
Philippe Pellegrin was appointed Executive Director of CA-CIB (China) in June 2014 and has been the President of CA-CIB (China) since August 2014.

TCHOURBASSOFF, André

Education:
André Tchourbassoff is a graduate from GEM/ESCG, Grenoble Business School in France, and holds a Master Degree in Business Administration from Laval University in Canada.

Professional experience:
André Tchourbassoff started with Crédit Lyonnais as a corporate relationship manager in 1992. He held various finance functions in HO Finance and Structured Finance with Crédit Lyonnais from 1996 to 2001. He was appointed Chief Financial Officer of Calyon Russia in 2002. In 2006, he became the ISIS project manager of Calyon Spain. From 2007 to 2010, he was the Chief Operating Officer of CA-CIB in Hungary, and in 2011, he was appointed Chief Operating Officer of CA-CIB in the Gulf (UAE branches, Rep. Offices Libya and Bahrain). He has been the Executive Director, Vice-President and Chief Operating Officer of CA-CIB (China) since December 2014.

 ***HONG,*** ***Didier***	**Education:** Didier Hong obtained the European Master Degree in Management (Major in Finance) from Institut Superieur de Gestion, Paris in 1996. **Professional experience:** Didier Hong started his career as a Marketing Officer of China Division-Corporate Banking of Crédit Agricole Indosuez, Hong Kong in 1996. From March 1999 to July 2004, he was the Vice President of French & HK Desk – Corporate Banking of Crédit Agricole Indosuez, Shanghai Branch. From August 2004 to August 2009, he was the Managing Director and Head of Coverage East China of Calyon Shanghai Branch. Since August 2009, he has been the Shanghai Branch Manager of CA-CIB (China). He was appointed Head of Coverage China in September 2013. He was appointed Executive Director of CA-CIB (China) in July 2013.

 ***MARTIN,*** ***François***	**Education:** François Martin is a graduate from the French Business School ESSCA Angers. **Professional experience:** François Martin is the Senior Country Officer for Hong-Kong since August 2016 and has been appointed as Head of Structured Finance Asia from November 2016. François jointed CA-CIB in 1986 and gained international banking experience (covering Project & Structured Finance, Investment Banking and Client coverage) in Paris, New York and Warsaw. Prior to his current assignment, he was Global Head of Crédit Agricole CIB's Oil & Gas Sector from 2012 to 2016. In this role, he oversaw all Oil & Gas activities of Crédit Agricole CIB worldwide. He was also in charge of Oil & Gas Project Finance, Reserve-Based Lending and US-based A&D Advisory teams. Previously, he has been a Managing Director in the Structured Finance Advisory group, a Senior Banker with direct responsibility for the bank's relationships with EMEA Oil & Gas groups, and he was during several years the Head of EMEA Natural Resources Project Finance. He was appointed Non-executive Director of CA-CIB (China) in January 2014.

BALAŸ, Jean-François

Education:

Jean-François Balaÿ holds a master's degree in Economics & Finance.

Professional experience:

Jean-François Balaÿ began his career at Crédit Lyonnais (which became LCL) in 1989 where he held several management positions within Corporate Markets division in London, Paris and Asia. From 2001 to 2006, he was responsible for Origination and Structuring for Europe within Loan Syndication at LCL then Calyon (which became Crédit Agricole CIB). In 2006, he became Deputy Head of the EMEA team before becoming in 2009 Head of Global Loan Syndication Group. In 2012, he was appointed Head of Debt Optimisation & Distribution. In April 2016, Jean-François Balaÿ was appointed Head of RPC of Crédit Agricole CIB.
He was appointed Non-executive Director of CA-CIB (China) in December 2015.

BOLESLAWSKI, Alexandra

Education:

Alexandra is a graduate of the Paris Hautes Etudes Commerciales (HEC).

Professional experience:

Alexandra BOLESLAWSKI has been appointed Deputy Head of Client Coverage & International Network (CIN) in March 2015.
Before that date, Alexandra was Global Head of the Power & Utilities sector for the Bank and since 2000 Global Head of the Structured Finance Power sector. In this position, she has been actively involved in the development of the structured finance power franchise to position the Bank in the very first players of the market.
Alexandra started her career with Banque Indosuez in 1986 and since then accumulated over 25 years of banking experience in the asset based finance business including project finance and management of equity investments. She was appointed Non-executive Director of CA-CIB (China) in December 2016.

<table>
<tr>
<td>

***LIN,
Yi Xiang***</td>
<td>Education:
Ph.D. in Economics, University of Paris-X, France

Professional experience:
Dr. Lin is the Chairman and CEO of TX Investment Consulting Co., Ltd. He became Vice President of China Securities Corp. in 1996-2001, and prior to joining China Securities Corp., he held various senior positions within China Securities Regulatory Commission (CSRC), such as Senior Expert, Head of Market Surveillance System, Deputy General Manager of Research and Information Department. In 1989-1994, he worked as an Economist & Assistant Portfolio Manager at the Caisse des Depots et Consignations, France.
Dr.Lin has a Ph.D in Economics (1989) from the University of Paris-X, France, M.A in Economics (1985) from the University Grenoble-II, France and B.A. in Economics (1983), from the Peking University, China.
Dr. Lin was a member of the Drafting Committees of Securities Law of China and Securities Investment Fund Law of China. Afterwards, he was also a member of the Amendment Committee of Securities Law of China. He has participated in the drafting and amendment of other securities-related regulations. Yi Xiang LIN was appointed as the Independent Non-executive of CA-CIB (China) in December 2015.</td>
</tr>
</table>

b. Supervisor

<table>
<tr>
<td>

***LECHAUDEL,
Eric***</td>
<td>Education:
Eric Lechaudel holds an Engineer Degree from INSA Lyon.

Professional experience:
Eric Lechaudel worked at the Organization Department of Crédit Lyonnais Indonesia from 1993 to 1995. He was the project manager then team leader for Project Management from 1995 to 2002; the Deputy Head of international project management team from 2003 to 2004; the Head of international project management team – ISIS project director from 2004 to 2007. He was the COO of Crédit Agricole CIB Japan from 2008 to 2009, then the COO and Asia COO coordinator of Crédit Agricole CIB Hong Kong from 2010 to 2013. On April 2nd, 2013, he was appointed Head of Corporate Support International & International COO of Crédit Agricole CIB. He is now, since May 18th 2016, Global Head of Operations & Country COOs (OPC) of Credit Agricole CIB. Member of the Executive Committee. He was appointed Supervisor of CA-CIB (China) in May 2013.</td>
</tr>
</table>

Corporate Governance

Corporate governance is the basic structure on which companies are built. Good corporate governance is essential for maintaining and enhancing its Shareholder's value and other stakeholders' confidence, and it is the only viable way of ensuring the Bank's sustainable development.

Since the Bank's incorporation in June 2009, in strict accordance with the relevant laws and regulations of PRC, as well as those rules and regulations stipulated by the regulatory authorities in regard to the corporate governance of commercial banks, the Bank has been dedicated to enhancing its corporate governance mechanism, and strived to follow the best corporate governance practice. Key corporate governance mechanisms were established to ensure independent operation of decision-making bodies, clear segregation of duties, and effective checks and balances for supervisory and management bodies. The overall status of the Bank's corporate governance structure is satisfactory.

The Board of Directors, Directors, the Supervisor, Specialized Committees under the Board of Directors and Senior Management of the Bank all diligently performed their respective duties and responsibilities in a professional and efficient manner according to applicable statutory and regulatory provisions as well as the Articles of Association of the Bank. Achievements were made to ensure the smooth operation and sustainable growth of the Bank.

The Board of Directors and Directors

The Board and Directors has been diligently performing their respective authorized duties and supervisory responsibilities, formulating business strategies in accordance with the development of the Bank's business and ensuring that the Bank's development is on the right track.

In 2016, the Board of Directors held four ordinary meetings, on March 31st, June 30th, September 22nd, and December 5th respectively and, in addition, circulated nine resolutions in writing to review and approve various matters, including the business strategy, budget, financial statements, risk management and internal control of the Bank. All meetings were held with required quorum.

In compliance with the Articles of Association, the Bank's Directors are appointed by the Shareholder, with a term of office of three (3) years starting from the date when the Bank receives the post-taking qualification approval from CBRC. A Director, at the expiry of the term of office, may serve consecutive terms by reappointment.

Mr. Shao Chang CHEN, the Independent Non-Executive Director, tendered his resignation from his position as the Independent Non-Executive Director on 31 January, 2016.

Mr. Marc-Andre POIRIER, the Chairman of the Board, was transferred to another position within CA-CIB Group; consequently, Mr. POIRIER tendered his resignation from his position as the Chairman of the Board on 23 June, 2016.

In March 2016, the Shareholder appointed Mr. Michel ROY as the Chairman of the Board, replacing Mr. Marc-Andre POIRIER, and the post-taking qualification of Mr. ROY as the Chairman of the Board was approved by CBRC on 24 June, 2016.

Mrs. Valerie WANQUET, the Non-Executive Director, was transferred to another position within CA-CIB Group; consequently, Mrs. WANQUET tendered her resignation from her position as the Non-Executive Director on 29 July, 2016.

In September 2016, the Shareholder appointed Mrs. Alexandra BOLESLAWSKI as Non-Executive Director, and the post-taking qualification of Mrs. BOLESLAWSKI as Director was approved by CBRC Shanghai Office on 19 December, 2016.

Specialized Committees under the Board of Directors

In 2016, the Specialized Committees under the Board fully discharged their duties in accordance with their respective Terms of References and the authorization of the Board. The Specialized Committees regularly convened meetings and reported to the Board, playing an important role in the meticulous and effective decision-making of the Board.

The frequency, quorum, contents of all the meetings of the Specialized Committees were in accordance with respective Terms of Reference of Committee.

Internal Audit Committee

This committee's main duties and authorities are listed here-below:

- to supervise the implementation of internal audit policies and procedures
- to evaluate the Bank's internal control system and advise on improvement plans
- to advise on the selection of external auditor and/or consultancy agency(s) for evaluating the effectiveness of the risk management and internal control system of the Bank
- to implement measures highlighted by the Board, the Supervisor, external auditor, and regulators
- to establish communication channels between the external auditor, the Internal Audit Department and the Board
- to review the Bank's policies for accounting treatment
- to review the Bank's financial information and its disclosure

This committee's composition is as follows:

Permanent Members
- Independent Non-executive Director *(Chairman of the Committee)* - Vice-Chairman of the Board - Executive Director & Vice-President

Risk Management Committee

This committee's main duties and authorities are listed here-below:

- to review the Bank's risk management structure
- to review the Bank's risk management objectives and strategy
- to review and coordinate the establishment of limits of main risk indicators
- to evaluate the Bank's risk limits on a periodic basis
- to supervise and guide the risk identification, measurement and monitoring
- to ensure that the Bank has established an effective risk analysis and reporting mechanism

This committee's composition is as follows:

Permanent Members
- Executive Director & Vice-President *(Chairman of the Committee)* - Independent Non-executive Director - Executive Director & President

Connected Transaction Control Committee

This committee's main duties and authorities are listed here-below:

- to review the Bank's connected parties and report the list to the Board
- to review and approve normal connected transactions within its authority level
- to review and comment on significant connected transactions and submit them to the Board for approval
- to supervise the Bank's Directors and Senior Management in the effectiveness and efficiency of implementing the connected transactions management policies and procedures, and submit a Connected Transactions Management Report to the Board on an annual basis
- to review and comment on the information to be disclosed or to be reported to the regulatory authorities in relation to the Bank's connected parties and connected transactions

This committee's composition is as follows:

Permanent Members
- Independent Non-executive Director *(Chairman of the Committee)* - Vice-Chairman of the Board - Executive Director & President - Executive Director & Vice-President

Compensation & Nomination Committee

This committee's main duties and authorities are listed here-below:

- to formulate and review the Bank's policies and procedures related to compensation & nomination and benefits for Directors and the Senior Management Personnel
- to review annually the structure and competitiveness of the Bank's compensation programs applicable to the Directors and the Senior Management Personnel and submit for approval by the Board any new plans, and amendments to any existing plans
- to formulate performance evaluation measures of the Bank's Directors and the Senior Management Personnel and submitting them to the Board for approval
- to assist the Supervisor to periodically review and assess the performance of the Directors and the Senior Management Personnel, seeking input from individual members of the Board and the Senior Management Personnel
- to formulate and review the compensation and other terms of employment of the Bank's President and Directors (if applicable) and submitting them to the Board for approval

This committee's composition is as follows:

Permanent Members
- Chairman of the Board *(Chairman of the Committee)* - Vice-Chairman of the Board - Executive Director & President

The Supervisor shall attend the meetings of the Committee. The Supervisor is entitled to express his opinions but shall have no voting right during the meeting.

Independent Non-Executive Director

Members of the Board of Directors include one (1) Independent Non-executive Director, in compliance with the requirement of a quorum specified in the Bank's Articles of Association.

Mr. LIN Yi Xiang serves as permanent member of three (3) specialized committees under the Board of Directors among which he serves as the chairman of the Internal Audit Committee and the Connected Transaction Control Committee.

The post-taking qualification of the Bank's Independent Non-executive Director is fully complied with requirements set forth in *Guidelines on Strengthening the Corporate Governance of Foreign-funded Corporate Banks* issued by CBRC. Moreover, as required by CBRC, the Bank has received written confirmation from its Independent Non-executive Director with regard to his independence.

Based on these confirmations and relevant information in its possession, the Bank confirms the independent status of Mr. LIN Yi Xiang, the Independent Non-executive Director of the Bank.

In 2016, Mr. LIN Yi Xiang, acting as the Independent Non-executive Director of the Bank attended 3 meetings of the Board, 3 meetings of the Internal Audit Committee, 3 meetings of the Connected Transaction Control Committee and 3 meetings of the Risk Management Committee. With extensive professional knowledge and practical experience, he fully discharged his duties and responsibilities through expressing objective and impartial opinions as well as providing valuable and constructive suggestions to the Bank.

Different Opinions Raised by the Independent Non-Executive Director on Relevant Matters of the Bank

No different opinions were raised by the Independent Non-executive Director on the resolutions of the Board of Directors and the specialized committees under the Board of Directors of the Bank in 2016.

Supervisor

The Supervisor inspects and supervises the business operations and financial activities of the Bank, oversees the conduct of Directors and Senior Management Personnel in carrying out their duties, and reviews various documents submitted by the Bank. On a yearly basis, the Supervisor oversees the performance assessment of the Board of Directors and its individual Directors.

In compliance with the Articles of Association, the Bank's Supervisor is appointed by the Shareholder, with a term of office of three (3) years. The Supervisor, at the expiry of the term of office, may serve consecutive terms by re-appointment.

In 2016, the Supervisor was in attendance of 3 of the Board meetings.

Senior Management

In accordance with the Articles of Association and subsequent Board of Directors' resolution, the chief authority to manage the day to day operations of the Bank has been delegated to the President, which in turn is assisted in the exercise of his authorities by the Vice-President and other Senior Management Personnel.

Responsibility Statement of Directors on Financial Reports

The following statement, which should be read in conjunction with the auditors' statement of auditor's responsibilities set out in the Independent Auditor's Report, is made with a view to distinguishing for the Shareholder the respective responsibilities of the Directors and of the auditors in relation to the financial statements.

The financial statements for the year ending on December 31st, 2016 truthfully and fairly present the financial position and operating results of the Bank.

Appointment or Termination of External Auditors

The Internal Audit Committee of the Bank shall advise the Board of Directors on the selection of external auditors. The ultimate responsibility to engage, renew the engagement or dismiss the External Auditor lies within the Bank's Board of Directors.

In June 2016, the Board of Directors resolved to re-appoint Ernst & Young Hua Ming LLP ("Ernst & Young") as the Bank's Public Accountants for the year 2016.

The Chairman and the President were authorized to make any necessary or reasonable arrangement relating to such engagement, including negotiating and determining the fees of such auditors in accordance with market practice.

Ernst & Young was not engaged in significant non-auditing services with the Bank.

Independent Auditor's Report

Auditors' Report

Ernst & Young Hua Ming (2017) Shen Zi No 61114184_B01

To the Board of Directors of CREDIT AGRICOLE CIB (China) Limited,

We have audited the accompanying financial statements of CREDIT AGRICOLE CIB (China) Limited (the "Bank"), which comprise the balance sheet as at 31 December 2016, the income statement, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements. This responsibility includes: (1) preparing and fairly presenting the financial statements in accordance with Accounting Standards for Business Enterprises; (2) designing, implementing and maintaining internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the entity's preparation and fair presentation of financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

The Branch has obtained approval from Ernst & Young Hua Ming LLP for carrying out business

Auditors' Report (continued)

Ernst & Young Hua Ming (2017) Shen Zi No 61114184_B01

Opinion

In our opinion, the financial statements present fairly, in all material aspects, the financial position of CREDIT AGRICOLE CIB (China) Limited as at 31 December 2016 and its financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

	Yan, Shengwei
Ernst & Young Hua Ming LLP, Shanghai Branch	Chinese Certified Public Accountant
	Wang, Wenyan
Shanghai, the People's Republic of China	Chinese Certified Public Accountant
	7 April 2017

Financial Statements
(Unless otherwise stated, expressed in Renminbi Yuan)

Balance Sheet
31 December 2016

ASSETS:	Note 5	2016-12-31	2015-12-31
Cash and due from the central bank	1	2,523,774,612	851,352,125
Due from banks and other financial institutions	2	3,242,189,376	1,538,317,233
Placements with banks and other financial institutions	3	1,900,743,564	3,716,469,893
Financial assets at fair value through profit or loss	4	10,654,470	21,051,534
Derivative financial assets	5	1,860,727,335	1,179,087,248
Interest receivables	6	23,698,032	26,455,980
Loans and advances to customers	7	3,835,818,705	3,043,128,928
Available-for-sale financial assets	8	987,168,105	1,397,750,881
Account receivables investments	9	-	2,484,000
Fixed assets	10	3,980,325	3,559,748
Intangible assets	11	2,587,891	2,358,269
Deferred tax assets	12	22,603,018	36,983,355
Other assets	13	81,306,950	69,282,578
TOTAL ASSETS		14,495,252,383	11,888,281,772

LIABILITIES:	Note 5	2016-12-31	2015-12-31
Due to banks and other financial institutions	15	2,078,507,795	2,483,544,710
Placements from banks and other financial institutions	16	1,325,217,785	374,691,300
Derivative financial liabilities	5	1,767,121,466	1,154,893,353
Customer deposits	17	5,485,164,389	3,998,837,658
Payroll payables	18	31,074,732	24,760,772
Tax payables	19	12,173,050	4,617,100
Interest payables	20	40,352,978	52,581,405
Other liabilities	21	165,176,832	189,418,287
TOTAL LIABILITIES		10,904,789,027	8,283,344,585
SHAREHOLDERS' EQUITY:			
Paid-in capital	22	3,196,000,000	3,196,000,000
Capital reserve		2,881,771	2,881,771
Other comprehensive income	23	(850,088)	283,529
Surplus reserve	24	98,774,711	87,154,698
General reserve	25	189,076,846	189,076,846
Retained earnings	26	104,580,116	129,540,343
TOTAL SHAREHOLDERS' EQUITY		3,590,463,356	3,604,937,187
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		14,495,252,383	11,888,281,772

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

President Vice President Chief Financial Officer

Income Statement
Year 2016

	Note 5	Year 2016	Year 2015
OPERATING INCOME			
Interest income	27	303,482,383	316,433,654
Interest expense	27	(108,195,517)	(141,797,731)
Net interest income		195,286,866	174,635,923
Fee and commission income	28	92,278,243	81,200,100
Fee and commission expense	28	(22,130,194)	(17,554,116)
Net Fee and commission income		70,148,049	63,645,984
Investment income	29	33,421,522	54,646,852
Gains from changes in fair value	30	69,994,372	15,890,159
Foreign exchange gain/(loss)		(4,414,851)	52,070,198
TOTAL OPERATING INCOME		364,435,958	360,889,116
OPERATING EXPENSE			
Tax and surcharges		(6,119,074)	(10,711,509)
General and administrative expense	31	(189,828,576)	(164,837,105)
Impairment losses	32	1,545,805	9,963,364
Other operating expense	33	(24,881,963)	(21,175,785)
TOTAL OPERATING EXPENSE		(219,283,808)	(186,761,035)
OPERATING PROFIT		145,152,150	174,128,081
Non-operating income		3,200	117,707
Non-operating expense		(304,898)	(1,365,870)
PROFIT BEFORE TAX		144,850,452	172,879,918
Less: Income tax expense	34	(28,650,323)	(28,946,204)
NET PROFIT		116,200,129	143,933,714
OTHER COMPREHENSIVEINCOME, NET OF TAX			
Items that may be reclassified subsequently to profit or loss			
- Fair value gain/(loss) on available-for-sale financial assets	23	(1,133,617)	(1,737,128)
TOTAL COMPREHENSIVE INCOME		115,066,512	142,196,586

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

STATEMENT OF CHANGES IN EQUITY

Year 2016

	Paid-in Capital	Capital Reserve	Other Comprehensive Income	Surplus Reserve	General Reserve	Retained Earnings	Total
1. Balance as at 1 January 2016	3,196,000,000	2,881,771	283,529	87,154,698	189,076,846	129,540,343	3,604,937,187
2. Movements during the year	-	-	(1,133,617)	11,620,013		(24,960,227)	(14,473,831)
(1) Total comprehensive income	-	-	(1,133,617)	-	-	116,200,129	115,066,512
(2) Profit distribution	-	-	-	11,620,013	-	(141,160,356)	(129,540,343)
1. Appropriation to surplus reserve	-	-	-	11,620,013	-	(11,620,013)	-
2. Appropriation to general reserve	-	-	-	-	-	-	-
3. Distribution to Shareholder	-	-	-	-	-	(129,540,343)	(129,540,343)
3. Balance as at 31 December 2016	3,196,000,000	2,881,771	(850,088)	98,774,711	189,076,846	104,580,116	3,590,463,356

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

STATEMENT OF CHANGES IN EQUITY

Year 2015

	Paid-in Capital	Capital Reserve	Other Comprehensive Income	Surplus Reserve	General Reserve	Retained Earnings	Total
1. Balance as at 1 January 2015	3,196,000,000	2,881,771	2,020,657	72,761,327	143,536,942	110,308,874	3,527,509,571
2. Movements during the year	-	-	(1,737,128)	14,393,371	45,539,904	19,231,469	77,427,616
(1) Total comprehensive income	-	-	(1,737,128)	-	-	143,933,714	142,196,586
(2) Profit distribution	-	-	-	14,393,371	45,539,904	(124,702,245)	(64,768,970)
1. Appropriation to surplus reserve	-	-	-	14,393,371	-	(14,393,371)	-
2. Appropriation to general reserve	-	-	-	-	45,539,904	(45,539,904)	-
3. Distribution to Shareholder	-	-	-	-	-	(64,768,970)	(64,768,970)
3. Balance as at 31 December 2015	3,196,000,000	2,881,771	283,529	87,154,698	189,076,846	129,540,343	3,604,937,187

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

STATEMENT OF Cash Flows

Year 2016

	Note 5	Year 2016	Year 2015
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net increase in customer deposits and due to banks and other financial institutions		1,081,289,816	-
Net decrease in due from the central bank		-	127,780,581
Net decrease in placements with banks and other financial institutions		-	422,919,390
Cash received from interest, service fee and commission		393,018,088	396,045,234
Net increase in placements from banks and other financial institutions		950,526,485	-
Cash received from other operating activities		3,200	-
Sub-total of cash inflows from operating activities		2,424,837,589	946,745,205
Net decrease in customer deposits and due to banks and other financial institutions		-	760,102,428
Net decrease in financial assets sold under repurchase agreements		-	588,000,000
Net increase in due from the central bank		1,787,025,586	-
Net increase in loans and advances to customers		809,675,931	176,409,986
Net decrease in placements from banks and other financial institutions		-	1,592,685,694
Net increase in placements with banks and other financial institutions		605,883,161	-
Payments made for interest, service fee and commission		143,754,945	185,779,872
Cash paid to and on behalf of employees		98,343,470	88,686,756
Cash paid for all types of taxes		22,101,579	45,047,422
Cash paid for other operating activities		196,021,324	105,922,992
Sub-total of cash outflows from operating activities		3,662,805,996	3,542,635,150
Net cash flows from operating activities	35	(1,237,968,407)	(2,595,889,945)

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

STATEMENT OF Cash Flows (Continued)

Year 2016

	Note 5	Year 2016	Year 2015
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received from maturity of investments		1,410,244,596	2,219,525,387
Cash received from investment income		35,671,447	67,652,666
Proceeds from disposal of fixed assets and other long term assets		-	932,442
Sub-total of cash inflows from investing activities		1,445,916,043	2,288,110,495
Cash paid for purchase of fixed assets, intangible assets and other long term assets		4,784,709	17,486,471
Cash paid for investment		988,301,556	1,397,372,843
Sub-total of cash outflows from investing activities		993,086,265	1,414,859,314
Net cash flows from investing activities		452,829,778	873,251,181
CASH FLOWS FROM FINANCING ACTIVITIES			
Sub-total of cash inflows from financing activities		-	-
Cash paid for distribution of profit		129,540,343	64,768,970
Subtotal of cash outflows from financing activities		129,540,343	64,768,970
Net cash flows from financing activities		(129,540,343)	(64,768,970)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		63,349,414	122,051,080
NET DECREASE IN CASH AND CASH EQUIVALENTS		(851,329,558)	(1,665,356,654)
Add: Cash and cash equivalents at beginning of the year		4,763,916,091	6,429,272,745
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	36	3,912,586,533	4,763,916,091

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

Notes to Financial Statements
For the year ended 31 December 2016

1. GENERAL INFORMATION

CREDIT AGRICOLE CIB (China) Limited (hereinafter referred to as the "CA-CIB (China)" or the "Bank") was established as a wholly-owned subsidiary of CRÉDIT AGRICOLE CIB S.A. ("CA-CIB") in the People's Republic of China.

China Banking Regulatory Commission (hereinafter referred to as the "CBRC") approved the application regarding the restructuring into a wholly foreign-owned subsidiary bank in China on 10 June 2008. CBRC issued "certificate of approval of foreign banks" (Yin Jian Han [2009] No. 126) on June 17, 2009, approving the opening of the Bank. The paid-in capital of the Bank amounted to RMB 3,000,000,000. The bank obtained the license for conducting financial transaction from the CBRC and its business license from State Administration for Industry and Commerce of the People's Republic of China. In accordance with the approval of CBRC, CREDIT AGRICOLE CIB (China) Limited injected a total of RMB 196,000,000 as the paid-in capital to the Bank in 2014. The paid-in capital increased to RMB 3,196,000,000 after the capital injection.

2. Preparation basis of the financial statements

The financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises-Basic Standard and the specific standards, the implementation guidance, interpretations and other relevant provisions issued and revised subsequently by the Ministry of Finance of People's Republic of China (MOF) (collectively referred to as "Accounting Standards for Business Enterprises").

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

The Bank's financial statements have been prepared on an accrual basis under the historical cost as the basis of measurement, except for derivative financial instruments, the financial assets and financial liabilities that are measured at fair value with changes recorded in profit and loss, and available-for-sale financial assets. Subsequently, if the assets are impaired, corresponding provisions should be recognised in accordance with relevant standards.

<u>Compliance with the Accounting Standards for Business Enterprises</u>

The financial statements of the Bank have been prepared in accordance with the Accounting Standards for Business Enterprises, and present fairly and fully, the financial position of the Bank as of 31 December 2016 and the results of the operations and the cash flows for the year then ended.

3. Significant accounting policies and estimates

(1) Accounting year

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

(2) Functional currency

The Bank's functional currency is Renminbi ("RMB"). These financial statements are presented in RMB and all amounts are stated in RMB, unless otherwise stated.

(3) Cash and cash equivalents

Cash comprises cash on hand and demand deposits; cash equivalents are short-term, highly liquid investments which are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value.

(4) Foreign currency transactions

Transactions in foreign currencies are translated into the reporting currency accordingly.

Foreign currency transactions are translated using the exchange rates ruling at the transaction date. Subsequent to initial recognition, monetary assets and liabilities denominated in foreign currencies are translated at the applicable exchange rates ruling at the balance sheet date. Exchange differences arising from the settlement of monetary items or from translation of monetary items at balance sheet date are recognised in the income statement. Non-monetary items measured at historical cost in a foreign currency are translated using the exchange rates ruling at the dates of the initial transactions; Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates when the fair value is determined, the exchange difference thus resulted is recognised in the income statement or other comprehensive income of the current period.

3. Significant accounting policies and estimates (continued)

(5) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Recognition and derecognition of financial instruments

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

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

(i) the rights to receive cash flows from the financial assets have expired; or
(ii) the Bank has transferred its rights to receive cash flows from the assets; or has assumed an obligation to pay cash flows in full without material delay to a third party under a "pass-through" arrangement; and (a) the Bank has transferred substantially all the risks and rewards of ownership of the financial asset; or (b) the Bank has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but has transferred control of the asset.

A financial liability is derecognised when the responsibilities over them have been discharged, cancelled, or expired. If the original financial liabilities are replaced with substantively different terms in essence by the same creditor, or the provisions of the contract are substantively modified in its nature, such replacement or modifications are treated as derecognition of original liabilities and recognition of new liabilities, with the difference recorded in the income statement.

Purchases and sales of financial assets in the regular way are recognized and derecognized on the trade date, which is the date that the Bank commits to purchase or sell the assets. Purchase or sale in the regular way is the purchase or sale of financial assets that requires delivery of assets within the time frame generally established by regulation or convention in the marketplace.

3. Significant accounting policies and estimates (continued)

(5) Financial instruments (continued)

Classification and measurement of financial assets

The Bank's financial assets are, on initial recognition, classified into the following categories: Financial assets at fair value through profit or loss; Held-to-maturity financial investments; Loans and receivables and available-for-sale financial assets; Derivatives designated as hedging instruments. Financial assets are measured at fair value when recognised initially. For financial assets at fair value through profit or loss, relevant transaction costs are directly charged to the profit and loss of the current period; transaction costs relating to financial assets of other categories are included in the amounts initially recognised.

Subsequent measurement of a financial asset depends on its classification:

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets which are either classified as held for trading or designated by the Bank at fair value through profit or loss upon initial recognition. Financial assets are classified as held for trading if they meet any of the criteria set out below: i) acquired or incurred principally for the purpose of selling it in the near term; ii) a part of a portfolio of identifiable financial instruments that are collectively managed, and for which there is objective evidence indicating that the enterprise recently manages this portfolio for the purpose of short-term profits; iii) they are derivatives unless those which are designated as effective hedging instrument, financial guarantee contracts and investment of clearing by equity instrument that are not quoted and its fair value cannot be reliably measured in active market. For such financial assets, they are subsequently measured at fair value. Both realized and unrealized gains/losses are recognised in the income statement of the current period. The dividends and interest income related with financial assets at fair value through profit or loss are recognised in the income statement of the current period.

Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and a fixed maturity date and which the Bank has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest rate method. Gains or losses are recognised in the income statement of the current period when they are derecognized, impaired, or amortized.

3. Significant accounting policies and estimates (continued)

(5) Financial instruments (continued)

Classification and measurement of financial assets (continued)

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortized cost using the effective interest rate method, Gains and losses are recognised in the income statement of the current period when they are impaired, or amortized.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets which are designated as such or are not classified in any of the above categories. Available-for-sale financial assets are subsequently measured at fair value. Premiums and discounts on available-for-sale financial assets are amortized using the effective interest rate method and are taken to the income statement as interest income or expense. Impairment losses and foreign exchange gains and losses on available-for-sale financial assets which are monetary items are recognised in the income statement, besides changes in fair value of available-for-sale financial assets are recognised in other comprehensive income until the financial asset is derecognised at which time the cumulative gains or losses previously reported in other comprehensive income are included in the income statement. Dividend and interest income on available-for-sale financial assets are recorded in the income statement of the current period.

Classification and measurement of financial liabilities

The Bank classifies financial liabilities at initial recognition as the financial liabilities at fair value through profit or loss, other financial liabilities, or the derivatives designated as hedging instruments. The Bank determines the classification of the financial liabilities on initial recognition. For the financial liabilities measured at fair value through profit or loss, the related transaction costs should be directly recorded in the income statement of the current period. For other financial liabilities, the related transaction costs should be included in the initially recognized amount.

Subsequent measurement of a financial liability depends on its classification:

3. Significant accounting policies and estimates (continued)

(5) Financial instruments (continued)

Classification and measurement of financial liabilities (continued)

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss are financial liabilities which are either classified as held for trading or designated by the Bank as at fair value through profit or loss upon initial recognition. Financial liabilities are classified as held for trading if they meet any of the criteria set out below: i) acquired or incurred principally for the purpose of repurchasing in a short term; ii) a part of a portfolio of identifiable financial instruments that are collectively managed, and for which there is objective evidence indicating that the enterprise recently manages this portfolio for the purpose of short-term profits; iii) they are derivatives unless they are designated as effective hedging instrument, financial guarantee contracts and investment of clearing by equity instrument that are not quoted and its fair value cannot be reliably measured in active market. Financial liabilities at fair value through profit or loss are subsequently measured at fair value. Both realized and unrealized gains/losses are recognised into income statement of the current period.

Other financial liabilities
Other financial liabilities are subsequently measured at amortized cost using the effective interest rate method.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when and only when the Bank currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial guarantee contracts

Financial guarantee contracts are initially recognised as the guarantor and lender make an agreement that when the debtor dosen't fullfil the obligation, the guartantor should perform the obligation and take the responsibility. Financial guarantee contracts are measured at fair value when recognised initially. Subsequent to initial recognition, financial guarantee contracts which are not designated as the financial liability at fair value through profit or loss are measured at the higher of the initial fair value of the contract less cumulative amortisation, and the Bank's best estimate of loss provisions required to be made arising as a result of performing the obligation of the guarantee.

3. Significant accounting policies and estimates (continued)

(5) Financial instruments (continued)

Impairment of financial assets

The Bank assesses carrying amount of a financial asset at each balance sheet date and provides impairment provisions when there is any objective evidence that the financial asset is impaired. Such objective evidence refers to events that have occurred after the initial recognition of those assets, have an impact on the estimated future cash flows of the financial assets and that can be reliably estimated by the Bank. Objective evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or breach of a contract of debtor (such as delinquency or overdue in interest or principal payments), the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows.

Financial assets carried at amortized cost
If the financial asset carried at amortised cost impairs, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The reduced amount is recognised in the income statement. The present value of estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e. the effective interest rate determined at initial recognition), taking into account the carrying amount of the relevant assets pledged. Interest income after impairment is calculated and recognised using the discount rate adopted when future cash flows are discounted in determining impairment losses as interest rate.

For assets that are individually significant, impairment assessment is made on an individual basis, and an impairment loss is recognized in the income statement when objective evidence of impairment exists. Assets that are individually insignificant, the Bank includes the assets in a group of financial assets with similar credit risk characteristics or individually assess them for impairment. Assets that are not impaired (including individually significant and individually insignificant) are individually assessed and included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment are not included in a collective assessment of impairment.

3. Significant accounting policies and estimates (continued)

(5) Financial instruments (continued)

Impairment of financial assets (continued)

Financial assets carried at amortized cost (continued)
If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be attributed objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and recognized in the income statement. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the reversal date.

Available-for-sale financial assets
If there is objective evidence that an impairment loss for available-for-sale financial investments has been incurred, the cumulative loss resulted from the decrease in fair value which was previously recognised in other comprehensive income, measured as the difference between the acquisition cost (excluding any recoverable principles and amortised amount) and the current fair value, less any impairment loss on that investment previously recognised in the income statement, is reversed from other comprehensive income and recognised in the income statement of the current period.

Debt instruments classified as available-for-sale with impairment loss recognised, if, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss, the previously impaired loss is reversed through the income statement. Reversal of impairment loss of equity instruments classified as available-for-sale is not recognised in the income statement.

Financial assets carried at cost
If objective evidence shows that the financial assets carried at cost are impaired, the difference between the present value discounted at the prevailing rate of return of similar financial assets and the book value of the financial asset are provided as an impairment loss in the income statement. The impairment loss recognised cannot be reversed.

(6) Derivatives

Derivatives are initially recognised at fair value of the contract date and are subsequently measured at fair value. Derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

3. Significant accounting policies and estimates (continued)

(6) Derivatives (continued)

Derivatives embedded in other financial instruments are treated separately as derivatives when their economic characteristics and risks are not closely related to those of the host contract and the hybrid instrument is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with the changes in fair value recognised in the income statement.

Certain derivative transactions, while providing effective economic hedges under the Bank's risk management positions, do not qualify for hedge accounting and are therefore treated as derivatives held for trading with gains or losses arising from changes in fair value are recognised in the income statement.

(7) Fixed assets

When the economic benefits related to fixed assets are likely to flow into the Bank, as well as the cost of fixed assets can be measured reliably, the fixed assets can be recognized. When the recognition criteria set above are met, subsequent expenditure related to fixed assets can be recognized in the cost of fixed assets and the replaced carrying amount can be derecognized. Otherwise, such expenditure is normally charged to the income statement in the period as incurred.

Fixed assets are initially measured at cost. The cost of a purchased fixed asset comprises the purchase price, relevant taxes and any directly attributable expenditure for bringing the asset to working condition for its intended use.

Depreciation is charged to profit or loss on a straight-line basis. And the respective estimated useful lives, estimated residual values and annual depreciation rates of fixed assets are set by the Bank considering the nature and usage of fixed assets.

	Estimated useful lives	Estimated residual value	Annual depreciation rate
Office equipment and office furniture	6years	-	17%
Office furniture and motor vehicles	5years	-	20%
Computers	3years	-	33%

Residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate, at each balance sheet date.

3. Significant accounting policies and estimates (continued)

(8) Intangible assets

The intangible assets can be recognised only when the economic benefits related to intangible assets are likely to flow into the Bank, and the cost of intangible assets can be measured reliably. While the intangible assets obtained in a business combination under common control should be measured at fair value if the cost of intangible assets can be measured reliably.

The useful life of intangible assets is determined according to the economic useful lives; those intangible assets with unforeseeable economic lives can be classified as intangible assets with infinite useful lives.

The Bank's intangible assets comprise computer software with a 3-year useful life.

For the intangible assets with finite useful lives, amortisation is charged to income statement on a straight line. The useful life and amortisation method for intangible assets with finite useful lives are reviewed at each balance sheet date, with proper adjustments made by the Bank when necessary.

(9) Long-term deferred expenses

Long-term deferred expenses refer to the expenses incurred with an amortisation period of more than one year (not including one year), mainly including rental fee and leasehold improvements.

Rental fee of the operating lease of fixed assets is amortised on a straight-line basis over the period of the lease contract. Other long-term deferred expenses are amortised on a straight-line basis over the lower period of lease period or useful life.

The carrying amount that has not been amortised is charged to income statement if the expenditure does not bring benefits to subsequent accounting periods.

3. Significant accounting policies and estimates (continued)

(10) Financial assets sold under repurchased agreements

Financial assets sold under repurchased agreements refer to the agreement under which the Bank sells an asset (securities) at a fixed price with an obligation to repurchase it from the same counterparty at a pre-determined price at a specified date. Financial assets sold under repurchased agreements are recorded at the actual amounts received and presented in "Financial assets sold under repurchased agreements".

(11) Recognition of income and expense

Revenue is recognised to the extent when it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must be met before revenue is recognised:

Interest income and expense
Interest income or expense are determined using the effective interest method, 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 a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on original effective interest rate and the change in carrying amount is recorded as an interest income or expense.

Fee and commission income
Fee and commission income is recognised when the services are rendered and the proceeds can be reasonably estimated.

(12) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank. It can also be a present obligation arising from past events not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

3. Significant accounting policies and estimates (continued)

(12) Contingent liabilities (continued)

A contingent liability is not recognized as a provision but is disclosed in the notes to the financial statements.

(13) Accrued liability

Except for the contingent consideration and contingent liabilities recognised in a business combination under common control, an obligation related to a contingency is recognised as accrued liability when all of the following conditions are satisfied:

(i) The obligation is a present obligation of the Bank;
(ii) It is probable that an outflow of economic benefits will be required to settle the obligation; and
(iii) The amount of the obligation can be measured reliably.

The accrued liability is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. The Bank reviews the carrying amount of an accrued liability at each balance sheet date. When there is clear evidence that the carrying amount does not reflect the current best estimate, the carrying amount is adjusted to the current best estimate.

(14) Impairment of assets

For assets excluding deferred income tax and financial assets, the Bank assesses impairment of assets as follows:

The Bank assesses at each balance sheet date whether there is an indication that an asset may be impaired. If any such indication exists, the Bank makes an estimate of the asset's recoverable amount and performs impairment test. For those assets with infinite useful lives, no matter whether the impairment indications exist the impairment test is made at least annually. For intangible assets that have not yet reach conditions for use, the impairment test is also made annually.

3. Significant accounting policies and estimates (continued)

(14) Impairment of assets (continued)

An asset's recoverable amount is the higher of its fair value less costs to sell and the present value of estimated future cash flows discounted. The Bank estimates the recoverable amount on the basis of individual asset; while recoverable amount of the individual asset is hard to estimate, the Bank determined the recoverable amount of the asset group that the individual asset belongs to. The recognision of the asset group is based on whether the main cash inflows to asset group are independent of other assets or asset group of the cash inflows.

If the recoverable amount of an asset or asset group is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount by the Bank. The reduction is recognised as an impairment loss and recognised in the income statement for the current period. A provision for impairment loss of the asset is made accordingly.

Once an impairment loss is recognised, it shall not be reversed in a subsequent accounting periods.

(15) Operating leases

Leases which transfer substantially all the risks and rewards of ownership of the assets to the lessees are classified as finance leases. Other leases are classified as operating leases.

<u>The Bank records the operating leasing as lessee</u>

Rental payments applicable to such operating leases are recognised as costs of the relevant assets or charged to the income statement of the current period on the straight-line basis over the lease terms. Contingent rents shall be recorded into the income statement as actually incurred.

(16) Employee benefits

Employee benefits refer to all forms of consideration given and other related expenditure incurred by the Bank in exchange for services rendered by employees or termination of employment. Employee benefits include short-term salary and post-employment benefit. The benefits that the Bank provides to the spouse, children, and dependent of employees, survivors of deceased employee and other beneficiaries also belong to employee benefits.

3. Significant accounting policies and estimates (continued)

(16) Employee benefits (continued)

Post-employment benefit (defined contribution plans)

The Bank made contributions to social pension insurance schemes separately administered by the local government authorities. Contributions to these plans are recognised in the cost of corresponding assets or the income statement of the current period as incurred.

(17) Income tax

Income tax comprises current income tax and deferred income tax. Except for those income which belongs to the owner's equity is directly recorded in the owner's equity, all transactions or events are recorginsed as income tax expenses or earnings, and charged in the income statement for the current period.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities according to the relevant tax regulations.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Temporary differences also include the differences between the book values and tax bases of items not recognised as assets or liabilities where the tax base can be determined according to the relevant tax regulations.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

(i) Where the taxable temporary difference arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction which contains both of the following characteristics: (i) it is not a business combination and (ii) at the time of the transaction it affects neither the accounting profit nor taxable profit or deductible loss; and

(ii) In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

3. Significant accounting policies and estimates (continued)

(17) Income tax (continued)

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused deductible tax losses and unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized, except:

(i) Where the deductible temporary difference arises from a transaction that is not a business combination and, at the time of the transaction, it affects neither the accounting profit nor taxable profit or loss; and
(ii) In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets is recognized where the temporary differences are likely to be reversed in the foreseeable future and taxable profit in the future may be obtained to offset the deductible temporary differences.

At the balance sheet date, deferred income tax assets and liabilities are measured by the Bank at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, according to the requirements of tax laws, and reflect the corresponding tax effect.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(18) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party. Parties are also considered to be related if they are subject to common control or common significant influence.

3. Significant accounting policies and estimates (continued)

(18) Related parties (continued)

The state-owned enterprises without other relationships do not constitute related parties.

(19) Fair value measurement

At each balance sheet date, the Bank measures its derivatives, financial assets and liabilities at fair value through profit or loss, and available-for-sale financial assets at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the assumption that the orderly transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Bank. The fair value of an asset or a liability is measured using the assumption that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure the fair value. Use of observable inputs is prioritized and unobservable inputs will only be used when observable inputs are not available or obtaining observable inputs becomes unpractical.

For assets and liabilities measured and disclosed at fair value, the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date; Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; Level 3 inputs are unobservable inputs for the asset or liability.

At the end of the balance sheet date, the Bank reestimates assets and liabilities which are measured at fair value on a recurring basis as to confirm whether there is transfer between different levels of the fair value hierarchy.

3. Significant accounting policies and estimates (continued)

(19) Fair value measurement (continued)

The Bank manages financial assets and financial liabilities on the basis of market risk and credit risk exposure. Therefore, the financial assets and financial liabilities are measured by prices in current market transactions.

(20) Significant accounting judgment and estimates

In the process of preparing and fairly presenting the financial statements, the management has used its judgments and made estimates and assumptions of the effects of uncertain future events on the financial statements. The use of judgments, estimates and assumptions will affect the amount of income, expense, assets and liabilities presented and disclosed, and also affect the disclosure of the contingent liability. The uncertainty of such estimates and assumptions might have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the future.

<u>Impairment losses of loans and advances</u>

The Bank determines periodically whether there is any objective evidence that impairment losses on loans and advances have occurred. If any such evidence exists, the Bank assesses the amount of impairment losses. The amount of impairment losses is measured as the difference between the carrying amount and the present value of estimated future cash flows. Assessing the amount of impairment losses involving significant judgement on whether the objective evidence for impairment exists and also significant estimates when determining the present value of the expected future cash flows.

<u>Fair value of financial instruments</u>

Fair value of financial assets and financial liabilities with active markets are prior determined based on the market prices. For financial instruments with no active markets, fair value are established using valuation techniques such as making reference to recent transactions or the current fair value of other comparable financial instruments and discounted cash flow method. To the extent practicable, valuation technique makes maximum use of market inputs. However, where market inputs are not available, management needs to make estimates on areas such as credit risk (both own and counterparty's), volatility and correlation. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

3. Significant accounting policies and estimates (continued)

(20) Significant accounting judgment and estimates (continued)

Income tax

Determining income tax provisions requires the Bank to estimate the future tax treatment of certain transactions. The Bank carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. In addition, deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant estimation on the tax treatments of certain transactions and also significant assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered.

Classification of investment

Significant management judgment is required in evaluating the classification of investments, since different classification will result in different accounting treatments and financial positions of the Bank. If improper judgement on the classification of investment is noticed after the balance sheet date, the Bank may need to reclassify the whole investment portfolio.

Derecognition of financial instruments

The management of the Bank has assessed and made judgments on the extent to which it retains the risks and rewards of ownership of the financial instruments for the transferred transactions entered into, and make relevant accounting treatments accordingly.

3. Significant accounting policies and estimates (continued)

(21) Other accounting judgments and estimates changes_

According to the Circular of the Ministry of Finance on Issuing the Provisions on the Accounting Treatment for Value-added Tax, the Company revised the description "business taxes and surcharges" to "taxes and surcharges" in 2016. Stamp duty and other relevant taxes and fees incurred by an enterprise for operating activities since 1 May 2016 shall be presented as "taxes and surcharges". Stamp duty and other relevant taxes and fees incurred before 1 May 2016 shall be presented as "general and administrative expenses". The ending debit balance of the subsidiary items of "VAT payable", "unpaid VAT", "input VAT to be credited", "input VAT to be verified" and "remaining VAT credit" under the account entitled "tax payable" shall be presented under "other assets" on the balance sheet since 1 May 2016; the ending credit balance of "tax payable - output VAT to be recognized" shall be presented under "other liabilities" on the balance sheet since 1 May 1 2016. In accordance with the circular, the comparative data of "taxes and surcharges", "general and administrative expenses", "tax payable", "other assets" and "other liabilities" have not been restated to conform to the presentation for this year. However, this revision has no impact to net profit and total equity in 2016 and 2015.

4. Taxes

The major categories of tax applicable to the Bank and the respective tax rates for the current financial year are as follows:

Business tax	– Based on 5% of taxable revenue. Since May 1, 2016, the business tax was substituted for Value-added tax.
Value-added tax	– Calculate output tax based on 6% of taxable revenue and the company pay the Value-added tax according to the difference between the input tax deductible and the output tax.
City construction tax	– Based on 7% of turnover taxes paid
Educational surcharge	– Based on 3% of turnover taxes paid
Local Educational Surcharge	– Based on 2% of turnover taxes paid
River management fee	– Based on 1% of turnover taxes paid

4. Taxes (continued)

The major categories of tax applicable to the Bank and the respective tax rates for the current financial year are as follows: (continued)

Corporate income tax	– The Bank is subjected to a corporate tax rate of 25%.

5. Notes to financial statements

(1) Cash and due from the central bank

	2016-12-31	2015-12-31
Cash on hand	127,756	261,084
Statutory deposit reserve with the central bank - RMB	455,989,338	339,842,053
Statutory deposit reserve with the central bank - FCY	122,244,179	28,950,353
Excess reserve with the central bank	315,175,316	429,645,087
Foreign exchange risk reserve with the central bank	1,630,238,023	52,653,548
	2,523,774,612	851,352,125

The Bank places statutory deposit reserves with the People's Bank of China (PBOC) in accordance with relevant regulations issued by it. The required statutory deposit reserve ratios are 5% (2015: 5%) of the balance of customer deposits denominated in foreign currencies, and 14.5% (2015: 15 %) of the balance of customer deposits denominated in RMB.

The Bank places foreign exchange risk reserve with the PBOC monthly in accordance with relevant regulations since October 2015. The foreign exchange risk reserve is calculated at 20% of the contractual amount of forward sales of exchanges in the preceding month.

(2) Due from banks and other financial institutions

	2016-12-31	2015-12-31
Due from domestic banks	3,163,595,871	962,530,364
Due from foreign banks	80,244,790	581,444,089
Sub-total	3,243,840,661	1,543,974,453
Less: Impairment provisions for due from banks (Note 1)	(1,651,285)	(5,657,220)
Net amount of due from banks	3,242,189,376	1,538,317,233

5. Notes to financial statements (continued)

(2) Due from banks and other financial institutions

Note1: Impairment provisions for due from banks represent the country risk reserve provided according to Yin Jian Fa [2010] No. 45 "Circular of the China Banking Regulatory Commission on Printing and Distributing the Guidelines for Country Risk Management of the Banking Financial Institutions" issued by CBRC.

(3) Placements with banks and other financial institutions

	2016-12-31	2015-12-31
Placements with domestic banks	1,758,628,334	2,669,283,840
Placements with foreign banks	153,442,800	1,073,496,800
Sub-total	1,912,071,134	3,742,780,640
Less: Impairment provisions for placements with banks and other financial institutions (Note 1)	(11,327,570)	(26,310,747)
Net amount of placements with banks and other financial institutions	1,900,743,564	3,716,469,893

Note1: Impairment provisions for due from placements with banks and other financial institutions include the country risk reserve provided according to Yin Jian Fa [2010] No. 45 "Circular of the China Banking Regulatory Commission on Printing and Distributing the Guidelines for Country Risk Management of the Banking Financial Institutions" issued by CBRC, amount to RMB 1,767,214 in 2016 (2015: RMB 7,596,844)

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

	2016-12-31	2015-12-31
Held-for-trading financial assets		
Bond investments:		
Government bonds	10,654,470	21,051,534

5. Notes to financial statements (continued)

(5) Derivative financial instruments (continued)

A derivative is a financial instrument, the value of which is derived from the value of another "underlying" financial instrument, an index or some other variables. Typically, an "underlying" financial instrument is a share, commodity or bond price, an index value or an exchange or interest rate. The Bank uses derivative instruments such as forwards, swaps and options.

The notional amount of a derivative represents the amount of underlying asset upon which the value of the derivative is based. It indicates the unsettled volume of business transaction at the balance sheet date. The amount of underlying asset reflects the risk exposure of derivative at the end of accounting period other than fair value.

The Bank has no derivative designated as hedging instruments.

The notional amount and fair value of the Bank's derivative instruments are as follows:

2016-12-31

		Fair Value	
	Notional Amount	Assets	Liabilities
Foreign exchange contracts:			
Forwards	13,493,201,890	152,403,561	(311,470,205)
Swaps	127,065,670,531	1,639,849,145	(1,379,430,908)
Options	69,370,000	451,368	-
Sub-total	140,628,242,421	1,792,704,074	(1,690,901,113)
Provisions for foreign exchange contracts (Note 1)	-	(1,671,340)	-
Net amount of foreign exchange contracts	140,628,242,421	1,791,032,734	(1,690,901,113)
Interest rate contracts			
Swaps	16,967,943,000	40,197,247	(46,641,213)
Cross-curreny swaps	70,004,585	787,025	(787,785)
Sub-total	17,037,947,585	40,984,272	(47,428,998)
Provisions for interest rate contracts (Note 1)	-	(2,841)	-
Net amount of interest rate contracts	17,037,947,585	40,981,431	(47,428,998)
Non-deliverable forwards			
Non-deliverable forwards	1,072,779,194	28,791,355	(28,791,355)
Sub-total	1,072,779,194	28,791,355	(28,791,355)

5. Notes to financial statements (continued)

(5) Derivative financial instruments (continued)

2016-12-31 (continued)

	Notional Amount	Fair Value Assets	Fair Value Liabilities
Provisions for non-deliverable forward contracts (Note 1)	-	(78,185)	-
Net amout of non-deliverable forward contracts	1,072,779,194	28,713,170	(28,791,355)
Total	158,738,969,200	1,860,727,335	(1,767,121,466)

2015-12-31

	Notional Amount	Fair Value Assets	Fair Value Liabilities
Foreign exchange contracts:			
Forwards	11,585,884,477	125,446,133	(90,133,928)
Swaps	85,793,828,437	696,687,986	(691,364,366)
Options	3,699,689,000	6,682,118	(44,133,390)
Sub-total	101,079,401,914	828,816,237	(825,631,684)
Provisions for foreign exchange contracts (Note 1)	-	(320,309)	-
Net amount of foreign exchange contracts	101,079,401,914	828,495,928	(825,631,684)
Interest rate contracts			
Swaps	32,023,852,871	164,750,386	(142,576,732)
Cross-curreny swaps	1,958,621,381	27,786,434	(27,790,090)
Sub-total	33,982,474,252	192,536,820	(170,366,822)
Provisions for interest rate contracts (Note 1)	-	(345,991)	-
Net amount of interest rate contracts	33,982,474,252	192,190,829	(170,366,822)
Non-deliverable forwards			
Non-deliverable forwards	6,536,413,900	158,894,847	(158,894,847)
Sub-total	6,536,413,900	158,894,847	(158,894,847)
Provisions for non-deliverable forward contracts (Note 1)	-	(494,356)	-
Net amout of non-deliverable forward contracts	6,536,413,900	158,400,491	(158,894,847)
Total	141,598,290,066	1,179,087,248	(1,154,893,353)

5. Notes to financial statements (continued)

(5) Derivative financial instruments (continued)

Note1: Impairment provisions for derivative financial instruments represent the country risk reserve provided according to Yin Jian Fa [2010] No. 45 "Circular of the China Banking Regulatory Commission on Printing and Distributing the Guidelines for Country Risk Management of the Banking Financial Institutions" issued by CBRC.

(6) Interest receivables

	31-12-2016	31-12-2015
Interest receivables on loans	8,858,343	8,568,641
Interest receivables from banks	7,030,257	7,973,579
Interest receivables on bonds	7,947,616	10,197,540
Sub-total	23,836,216	26,739,760
Less: Impairment provisions for interest receivables (Note 1)	(138,184)	(283,780)
	23,698,032	26,455,980

Note 1: Impairment provisions for interest receivables include the country risk reserve provided according to Yin Jian Fa [2010] No. 45 "Circular of the China Banking Regulatory Commission on Printing and Distributing the Guidelines for Country Risk Management of the Banking Financial Institutions" issued by CBRC, amount to RMB 1,164 in 2016 (2015: RMB 157,326).

Movements of interest receivables:

	Interest receivables on loans	Interest receivables from banks	Interest receivables on bonds
2016			
Opening balance	8,568,641	7,973,579	10,197,540
Accrued	167,054,695	125,273,728	13,369,547
Received	166,764,993	126,217,050	15,619,471
Closing balance	8,858,343	7,030,257	7,947,616

5. Notes to financial statements (continued)

(6) Interest receivables (continued)

Movements of interest receivables: (continued)

	Interest receivables on loans	Interest receivables from banks	Interest receivables on bonds
2015			
Opening balance	8,297,074	13,965,015	23,203,354
Accrued	145,345,897	161,591,667	57,909,403
Received	145,074,330	167,583,103	70,915,217
Closing balance	8,568,641	7,973,579	10,197,540

(7) Loans and advances to customers

7.1 Distribution of loans and advances by corporate

	31-12-2016	31-12-2015
Corporate loans and advances:		
- Loans	2,764,606,745	2,510,741,057
- Trade finance	1,171,191,151	604,434,636
- Discounted bills	-	10,946,272
Sub-total	3,935,797,896	3,126,121,965
Less: Impairment provisions for loans	(99,979,191)	(82,993,037)
Net value of loans and advances to customers	3,835,818,705	3,043,128,928

Impairment provisions for loans include the country risk reserve provided according to Yin Jian Fa [2010] No. 45 "Circular of the China Banking Regulatory Commission on Printing and Distributing the Guidelines for Country Risk Management of the Banking Financial Institutions" issued by CBRC, amount to RMB 413,507 in 2016 (2015: RMB 2,710,510).

5. Notes to financial statements (continued)

(7) Loans and advances to customers (continued)

7.2 Distribution of loans and advances to customers by industry

	31-12-2016		31-12-2015	
	Amount	%	Amount	%
Manufacturing	1,470,806,088	37	1,327,047,953	42
Wholesale and retail	1,331,848,304	34	509,241,265	16
Real estates	574,334,252	15	651,301,221	21
Telecommunication, software and information technology service	339,384,134	9	141,790,236	5
Production and supply of electricity, heat, gas and water	50,000,000	1	300,000,000	10
Financial Services	-	-	127,602,547	4
Others	169,425,118	4	69,138,743	2
Total amount of loans and advances	3,935,797,896	100	3,126,121,965	100
Impairment provisions for loans	(99,979,191)		(82,993,037)	
Net value of loans and advances	3,835,818,705		3,043,128,928	

7.3 Distribution of loans and advances to customers by geographical region

	31-12-2016		31-12-2015	
	Amount	%	Amount	%
East	2,755,116,563	70	2,326,474,439	74
North	634,043,312	16	625,300,597	20
South	376,638,021	10	167,172,069	5
Northwest	120,000,000	3	-	-
Southwest	50,000,000	1	-	-
Overseas	-	-	7,174,860	1
Total amount of loans and advances	3,935,797,896	100	3,126,121,965	100
Impairment provisions for loans	(99,979,191)		(82,993,037)	
Net value of loans and advances	3,835,818,705		3,043,128,928	

5. Notes to financial statements (continued)

(7) Loans and advances to customers (continued)

7.4 Loans and advances to customers by type of collateral or guarantee

	31-12-2016	31-12-2015
Unsecured loans	938,783,595	979,675,206
Secured by mortgages	560,333,308	172,461,466
Guaranteed loans	950,962,607	1,066,549,258
Secured by pledges	1,485,718,386	907,436,035
Total amount of loans and advances	3,935,797,896	3,126,121,965
Impairment provisions for loans	(99,979,191)	(82,993,037)
Net value of loans and advances	3,835,818,705	3,043,128,928

7.5 Overdue loans

	2016-12-31				
	Overdue 1 day to 90 days	Overdue 91 days to 1 year (inclusive)	Overdue 1 year to 3 years (inclusive)	Overdue 3 years above	Total
Secured by pledges	-	-	1,200,000	-	1,200,000
Total	-	-	1,200,000	-	1,200,000

	2015-12-31				
	Overdue 1 day to 90 days	Overdue 91 days to 1 year (inclusive)	Overdue 1 year to 3 years (inclusive)	Overdue 3 years above	Total
Guaranteed loans	-	7,174,860	-	-	7,174,860
Secured by pledges	-	1,200,000	-	-	1,200,000
Total	-	8,374,860	-	-	8,374,860

5. Notes to financial statements (continued)

(7) Loans and advances to customers (continued)

7.6 Impairment provisions for loans

	Collective	Individual	Total
2016			
Opening balance	80,718,065	2,274,972	82,993,037
Charge/(Reversal) during the year(Notes 5, 32)	18,171,953	(1,185,799)	16,986,154
Closing balance	98,890,018	1,089,173	99,979,191

	Collective	Individual	Total
2015			
Opening balance	80,397,352	-	80,397,352
Charge during the year(Notes 5, 32)	320,713	2,274,972	2,595,685
Closing balance	80,718,065	2,274,972	82,993,037

(8) Available-for-sale financial assets

	31-12-2016	31-12-2015
Government bonds	508,140,801	896,438,200
Financial bonds	479,027,304	501,312,681
	987,168,105	1,397,750,881

	31-12-2016	31-12-2015
Amortised cost	988,301,556	1,397,372,842
Fair value	987,168,105	1,397,750,881
Changes in fair value of available-for-sale financial assets recognised as other comprehensive income	(1,133,451)	378,039
	987,168,105	1,397,750,881

5. Notes to financial statements (continued)

(9) Account receivables investments

	31-12-2016	31-12-2015
Asset-based security	-	2,484,000

(10) Fixed assets

	Office equipment and motor vehicles	Computers	Total
Cost:			
At 1 January 2015	8,416,498	10,568,582	18,985,080
Additions	2,723,940	406,690	3,130,630
Disposals	(4,708,288)	(425,443)	(5,133,731)
At 31 December 2015	6,432,150	10,549,829	16,981,979
Additions	87,986	1,883,325	1,971,311
Disposals	(122,493)	(51,360)	(173,853)
At 31 December 2016	6,397,643	12,381,794	18,779,437
Accumulated depreciation:			
At 1 January 2015	7,788,432	9,028,490	16,816,922
Additions	472,198	845,708	1,317,906
Disposals	(4,385,214)	(327,383)	(4,712,597)
At 31 December 2015	3,875,416	9,546,815	13,422,231
Additions	475,591	1,006,375	1,481,966
Disposals	(53,725)	(51,360)	(105,085)
At 31 December 2016	4,297,282	10,501,830	14,799,112
Net book value:			
At 31 December 2016	2,100,361	1,879,964	3,980,325
At 31 December 2015	2,556,734	1,003,014	3,559,748
At 1 January 2015	628,066	1,540,092	2,168,158

5. Notes to financial statements (continued)

(11) Intangible assets

	31-12-2016	31-12-2015
Software		
Cost:		
Opening balance	11,442,512	9,954,384
Additions	1,961,625	1,498,949
Disposals	(73,577)	(10,821)
Closing balance	13,330,560	11,442,512
Accumulated amortisation:		
Opening balance	9,084,243	7,744,983
Additions	1,732,003	1,350,081
Disposals	(73,577)	(10,821)
Closing balance	10,742,669	9,084,243
Net carrying amount:		
Closing balance	2,587,891	2,358,269

(12) Deferred tax assets

2016

Deferred tax assets/ (liabilities)	Opening balance	Credited/ (charged) to income statement	Credited/ (Charged) to equity	Closing balance
Impairment provisions	11,982,497	2,166,133	-	14,148,630
Unrealised profit or loss on the available-for-sale financial assets	(94,510)	-	377,873	283,363
Changes in fair value of derivatives	(6,338,638)	(17,500,921)	-	(23,839,559)
Unrealised profit or loss on the financial assets at fair value through profit or loss	(74,469)	2,328	-	(72,141)
Accrued liabilities	10,518,951	(5,966,775)	-	4,552,176
Others	20,989,524	6,541,025	-	27,530,549
Total	36,983,355	(14,758,210)	377,873	22,603,018

5. Notes to financial statements (continued)

(12) Deferred tax assets (continued)

2015

Deferred tax assets/ (liabilities)	Opening balance	Credited/ (charged) to income statement	Credited/ (Charged) to equity	Closing balance
Impairment provisions	8,781,909	3,200,588	-	11,982,497
Unrealised profit or loss on the available-for-sale financial assets	(673,552)	-	579,042	(94,510)
Changes in fair value of derivatives	(2,118,454)	(4,220,184)	-	(6,338,638)
Unrealised profit or loss on the financial assets at fair value through profit or loss	(322,113)	247,644	-	(74,469)
Accrued liabilities	30,308,979	(19,790,028)	-	10,518,951
Others	10,899,469	10,090,055	-	20,989,524
Total	46,876,238	(10,471,925)	579,042	36,983,355

(13) Other assets

	Notes	31-12-2016	31-12-2015
Long-term deferred expenses	13.1	9,890,607	11,426,385
Other receivables	13.2	70,045,804	48,551,216
Input tax to be verified		1,595,151	-
Prepaid tax pending deduct		-	9,518,550
Sub-total		81,531,562	69,496,151
Less: Impairment provisions for other receivables		(224,612)	(213,573)
Other receivables		81,306,950	69,282,578

13.1 Long-term deferred expenses

2016

	Leasehold improvement	Others	Total
Opening balance	8,891,846	2,534,539	11,426,385
Additions	851,773	-	851,773
Amortisation	(1,760,865)	(490,557)	(2,251,422)
Disposals	(136,129)	-	(136,129)
Closing balance	7,846,625	2,043,982	9,890,607

5. Notes to financial statements (continued)

(13) Other assets (continued)

13.1 Long-term deferred expenses (continued)

2015

	Leasehold improvement	Others	Total
Opening balance	1,605,662	-	1,605,662
Additions	9,913,556	2,943,336	12,856,892
Amortisation	(1,812,637)	(408,797)	(2,221,434)
Disposals	(814,735)	-	(814,735)
Closing balance	8,891,846	2,534,539	11,426,385

13.2 Other receivables

	31-12-2016	31-12-2015
Guarantee deposit for business	48,668,198	30,468,148
Rental deposits	3,409,388	3,891,482
Fee and commission receivables	16,524,219	12,634,401
Others	1,443,999	1,557,185
Total	70,045,804	48,551,216

(14) Provisions for impairment losses

2016

	Opening balance	Accrual/ (Reversal)	Closing balance
Impairment provisions for due from banks and other financial institutions	5,657,220	(4,005,935)	1,651,285
Impairment provisions for placements with banks and other financial institutions	26,310,747	(14,983,177)	11,327,570
Impairment provisions for loans	82,993,037	16,986,154	99,979,191
Impairment provisions for interest receivables	283,780	(145,596)	138,184
Impairment provisions for other receivables	213,573	11,039	224,612
Impairment provisions for derivative financial assets	1,160,656	591,710	1,752,366
Total	116,619,013	(1,545,805)	115,073,208

5. Notes to financial statements (continued)

(14) Provisions for impairment losses (continued)

2015

	Opening balance	Accrual/ (Reversal)	Closing balance
Impairment provisions for due from banks and other financial institutions	2,092,042	3,565,178	5,657,220
Impairment provisions for placements with banks and other financial institutions	43,401,979	(17,091,232)	26,310,747
Impairment provisions for loans	80,397,352	2,595,685	82,993,037
Impairment provisions for interest receivables	45,971	237,809	283,780
Impairment provisions for other receivables	-	213,573	213,573
Impairment provisions for derivative financial assets	645,033	515,623	1,160,656
Total	126,582,377	(9,963,364)	116,619,013

(15) Due to banks and other financial institutions

	31-12-2016	31-12-2015
Due to overseas financial institutions	2,078,507,795	2,483,544,710

(16) Placements from banks and other financial institutions

	31-12-2016	31-12-2015
Placements from domestic banks	312,415,785	64,936,000
Placements from overseas banks	1,012,802,000	309,755,300
	1,325,217,785	374,691,300

(17) Customer deposits

	31-12-2016	31-12-2015
Time deposits	4,341,543,818	3,125,659,690
Demand deposits	1,142,161,711	872,787,676
Margin deposits	1,458,860	390,292
	5,485,164,389	3,998,837,658

5. Notes to financial statements (continued)

(18) Payroll payables

	31-12-2016	31-12-2015
Amount unpaid		
Salary, bonus, subsidy and allowance	28,353,042	20,402,797
Housing fund	-	164,190
Social insurance	30,960	-
Labour union expenditure and staff education fee	300,488	368,040
Defined contribution plan	2,390,242	2,125,745
Of which:		
Annuity	2,390,242	2,125,745
Termination benefits will be paid within one year	-	1,700,000
Total	31,074,732	24,760,772

	31-12-2016	31-12-2015
Amount payable		
Salary, bonus, subsidy and allowance	88,680,315	75,758,264
Social insurance	1,654,521	2,767,618
Housing fund	1,773,355	1,507,544
Labour union expenditure and staff education fee	2,078,812	1,490,585
Defined contribution plan	10,979,641	8,933,821
Of which:		
Pension fund	5,341,643	3,517,734
Unemployment insurance	295,224	240,845
Annuity	5,342,774	5,175,242
Termination benefits will be paid within one year	(1,465,000)	1,700,000
Total	103,701,644	92,157,832

5. Notes to financial statements (continued)

(19) Tax payables

	31-12-2016	31-12-2015
Corporate income tax	4,813,344	-
Business tax and surcharges	-	2,258,580
Unpaid Value-added tax	3,482,253	-
Witholding Value-added tax	1,755,965	26,609
Accrued withholding income tax	674,052	971,435
Others	1,447,436	1,360,476
	12,173,050	4,617,100

(20) Interest payables

	31-12-2016	31-12-2015
Interest payable to depositors	27,461,590	21,615,330
Interest payable to banks	12,891,388	30,966,075
	40,352,978	52,581,405

The movement of interest payables:

	Interest payable to depositors	Interest payable to banks
1-1-2015	45,900,668	20,732,027
Accrued	70,675,417	71,122,314
Paid	94,960,755	60,888,266
31-12-2015	21,615,330	30,966,075
Accrued	56,419,329	51,776,188
Paid	50,573,069	69,850,875
31-12-2016	27,461,590	12,891,388

5. Notes to financial statements (continued)

(21) Other liabilities

	Notes	31-12-2016	31-12-2015
Accrued liability		89,655,623	64,773,660
Deferred income		15,428,541	16,629,348
Other payables	21.1	60,092,668	108,015,279
		165,176,832	189,418,287

21.1 Other payables

	31-12-2016	31-12-2015
Service fee to parent bank (Note 6)	19,049,989	83,012,691
Guarantee fee to parent bank (Note 6)	5,129,540	5,173,050
Professional service fees payable	3,725,628	3,594,721
Letter of guarantee commission expenses payable	12,707	559,185
Technology maintenance fee to parent bank (Note 6)	8,157,553	1,320,678
Settlement and clearing	11,195,710	2,340,396
Others	12,821,541	12,014,558
	60,092,668	108,015,279

(22) Paid-in capital

	2016		2015	
	RMB equivalent	%	RMB equivalent	%
CA-CIB	3,196,000,000	100.00%	3,196,000,000	100.00%

On December 31, 2016 and December 31, 2015, the paid-in capital of the Bank amounted to RMB 3,196,000,000.

The capital injection has been verified by PricewaterhouseCoopers Zhong Tian LLP (hereinafter referred to as the "PwC") and PwC has issued the capital verification report of PwC ZT Yan Zi (2014) No. 441.

5. Notes to financial statements (continued)

(23) Other comprehensive income

Accumulated balance of other comprehensive income in the balance sheet:

	1-1-2016	Increase/ (Decrease)	31-12-2016
Fair value changes of available-for-sale financial assets	283,529	(1,133,617)	(850,088)

	1-1-2015	Increase/ (Decrease)	31-12-2015
Fair value changes of available-for-sale financial assets	2,020,657	(1,737,128)	283,529

Other comprehensive income in the income statement:

2016

	Before tax	Tax	After tax
Gains or losses arising from changes in fair value of available-for-sale financial assets	(1,133,451)	283,363	(850,088)
Less: Reclassification of other comprehensive income to profit or loss	(378,039)	94,510	(283,529)
Total other comprehensive income	(1,511,490)	377,873	(1,133,617)

2015

	Before tax	Tax	After tax
Gains or losses arising from changes in fair value of available-for-sale financial assets	378,039	(94,510)	283,529
Less: Reclassification of other comprehensive income to profit or loss	(2,694,209)	673,552	(2,020,657)
Total other comprehensive income	(2,316,170)	579,042	(1,737,128)

5. Notes to financial statements (continued)

(24) Surplus reserves

2016

	Opening balance	Increase	Decrease	Closing balance
surplus reserves	87,154,698	11,620,013	-	98,774,711

2015

	Opening balance	Increase	Decrease	Closing balance
surplus reserves	72,761,327	14,393,371	-	87,154,698

According to the Bank's Articles of Association, the Bank has appropriated 10% of its profit to the statutory surplus reserves. The Bank should appropriate until the reserve balance reaches 50% of its registered capital or above.

(25) General reserves

	2016	2015
Opening balance	189,076,846	143,536,942
Increase	-	45,539,904
Closing balance	189,076,846	189,076,846

Pursuant to relevant regulations issued by MOF, the Bank has to appropriate a certain amount of its net profit as general reserve to cover potential losses against its assets. In accordance with the "Regulation on Management of Financial Institutions for Reserves" (Cai Jin [2012] No. 20), issued by MOF on 30 March 2012, the general reserve balance for financial institutions should not be lower than 1.5% of thier gross risk assets at the year end. Institutions which face challenges to increase its general reserve to 1.5% at once can meet the requirement in a period of 5 years starting from 1 July 2012. Accompanied with resolution passed by the board of directors on 5 December 2016, the balance amount of general reserves is no less than 1.5% of the Bank'its total risk assets, and therefore no new general reserve is appropriated accrued this year.

5. Notes to financial statements (continued)

(26) Retained earnings

	2016	2015
Retained earnings brought forward	129,540,343	110,308,874
Net profit for the year	116,200,129	143,933,714
Less: Appropriation to surplus reserves	(11,620,013)	(14,393,371)
Distribution to shareholder	(129,540,343)	(64,768,970)
Appropriation to general reserves	-	(45,539,904)
Closing balance of retained earnings	104,580,116	129,540,343

Accompanied with resolution passed by the board of directors on 30 June 2016, the Bank has appropriated RMB 129,540,343 to CRÉDIT AGRICOLE CIB S.A. ("CA-CIB").

Accompanied with resolution passed by the board of directors on 22 September 2015, the Bank has appropriated RMB 64,768,970 to CRÉDIT AGRICOLE CIB S.A. ("CA-CIB"). Accompanied with resolution passed by the board of directors on 29 June 2015, the Bank has appropriated RMB 45,539,904 to the general reserves.

(27) Net interest income

	2016	2015
Interest income:		
Loans and advances to customers	167,054,695	145,345,897
Placements with banks and other financial institutions	71,778,920	158,896,276
Due from the central bank	11,153,960	9,496,090
Due from banks and other financial institutions	53,494,808	2,695,391
Sub-total	303,482,383	316,433,654

5. **Notes to financial statements (continued)**

(27) Net interest income (continued)

	2016	2015
Interest expense:		
Customer deposits	56,419,329	70,675,417
Placements from banks and other financial institutions	41,865,667	64,975,212
Due to banks and other financial institutions	9,910,521	6,147,102
Sub-total	108,195,517	141,797,731
Net interest income	195,286,866	174,635,923

(28) Net fees and commission income

	2016	2015
Fees and commission income:		
Guarantee related income	13,659,419	15,664,532
Credit related income	20,157,546	33,096,578
Settlement and clearing fees	3,090,091	4,656,374
Agency brokerage fees	54,162,000	26,314,532
Others	1,209,187	1,468,084
Sub-total	92,278,243	81,200,100
Fees and commission expense:		
Fee expenses	22,130,194	17,554,116
Sub-total	22,130,194	17,554,116
Net fees and commission income	70,148,049	63,645,984

5. Notes to financial statements (continued)

(29) Investment income

	2016	2015
Net profit from financial assets investment	11,389,376	4,589,569
Bond interest income	13,369,547	57,909,403
Net realised gain/(loss) on derivatives	8,662,599	(7,852,120)
	33,421,522	54,646,852

(30) Gains from changes in fair values

	2016	2015
Derivative financial instruments	70,003,684	16,880,734
Financial assets at fair value through profit or loss	(9,312)	(990,575)
	69,994,372	15,890,159

(31) General and administrative expenses

	2016	2015
Staff costs	103,701,644	92,157,832
Operating expenses	80,661,541	67,789,852
Depreciation	1,481,966	1,317,906
Amortisation expenses for intangible assets	1,732,003	1,350,081
Amortisation for long-term deferred expenses	2,251,422	2,221,434
	189,828,576	164,837,105

5. Notes to financial statements (continued)

(32) Impairment losses

	2016	2015
Impairment losses for due from banks and other financial institutions	(4,005,935)	3,565,178
Impairment losses for placements with banks and other financial institutions	(14,983,177)	(17,091,232)
Impairment losses for loans	16,986,154	2,595,685
Impairment losses for derivative financial assets	591,710	515,623
Impairment losses for Interest receivables	(145,596)	237,809
Impairment losses for other receivables	11,039	213,573
	(1,545,805)	(9,963,364)

(33) Other operating expenses

	2016	2015
Impairment losses for letter of guarantee	24,881,963	21,175,785

(34) Income tax expenses

	2016	2015
Income tax expenses for the current year	13,892,113	18,474,279
Deferred income tax expenses	14,758,210	10,471,925
	28,650,323	28,946,204

5. Notes to financial statements (continued)

(34) Income tax expenses (continued)

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

	2016	2015
Profit before tax	144,850,452	172,879,918
Tax charge on a tax rate at 25%	36,212,613	43,219,979
Tax-free interest income of government bonds	(3,208,821)	(9,856,420)
Non-deductible items	165,083	122,638
Adjustment in respect of prior periods	(4,518,552)	(4,539,993)
	28,650,323	28,946,204

(35) Cash flows from operating activities

From net profit to cash flows from operating activities:

	2016	2015
Net profit:	116,200,129	143,933,714
Adjusted by:		
Impairment loss	(1,545,805)	(9,963,364)
Other operating expense	24,881,963	21,175,785
Depreciation and amortization	5,465,391	4,889,421
Losses on disposal of fixed assets and other long-term assets	204,898	303,428
Fair value gains	(69,994,372)	(15,890,159)
Investment income	(33,421,522)	(54,646,852)
Decrease in deferred income tax	14,758,210	10,471,925
Decrease/(Increase) in operating receivables	(3,215,880,121)	390,784,515
Increase/(decrease) in operating payables	1,921,362,822	(3,086,948,358)
Net cash provided by operating activities	(1,237,968,407)	(2,595,889,945)

5. Notes to financial statements (continued)

(36) Cash and cash equivalent

	31-12-2016	31-12-2015
Cash (notes5, 1)	127,756	261,084
Excess reserves with the central bank (notes5, 1)	315,175,316	429,645,087
Due from financial institutions with maturity less than three months from acquisition date	3,243,840,661	1,543,974,453
Placements with financial institutions with maturity less than three months from acquisition date	353,442,800	2,790,035,467
Closing balance of cash and cash equivalents	3,912,586,533	4,763,916,091

6. Related party transactions

(1) Criteria of identifying related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party. Parties are also considered to be related if they are subject to common control or common significant influence.

Details of the Bank's major related parties in 2016 are as follows:

(i) Parent company of the bank
(ii) Other enterprises controlled by the same parent company。

(2) Parent company of the Bank

Name	Registered location	Main business	Shareholding	Proportion of voting rights	Share Capital
CREDIT AGRICOLE CIB LIMITED	Paris, France	Banking	100.00%	100.00%	EUR7,851,636,342

CRÉDIT AGRICOLE S.A. registered in France is the ultimate holding company of the Bank.

6. Related party transactions (continued)

(3) Related party transactions

Names of related parties	Relationship with the Bank
CA-CIB Luxembourg Branch	Branch of parent bank
CA-CIB Hong Kong Branch	Branch of parent bank
CA-CIB New Delhi Branch	Branch of parent bank
CA-CIB London Branch	Branch of parent bank
CA-CIB Tokyo Branch	Branch of parent bank
CA-CIB Kiev Branch	Branch of parent bank
CA-CIB Korea Branch	Branch of parent bank
CA-CIB Sweden Branch	Branch of parent bank
CA-CIB Germany Branch	Branch of parent bank
CA-CIB Egypt Branch	Branch of parent bank
CA-CIB Singapore Branch	Branch of parent bank
CA-CIB Bangalore Branch	Branch of parent bank
CA-CIB Nantes Branch	Branch of parent bank
CA-CIB India Branch	Branch of parent bank
CA-CIB Pune Branch	Branch of parent bank
CA-CIB Algeria Branch	Branch of parent bank
CA-CIB Belgium Branch	Branch of parent bank
CA-CIB New York Branch	Branch of parent bank
CA-CIB Shenzhen Representative Office	Representative office of parent bank
GAC-SOFINCO Automobile Finance Co.,Ltd .	Joint ownership enterprise of parent bank

(4) Main transactions between the Bank and related parties

(i) Provide funding

	2016	2015
Interest income from financial institutions:		
GAC-SOFINCO Automobile Finance Co.,Ltd.	11,045,775	13,182,523
CA-CIB Luxembourg Branch	123,949	497,248
CA-CIB Hong Kong Branch	820,286	330
CA-CIB	7,278	-
	11,997,288	13,680,101
Interest expenses to financial institutions:		
CA-CIB	36,378,107	56,176,020
CA-CIB Hong Kong Branch	14,502,058	3,523,879
CA-CIB Shenzhen Representative Office	1	3
	50,880,166	59,699,902

6. Related party transactions (continued)

(ii) Receive service

	2016	2015
Service fee to parent bank	18,851,782	22,231,700
Guarantee fee to parent bank	6,001,136	5,821,113
Technology maintenance expenses to parent bank	8,279,015	1,186,029
Foreign exchange trading fee to parent bank	272,423	190,828
	33,404,356	29,429,670

(iii) Investment and provide service

	2016	2015
CA-CIB Hong Kong Branch	(2,688,379)	3,680,771
CA-CIB Nantes Branch	4,517	-
CA-CIB Bangalore Branch	3,277	-
CA-CIB India Branch	1,008	-
CA-CIB Pune Branch	2,053	-
CA-CIB Singapore Branch	15,241	-
CA-CIB Algeria Branch	354	-
CA-CIB Belgium Branch	17,080	-
CA-CIB New York Branch	354,194	-
CA-CIB	109,905,371	43,674,440
CA-CIB London Branch	(359,325,523)	107,242,114
CA-CIB Tokyo Branch	4,046	1,345
CA-CIB New Delhi Branch	4,322	825
CA-CIB Korea Branch	93,549	123,112
CA-CIB Sweden Branch	10,471	4,180
CA-CIB Egypt Branch	307,830	285,590
CA-CIB Germany Branch	120,239	136,372
GAC-SOFINCO Automobile Finance Co., Ltd.	1,622,308	6,155,863
	(249,548,042)	161,304,612

6. Related party transactions (continued)

(5) Balance with related parties

(i) Due from and placements with banks

	31 December 2016	31 December 2015
Due from other banks		
CA-CIB	24,959,749	8,959,805
Placements with other banks		
CA-CIB Luxembourg Branch	153,442,800	683,880,800
CA-CIB Hong Kong Branch	-	389,616,000
GAC-SOFINCO Automobile Finance Co., Ltd	-	270,000,000
	153,442,800	1,343,496,800

(ii) Due to and placements from banks

	31 December 2016	31 December 2015
Due to other banks		
CA-CIB	1,437,554,158	2,483,279,801
CA-CIB Hong Kong Branch	640,953,637	264,908
	2,078,507,795	2,483,544,709
Placements from other banks		
CA-CIB Hong Kong Branch	1,012,802,000	309,755,300

(iii) Interest receivables/ payables

	31 December 2016	31 December 2015
Interest receivables		
GAC-SOFINCO Automobile Finance Co., Ltd.	-	1,111,500
CA-CIB Luxembourg Branch	3,410	2,461
CA-CIB Hong Kong Branch	-	5,628
	3,410	1,119,589

6. Related party transactions (continued)

(5) Balance with related parties (continued)

(iii) Interest receivables/ payables (continued)

	31 December 2016	31 December 2015
Interest payables		
CA-CIB	5,272,890	30,628,756
CA-CIB Hong Kong Branch	7,598,512	336,868
	12,871,402	30,965,624

(iv) Other receivables/ payables

	31 December 2016	31 December 2015
Fee and commission receivables from related parties:		
CA-CIB Hong Kong Branch	5,245,369	2,377,765
CA-CIB Germany Branch	128,081	-
CA-CIB Singapore Branch	197,408	-
CA-CIB	4,300,998	4,266,011
CA-CIB Korea Branch	99,650	3,587
CA-CIB London Branch	1,722,819	999,937
	11,694,325	7,647,300
Unpaid service fee to parent bank	19,049,989	83,012,691
Unpaid Guarantee fee to parent bank	5,129,540	5,173,050
Accrued technology maintenance expenses to CA-CIB	8,157,553	1,320,678

6. Related party transactions (continued)

(5) Balance with related parties (continued)

(v) Derivative financial instruments

31 December 2016

	Notional amount	Fair value Assets	Fair value Liabilities
CA-CIB Hong Kong Branch			
FOREX swap	1,644,880,647	38,985,518	(82,565,884)
	1,644,880,647	38,985,518	(82,565,884)
CA-CIB			
Interest Rate Swap	1,657,943,000	568,258	(3,070,233)
FOREX swap	11,940,631,645	253,827,121	(200,384,788)
Non-deliverable forward	46,200,203	1,022,744	(3,860,455)
Cross Currency Swap	34,685,000	-	(787,025)
	13,679,459,848	255,418,123	(208,102,501)
CA-CIB London Branch			
FOREX swap	693,700,000	502,062	-
Non-deliverable forward	490,842,709	13,591,280	(10,316,875)
	1,184,542,709	14,093,342	(10,316,875)

31 December 2015

	Notional amount	Fair value Assets	Fair value Liabilities
CA-CIB Hong Kong Branch			
Interest Rate Swap	1,191,452,797	12,840,201	(12,816,650)
Cross Currency Swap	175,251,440	-	(33,332,975)
	1,366,704,237	12,840,201	(46,149,625)
CA-CIB			
Interest Rate Swap	238,807,515	105,716	(1,398,000)
FOREX swap	7,364,644,024	56,259,893	(63,011,516)
Cross Currency Swap	324,680,000	8,906,890	-
	7,928,131,539	65,272,499	(64,409,516)
CA-CIB London Branch			
FOREX swap	437,337,445	-	(4,679,803)
Non-deliverable forward	3,286,840,289	99,955,870	(58,938,976)
	3,724,177,734	99,955,870	(63,618,779)

7. Operating lease commitments

The Bank leases certain premises under operating lease arrangements. The total future minimum payments in respect of non-cancellable operating leases at the balance sheet date are as follows:

	31 December 2016	31 December 2015
Within 1 year	13,257,263	11,030,205
1 to 2 years	12,080,774	10,183,653
2 to 3 years	11,800,436	10,469,746
After 3 years	13,949,420	22,611,214
	51,087,893	54,294,818

8. Commitments and Entrusted Business

	31 December 2016	31 December 2015
Credit commitments		
Letter of guarantee	3,094,361,623	1,341,549,643
Letter of credit	54,875,315	30,142,842
Irrevocable loan commitments	75,786,124	73,209,764
	3,225,023,062	1,444,902,249

	31 December 2016	31 December 2015
Entrusted Business		
Entrusted deposits	830,000,000	985,000,000
Entrusted loans	830,000,000	985,000,000

9. Financial instrument and risk management

The Bank is exposed to different types of risks. The Bank devotes itself to risk management activities which include identification, measurement, monitoring, mitigation, and control of risks and portfolio risks. Risk management has become significantly important to the financial industry. Furthermore, operational risks are also inevitable for business operations. The Bank's risk management processes aim to achieve an appropriate balance between risk and return and to minimize the negative impacts of risks on financial.

9. Financial instrument and risk management (continued)

The most important types of business risk are credit risk, liquidity risk and market risk. Market risk includes foreign exchange risk and interest rate risk. The Bank's financial risk management aims at the unpredictability of financial market to reduce the potential negative impact of the Bank's financial performance.

(1) Financial risk management

Credit risk

The bank is exposed to credit risk. Credit risk is the risk of loss arising from any failure by a borrower or counterparty to meet its financial obligations when such obligations fall due. Credit concentration risk may rise if borrowers or counterparties are closely related with a geographical or industrial perspective. On-balance-sheet credit exposures arise principally from loans and other lending-related commitments. There is also credit risk in off-balance-sheet financial arrangements such as loan commitments and guarantees. Management cautiously monitors its exposure on credit risk. The Corporate and Structure department and the Credit Risk Management Department coordinate the credit risk management functions and communicate with the Bank's senior management. The Bank has built relevant policy to set the credit risk limit for individual borrower. Such credit risk limits are monitored on a regular basis and subject to an annual risk analysis and review.

(a) Credit risk measurement

(i) Loans and credit commitments

In order to measure and manage the credit assets, the Bank classifies loans according to internal methodology and conducts. Under "the Guidance on Credit Risk Classification" ("the Guidance") issued by CBRC, the Bank mapping the internal rating standard of its credit assets and off-balance sheet credit exposures into "Pass", "Special Mention", "Substandard", "Doubtful" and "Loss". The last three categories are also classified as "non-performing credit assets".

9. Financial instrument and risk management (continued)

(1) Financial risk management (continued)

Credit risk (continued)

(a) Credit risk measurement (continued)

(i) Loans and credit commitments (continued)

The core definition of the "Bank's credit asset classification" is as follows:

Pass:	The borrower is able to perform the contract, and there are no adequate reasons to have any doubt over the timely and full payment of the principal and interest of a loan.
Special Mention:	Although the borrower currently has the ability to pay the principal and interest of a loan, there are some factors which may have unfavorable effect on the payment of the loan.
Substandard:	The borrower's obviously lacks solvency, and it will be unable to pay the principal and interest of the loan by fully in reliance on its normal operating revenue. A loss may be caused even if the security provided is executed.
Doubtful:	The borrower is unable to pay the principal and interest of a loan and a big loss will be caused without any doubt even if the security provided is executed.
Loss:	The principal and interest still can not be recovered, or, only an extremely small part thereof can be recovered after all possible measures or all necessary legal actions have been taken.

(ii) Debt securities

The Bank manages credit risks exposure through choosing the issuers within the limitation regarding external credit rating. Currently, investments in debt securities are government bonds, PBOC notes and financial bonds of policy banks.

(iii) Placements with banks and other financial institutions

The parent bank reviews and monitors the credit risk arising from each individual financial institution regularly. Credit limits are placed for each individual bank or non-banking financial institution which has business relationship with the Bank.

9. Financial instrument and risk management (continued)

(1) Financial risk management (continued)

Credit risk (continued)

(b) Risk limit control and mitigation policies

The Bank manages and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties, groups, industries and regions.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary.

The bank manages the credit risk exposures by analyzing borrowers' ability to meet the interest and principal payment obligations, and by updating the credit limits appropriately.

Some other specific control and mitigation measures are outlined below:

(i) Collateral

The Bank issued a range of policies and practices to take measure to mitigate credit risk, including collateral, deposit and guarantee.

Fair value of collateral is usually assessed by professional evaluation agency designated by the Bank. To mitigate the credit risk, the Bank sets limit on the loan amount-to-collateral value ratio for different types of collateral. The Bank also takes other factors into consideration when offering corporate loan.

Besides loans, collateral held as security for financial assets is determined by the nature of the financial instrument.

(ii) Derivative instruments

The Bank maintains strict credit limits on derivative transactions with counterparties. The Bank essentially takes credit risk associated with option and forward derivative instruments.

9. Financial instrument and risk management (continued)

(1) Financial risk management (continued)

Credit risk (continued)

(b) Risk limit control and mitigation policies (continued)

(iii) Credit commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Letters of guarantees and letters of credits are irrevocable commitments made by the Bank for which the Bank must make payments to the third party when its customers fail to satisfy this obligation. Hence, they carry the same credit risks as loans.

(c) Maximum exposure to credit risk before considering collateral held or other credit enhancements

	2016-12-31	2015-12-31
Credit risk exposure of on-balance-sheet items:		
Due from the central bank	2,523,646,856	851,091,041
Due from banks and other financial institutions	3,242,189,376	1,538,317,233
Placements with banks and other financial institutions	1,900,743,564	3,716,469,893
Financial assets at fair value through profit or loss	10,654,470	21,051,534
Derivative financial assets	1,860,727,335	1,179,087,248
Interest receivables	23,698,032	26,455,980
Loans and advances to customers	3,835,818,705	3,043,128,928
Available-for-sale financial assets	987,168,105	1,397,750,881
Account receivables investments	-	2,484,000
Other assets	69,821,192	48,337,643
On-balance-sheet credit risk exposure	14,454,467,635	11,824,174,381
Letter of guarantee	3,094,361,623	1,341,549,643
Letter of credit	54,875,315	30,142,842
Irrevocable loan commitments	75,786,124	73,209,764
Maximum credit risk exposure	17,679,490,697	13,269,076,630

9. Financial instrument and risk management (continued)

(1) Financial risk management (continued)

Credit risk (continued)

(c) Maximum exposure to credit risk before considering collateral held or other credit enhancements (continued)

The above table represents the maximum credit risk exposure of the Bank without taking into consideration of collateral and credit risk mitigation. For the on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the balance sheet.

(d) Credit quality

2016-12-31

	Neither overdue nor impaired	Overdue but not impaired	Impaired	Total
Due from the central bank	2,523,646,856	-	-	2,523,646,856
Due from banks and other financial institutions	3,242,189,376	-	-	3,242,189,376
Placements with banks and other financial institutions	1,900,743,564	-	-	1,900,743,564
Financial assets at fair value through profit or loss	10,654,470	-	-	10,654,470
Derivative financial assets	1,860,727,335	-	-	1,860,727,335
Interest receivables	23,699,196	-	137,020	23,836,216
Loans and advances to customers	3,934,597,896	-	1,200,000	3,935,797,896
Available-for-sale financial assets	987,168,105	-	-	987,168,105
Other assets	69,821,192	-	224,612	70,045,804
Total	14,553,247,990	-	1,561,632	14,554,809,622

2015-12-31

	Neither overdue nor impaired	Overdue but not impaired	Impaired	Total
Due from the central bank	851,091,041	-	-	851,091,041
Due from banks and other financial institutions	1,543,974,453	-	-	1,543,974,453
Placements with banks and other financial institutions	3,742,780,640	-	-	3,742,780,640
Account receivables investments	2,484,000	-	-	2,484,000
Available-for-sale financial assets	1,397,750,881	-	-	1,397,750,881
Derivative financial assets	1,180,247,904	-	-	1,180,247,904
Interest receivables	26,308,197	-	431,563	26,739,760
Financial assets at fair value through profit or loss	21,051,534	-	-	21,051,534
Loans and advances to customers	3,117,747,105	-	8,374,860	3,126,121,965
Other assets	48,337,643	-	213,573	48,551,216
Total	11,931,773,398	-	9,019,996	11,940,793,394

9. Financial instrument and risk management (continued)

(1) Financial risk management (continued)

Credit risk (continued)

(e) Loans and advances

(i) Loans and advances which neither overdue nor impaired

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

	2016	2015
Unsecured loans	938,783,595	979,675,206
Secured by mortgage	560,333,308	172,461,466
Guaranteed loans	950,962,607	1,059,374,398
Secured by pledges	1,484,518,386	906,236,035
Total	3,934,597,896	3,117,747,105

(ii) Loans and advances renegotiated

Renegotiated loans are loans for which original contract repayment terms have been modified as a result of the deterioration of borrowers' financial conditions or failure to meet the repayment obligation. The balance of renegotiated loans as at 31 December 2016 is nil. (31 December 2015: Nil).

(iii) Impaired loans and advances

Where there are objective evidences that a single or multiple negative events have occurred after the initial recognition of the loans and the impact from the events on the expected future cash flows can be estimated reliably, the loans should be recognised as impaired loans. These loans are classified as "Substandard", "Doubtful" or "Loss".

9. **Financial instrument and risk management (continued)**

(1) Financial risk management (continued)

Credit risk (continued)

(e) Loans and advances (continued)

(iii) Impaired loans and advances (continued)

As at the balance sheet date, the balance of "Substandard", "Doubtful", and "Loss" loans held by the Bank are as follows:

	2016-12-31	2015-12-31
Substandard	-	7,174,860
Doubtful	-	1,200,000
Loss	1,200,000	-
Total	1,200,000	8,374,860

As at the balance sheet date, the fair value of collateral of impaired loans held by the Bank are as follows:

	2016-12-31	2015-12-31
The collateral value of impaired loans	-	840,000

The fair value of collateral that the Bank holds is determined from the latest external valuation with necessary adjustment made after considering the Bank's own experience in collateral disposal as well as the current market conditions.

Liquidity risk

The Bank is exposed to different types of day-to-day cash withdrawal requirements, including payments of overnight deposits, current deposits, time deposits, loans disbursements, guarantees and other derivative financial instruments settled in cash. Most due deposits would not be withdrawn from bank on expirement day immediately, but still remained in bank based on historical experience. However, in order to meet the unanticipated cash requirements, the bank set the minimum excessive funding storage level and minimum level of funding from other bank and financial institutions to meet kinds of withdrawal requirements.

9. Financial instrument and risk management (continued)

(1) Financial risk management (continued)

Liquidity risk (continued)

Keeping a match between the maturity dates of assets and liabilities and maintaining an effective control over mismatch is of great importance to the Bank. Due to the uncertain periods and variety types of businesses, it is difficult for the Bank to keep a perfect match. Unmatched position may increase revenues but it also exposes the Bank to greater risks of losses.

The match between maturity dates of assets and liabilities as well as a bank's ability to replace due liabilities with acceptable costs are all key factors when evaluating its' exposure to liquidity, interest rate and foreign exchange rate risks.

The Bank provides guarantees and letters of credit to customers based on their credit ratings and amount of cash collaterals. Usually, customers will not withdraw the amount committed by the Bank in the guarantees or letters of credit in full, therefore, funds required for guarantees and letters of credit are not so much as required for other commitments of the Bank. Meanwhile, the Bank may be discharged of its obligations due to overdue or termination of the commitments. As a result, the contractual amount for credit commitment cannot represent the actual funds required.

9. Financial instrument and risk management (continued)

(1) Financial risk management (continued)

Liquidity risk (continued)

(a) Cash flows of non-derivative financial assets and liabilities

The analysis of undiscounted cash flows of non-derivative financial assets and liabilities at the balance sheet day classified by residual contract period as follow:

	2016-12-31							
	Overdue / On demand	Within 1 month	1 to 3 months	3 months to 1 years	1 to 5 years	5 years above	undated	Total
Financial assets:								
Cash and due from the central bank	315,303,073	184,177,317	481,516,401	964,544,304	-	-	578,233,517	2,523,774,612
Due from banks and other financial institutions	93,439,376	2,453,634,311	702,472,250	-	-	-	-	3,249,545,937
Placements with banks and other financial institutions	-	251,524,882	198,770,000	1,269,536,393	220,990,671	-	-	1,940,821,946
Financial assets at fair value through profit or loss	-	-	196,500	196,500	12,226,470	-	-	12,619,470
Account receivables investments	-	-	-	-	-	-	-	-
Interest receivables	-	5,681,413	5,819,627	12,196,992	-	-	-	23,698,032
Loans and advances to customers	110,827	1,615,939,969	1,682,415,107	560,593,687	-	-	-	3,859,059,590
Available-for-sale financial assets	-	149,677,319	358,463,483	483,319,687	-	-	-	991,460,489
Other financial assets	29,033	47,860,938	564,844	825,143	2,806,197	376,116	17,358,921	69,821,192
Total financial assets	408,882,309	4,708,496,149	3,430,218,212	3,291,212,706	236,023,338	376,116	595,592,438	12,670,801,268

9. **Financial instrument and risk management (continued)**

(1) **Financial risk management (continued)**

Liquidity risk (continued)

(a) Non-derivative cash flows of financial assets and liabilities (continued)

The analysis of undiscounted cash flows of non-derivative financial assets and liabilities at the balance sheet day classified by residual contract period as follow (continued):

	2016-12-31							
	Overdue / On demand	Within 1 month	1 to 3 months	3 months to 1 years	1 to 5 years	5 years above	undated	Total
Financial liabilities:								
Due to banks and other financial institutions	1,215	58,591,211	-	2,026,086,007	-	-	-	2,084,678,433
Placements from banks and other financial institutions	-	496,390,641	830,826,207	-	-	-	-	1,327,216,848
Customer deposits	1,143,620,570	1,650,365,058	2,117,051,951	398,180,361	193,994,592	-	-	5,503,212,532
Interest payable	34,701	1,730,437	17,637,830	8,320,224	12,629,786	-	-	40,352,978
Other financial liabilities	-	37,317,051	-	22,775,617	89,655,623	-	-	149,748,291
Total financial liabilities	1,143,656,486	2,244,394,398	2,965,515,988	2,455,362,209	296,280,001	-	-	9,105,209,082
Net liquidity	(734,774,177)	2,464,101,751	464,702,224	835,850,497	(60,256,663)	376,116	595,592,438	3,565,592,186
Off-balance sheet commitments	49,989,256	72,226,595	191,462,450	710,290,348	662,882,144	1,531,325,450	6,846,819	3,225,023,062

9. **Financial instrument and risk management (continued)**

(1) Financial risk management (continued)

Liquidity risk (continued)

(a) Non-derivative cash flows of financial assets and liabilities (continued)

The analysis of undiscounted cash flows of non-derivative financial assets and liabilities at the balance sheet day classified by residual contract period as follow (continued):

	2015-12-31							
	Overdue / On demand	Within 1 month	1 to 3 months	3 months to 1 years	1 to 5 years	5 years above	undated	Total
Financial assets:								
Cash and due from the central bank	429,906,171	-	-	52,653,548	-	-	368,792,406	851,352,125
Due from banks and other financial institutions	591,067,233	948,548,361	-	-	-	-	-	1,539,615,594
Placements with banks and other financial institutions	-	2,062,543,592	1,666,934,357	-	-	-	-	3,729,477,949
Financial assets at fair value through profit or loss	-	-	10,874,096	196,500	1,572,000	11,126,938	-	23,769,534
Account receivables investments	-	2,369,250	122,205	-	-	-	-	2,491,455
Interest receivables	-	5,469,911	9,974,984	11,011,085	-	-	-	26,455,980
Loans and advances to customers	6,062,107	964,045,089	2,006,062,923	83,453,233	-	-	-	3,059,623,352
Available-for-sale financial assets	-	-	896,438,200	507,065,140	-	-	-	1,403,503,340
Other financial assets	13,529	3,107	2,571	-	4,674,003	-	43,644,433	48,337,643
Total financial assets	1,027,049,040	3,982,979,310	4,590,409,336	654,379,506	6,246,003	11,126,938	412,436,839	10,684,626,972

9. Financial instrument and risk management (continued)

(1) Financial risk management (continued)

Liquidity risk (continued)

(a) Non-derivative cash flows of financial assets and liabilities (continued)

The analysis of undiscounted cash flows of non-derivative financial assets and liabilities at the balance sheet day classified by residual contract period as follow (continued):

	2015-12-31							
	Overdue / On demand	Within 1 month	1 to 3 months	3 months to 1 years	1 to 5 years	5 years above	undated	Total
Financial liabilities:								
Due to banks and other financial institutions	266,209	650,884,722	4,599,406	1,451,240,269	411,590,000	-	-	2,518,580,606
Placements from banks and other financial institutions	-	64,945,120	296,323	310,605,250	-	-	-	375,846,693
Customer deposits	873,254,524	1,378,248,122	1,110,661,613	453,308,623	234,183,468	-	-	4,049,656,350
Interest payable	2,191,105	23,032,492	1,060,665	20,870,431	5,426,712	-	-	52,581,405
Other financial liabilities	-	21,367,043	-	86,648,236	64,773,660	-	-	172,788,939
Total financial liabilities	875,711,838	2,138,477,499	1,116,618,007	2,322,672,809	715,973,840	-	-	7,169,453,993
Net liquidity	151,337,202	1,844,501,811	3,473,791,329	(1,668,293,303)	(709,727,837)	11,126,938	412,436,839	3,515,172,979
Off-balance sheet commitments	9,476,334	40,395,236	58,548,548	474,608,836	836,098,994	25,774,301	-	1,444,902,249

9. Financial instrument and risk management (continued)

(1) Financial risk management (continued)

Liquidity risk (continued)

(b) Derivative cash flows of financial assets and liabilities

(i) Derivatives settled on a net basis

The Bank's derivatives that will be settled on a net basis:

	2016-12-31							
	Overdue / On demand	Within 1 month	1 to 3 months	3 months to 1 years	1 to 5 years	5 years above	undated	Total
Interest Rate Swap	-	(779,026)	(1,807,881)	(2,049,733)	(1,810,167)	-	-	(6,446,807)
Cross-curreny Swap	-	-	-	(760)	-	-	-	(760)

	2015-12-31							
	Overdue / On demand	Within 1 month	1 to 3 months	3 months to 1 years	1 to 5 years	5 years above	undated	Total
Interest Rate Swap	-	(4,328,118)	1,526,015	18,520,447	6,387,736	-	-	22,106,080
Cross-curreny Swap	-	(126,554)	(57,279)	(9,171)	(89,069)	-	-	(282,073)

9. Financial instrument and risk management (continued)

(1) Financial risk management (continued)

Liquidity risk (continued)

(b) Derivative cash flows of financial assets and liabilities (continued)

(ii) Derivatives settled on a gross basis

The Bank's derivatives that will be settled on a gross basis include: Foreign exchange derivatives: currency forward and swap

	2016-12-31							
	Overdue / On demand	Within 1 month	1 to 3 months	3 months to 1 years	1 to 5 years	5 years above	undated	Total
Currency forward								
Outflow	-	(2,237,418,031)	(3,275,419,007)	(7,849,217,260)	(245,898,054)	-	-	(13,607,952,352)
Inflow	-	2,227,460,506	3,264,180,450	7,745,733,579	255,827,364	-	-	13,493,201,899
FOREX swap								
Outflow	-	(22,653,882,640)	(27,497,775,518)	(52,389,301,226)	(8,865,067,902)	-	-	(111,406,027,286)
Inflow	-	22,695,238,618	27,628,068,058	52,434,663,430	8,864,754,909	-	-	111,622,725,015

	2015-12-31							
	Overdue / On demand	Within 1 month	1 to 3 months	3 months to 1 years	1 to 5 years	5 years above	undated	Total
Currency forward								
Outflow	-	(1,365,193,088)	(2,343,615,320)	(6,826,434,872)	(982,424,785)	-	-	(11,517,668,065)
Inflow	-	1,371,496,081	2,360,394,391	6,843,154,548	1,010,839,327	-	-	11,585,884,347
FOREX swap								
Outflow	-	(14,737,192,248)	(18,000,041,453)	(46,821,685,286)	(2,254,744,953)	-	-	(81,813,663,940)
Inflow	-	14,740,056,609	18,004,921,344	46,817,279,313	2,226,908,072	-	-	81,789,165,338

9. Financial instrument and risk management (continued)

Market risk

The Bank is exposed to market risk, which refers to the risk of the fair value or future cash flow volatility caused by the volatility of the market price. Market risk comes from market interest rate, the general or specific changes in foreign exchange rates to the interest rate products, and the open position of the currency products.

The Bank's exposure to market risk is divided into a portfolio of trading and non-trading. Trading portfolio includes the position of the bank and the customer or market transactions, namely the market maker trading. Non transaction portfolio mainly includes interest rate risk management of commercial bank’s assets and liabilities.

The current Market Risk Management Department is responsible for monitoring and controlling the market risk of trading and non-trading accounts in the whole line. The Bank also established a market risk daily reporting system, to monitor and analyze the market risk changes and implementation limits by risk management departments with regular reporting to senior management.

Market risk measurement technology

The Bank evaluates its exposed market risk of investment portfolio by VaR and Non-VaR indexes. The Bank uses historical simulation method to calculate the 1 day holding period, and the VaR value of the 99% confidence interval is used as the index of internal management. Non-VaR refers to the market risk management indicators we used other than VaR, mainly PV01 and foreign exchange positions, over warning, the nominal amount of the principal and maturity date.

Foreign exchange risk

The Bank takes on exposure to the effects of fluctuations in the prevailing levels of exchange rate on its financial position and cash flows.

The Bank’s principle in controlling exchange rate risk is to match its assets and liabilities in each currency and to maintain exchange rate risk within established limits. The Bank has set risk limits according to the guidelines established by the Risk Management Committee, the relevant regulatory requirements, and management’s assessment of the current market condition. The Bank also manages its foreign capital sources and usage of foreign currencies to minimize potential currency mismatches. The foreign exchange risk exposure is authorized to manage by products and trader’s right.

9. Financial instrument and risk management (continued)

Market risk (continued)

Foreign exchange risk (continued)

The following table below summarizes the Bank's exposure to foreign exchange rate risk at the end of each reporting period. Included in the table are the Bank's assets and liabilities at carrying amounts in RMB, categorized by the original currency.

2016

	RMB	USD RMB equivalent	Others RMB equivalent	Total RMB equivalent
Assets:				
Cash and due from the central bank	770,685,580	1,752,388,238	700,794	2,523,774,612
Due from banks and other financial institutions	3,159,771,952	9,732,023	72,685,401	3,242,189,376
Placements with banks and other financial institutions	1,309,254,167	241,581,025	349,908,372	1,900,743,564
Financial assets at fair value through profit or loss	10,654,470	-	-	10,654,470
Derivative financial assets	37,876,624	1,425,137,664	397,713,047	1,860,727,335
Interest receivables	23,149,108	552,316	(3,392)	23,698,032
Loans and advances to customers	3,654,577,608	181,241,097	-	3,835,818,705
Available-for-sale financial assets	987,168,105	-	-	987,168,105
Account receivables investments	-	-	-	-
Other financial assets	56,044,839	1,681,922	12,094,431	69,821,192
Total financial assets	10,009,182,453	3,612,314,285	833,098,653	14,454,595,391
Liabilities:				
Due to banks and other financial institutions	458,444,098	-	1,620,063,697	2,078,507,795
Placements from banks and other financial institutions	-	1,324,967,000	250,785	1,325,217,785
Derivative financial liabilities	43,576,483	1,191,373,184	532,171,799	1,767,121,466
Customer deposits	2,515,569,562	2,805,845,118	163,749,709	5,485,164,389
Interest payables	22,615,680	18,089,119	(351,821)	40,352,978
Other financial liabilities	29,520,797	89,896,112	30,331,382	149,748,291
Total financial liabilities	3,069,726,620	5,430,170,533	2,346,215,551	10,846,112,704
Net position	6,939,455,833	(1,817,856,248)	(1,513,116,898)	3,608,482,687

9. Financial instrument and risk management (continued)

Market risk (continued)

Foreign exchange risk (continued)

2015

	RMB	USD RMB equivalent	Others RMB equivalent	Total RMB equivalent
Assets:				
Cash and due from the central bank	769,095,368	81,610,129	646,628	851,352,125
Due from banks and other financial institutions	957,826,058	537,089,329	43,401,846	1,538,317,233
Placements with banks and other financial institutions	2,040,823,334	1,500,040,359	175,606,200	3,716,469,893
Financial assets at fair value through profit or loss	21,051,534	-	-	21,051,534
Derivative financial assets	149,189,359	868,686,205	161,211,684	1,179,087,248
Interest receivables	22,407,585	3,868,392	180,003	26,455,980
Loans and advances to customers	2,706,919,908	307,823,551	28,385,469	3,043,128,928
Available-for-sale financial assets	1,397,750,881	-	-	1,397,750,881
Account receivables investments	2,484,000	-	-	2,484,000
Other financial assets	40,725,364	1,424,914	6,187,365	48,337,643
Total financial assets	8,108,273,391	3,300,542,879	415,619,195	11,824,435,465
Liabilities:				
Due to band and other financial institutions	2,093,928,710	389,616,000	-	2,483,544,710
Placements from banks and other financial institutions	-	374,691,300	-	374,691,300
Derivative financial liabilities	128,362,081	853,636,554	172,894,718	1,154,893,353
Customer deposits	3,044,926,661	801,246,354	152,664,643	3,998,837,658
Interest payables	52,191,763	389,306	336	52,581,405
Other financial liabilities	20,848,794	65,041,926	86,898,219	172,788,939
Total financial liabilities	5,340,258,009	2,484,621,440	412,457,916	8,237,337,365
Net position	2,768,015,382	815,921,439	3,161,279	3,587,098,100

The table below illustrates the potential impact of an appreciation or depreciation of foreign currencies against RMB by 1% on the profit before tax of the Bank.

	2016	2015
1% appreciation against RMB	(33,307,327)	8,190,827
1% depreciation against RMB	33,307,327	(8,190,827)

9. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

Foreign exchange risk (continued)

During the sensitivity analysis, the Bank adopts the following assumptions when determining business conditions and financial index, regardless of:

- a Analysis is based on static gap on balance sheet date, regardless of subsequent changes;
- b No consideration of impact on the customers' behaviour resulted from interest rate changes;
- c No consideration of impact on market price resulted from interest rate changes;
- d No consideration of actions taken by the Bank.

Due to these inherent limitations of the Bank's approach, actual impact on the Bank's profit before tax from exchange rate fluctuation may vary from the analysis above.

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

The table below summarizes the Bank's exposures to interest rate risks. The table presents the Bank's assets and liabilities at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates.

9. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

Interest rate risk (continued)

	31-12-2016						
	Within 1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Financial assets							
Cash and Due from the central bank	578,233,517	-	-	-	-	1,945,541,095	2,523,774,612
Due from banks and other financial institutions	2,542,189,376	700,000,000	-	-	-	-	3,242,189,376
Placements with banks and other financial institutions	251,408,372	1,350,835,192	298,500,000	-	-	-	1,900,743,564
Financial assets at fair value through profit or loss	-	-	-	10,654,470	-	-	10,654,470
Account receivables investments	-	-	-	-	-	-	-
Derivative financial assets	-	-	-	-	-	1,860,727,335	1,860,727,335
Interest receivables	-	-	-	-	-	23,698,032	23,698,032
Loans and advances to customers	1,614,211,890	1,666,742,632	554,753,356	-	-	110,827	3,835,818,705
Available-for-sale financial assets	149,677,319	358,463,483	479,027,303	-	-	-	987,168,105
Other financial assets	-	-	-	-	-	69,821,192	69,821,192
Total financial assets	5,135,720,474	4,076,041,307	1,332,280,659	10,654,470	-	3,899,898,481	14,454,595,391
Financial liability							
Due to banks and other financial institutions	58,444,098	-	2,020,063,697	-	-	-	2,078,507,795
Placements from banks and other financial institutions	496,246,285	828,971,500	-	-	-	-	1,325,217,785
Customer deposits	2,793,542,940	2,112,418,182	396,003,267	183,200,000	-	-	5,485,164,389
Derivative financial liabilities	-	-	-	-	-	1,767,121,466	1,767,121,466
Interest payables	-	-	-	-	-	40,352,978	40,352,978
Other financial liabilities	-	-	-	-	-	149,748,291	149,748,291
Total financial liabilities	3,348,233,323	2,941,389,682	2,416,066,964	183,200,000	-	1,957,222,735	10,846,112,704
Net position	1,787,487,151	1,134,651,625	(1,083,786,305)	(172,545,530)	-	1,942,675,746	3,608,482,687

9. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

Market risk (continued)

Interest rate risk (continued)

	31-12-2015						
	Within 1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Financial assets							
Cash and Due from the central bank	769,044,098	-	-	-	-	82,308,027	851,352,125
Due from banks and other financial institutions	591,067,233	947,250,000	-	-	-	-	1,538,317,233
Placements with banks and other financial institutions	1,807,635,112	961,083,334	947,751,447	-	-	-	3,716,469,893
Financial assets at fair value through profit or loss	-	10,317,596	-	-	10,733,938	-	21,051,534
Account receivables investments	2,484,000	-	-	-	-	-	2,484,000
Derivative financial assets	-	-	-	-	-	1,179,087,248	1,179,087,248
Interest receivables	-	-	-	-	-	26,455,980	26,455,980
Loans and advances to customers	962,851,443	2,021,969,182	52,246,196	-	-	6,062,107	3,043,128,928
Available-for-sale financial assets	-	896,438,200	501,312,681	-	-	-	1,397,750,881
Other financial assets	-	-	-	-	-	48,337,643	48,337,643
Total financial assets	4,133,081,886	4,837,058,312	1,501,310,324	-	10,733,938	1,342,251,005	11,824,435,465
Financial liability							
Due to banks and other financial institutions	-	-	908,728,500	1,574,550,000	-	266,210	2,483,544,710
Customer deposits	2,120,423,926	1,110,755,108	478,858,624	288,800,000	-	-	3,998,837,658
Placements from banks and other financial institutions	64,936,000	309,755,300	-	-	-	-	374,691,300
Derivative financial liabilities	-	-	-	-	-	1,154,893,353	1,154,893,353
Interest payables	-	-	-	-	-	52,581,405	52,581,405
Other financial liabilities	-	-	-	-	-	172,788,939	172,788,939
Total financial liabilities	2,185,359,926	1,420,510,408	1,387,587,124	1,863,350,000	-	1,380,529,907	8,237,337,365
Net position	1,947,721,960	3,416,547,904	113,723,200	(1,863,350,000)	10,733,938	(38,278,902)	3,587,098,100

9. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

Interest rate risk (continued)

	2016-12-31		2015-12-31	
Change in interest rate	Impact on profit before tax	Impact on equity	Impact on profit before tax	Impact on equity
+100 basis points	22,521,317	(2,836,883)	47,652,455	(3,376,452)
-100 basis points	(22,521,317)	2,836,883	(47,652,455)	3,376,452

10. Fair value of financial instruments

Fair value of financial assets and financial liabilities

(1) Fair value hierarchy

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market prices (unadjusted) in active markets for indentical assets or liabilities, include listed equity securities and debt instruments.

Level 2: Valuation technique using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. This level includes the majority of the over the-counter derivative contracts and debt securities for which quotations like yield curve or counterparty credit risk are available from Bloomberg and China Bond.

Level 3: Valuation technique using inputs for the asset or liability that is not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

31 December 2016

	Level 1	Level 2	Level 3	Total
Financial assets				
-Available-for-sale financial assets	-	987,168,105	-	987,168,105
-Derivative financial assets	-	1,860,727,335	-	1,860,727,335
-Financial assets at fair value through profit or loss	-	10,654,470	-	10,654,470
	-	2,858,549,910	-	2,858,549,910

10. Fair value of financial instruments (continued)

(1) Fair value hierarchy (continued)

31 December 2016 (continued)

	Level 1	Level 2	Level 3	Total
Financial liabilities				
- Derivative financial Liabilities	-	1,767,121,466	-	1,767,121,466
	-	1,767,121,466	-	1,767,121,466

31 December 2015

	Level 1	Level 2	Level 3	Total
Financial assets				
-Available-for-sale financial assets	-	1,397,750,881	-	1,397,750,881
-Derivative financial assets	-	1,179,087,248	-	1,179,087,248
-Financial assets at fair value through profit or loss	-	21,051,534	-	21,051,534
	-	2,597,889,663	-	2,597,889,663
Financial liabilities				
- Derivative financial Liabilities	-	1,154,893,353	-	1,154,893,353
	-	1,154,893,353	-	1,154,893,353

The Bank had no financial instruments for which the fair value hierarchy are categorized in Level 1 or Level 3.

(2) Financial instruments not measured at fair value

Fair values estimation is made in accordance with information of market and financial instruments in some specific point. Estimation is based on following methods and supposition:

(i) Cash and due from other banks and financial institutions, Deposits with the central bank, Deposits with other banks. Due to other banks and financial institutions, Interest receivables, Interest payable, Other assets and Other liabilities.

Given that maturities of these financial assets and liabilities are in one year or they all have floating interest rates, the carrying amount approximates the fair value.

10. Fair value of financial instruments (continued)

(2) Financial instruments not measured at fair value (continued)

(ii) Loans and advances

Since the RMB loans interest rates change with the fluctuation of PBOC benchmark interest rates, and interest rates for loans denominated in foreign exchange are generally floating, fair value of loans is approximate to the carrying value.

(iii) Customer deposits

The carrying value of fixed interest-bearing deposits approximates to its fair value because their maturities are within one year.

There is no transfer in or out from Level 3 for current year.

11. Capital Management

The Bank's capital management focuses on monitoring of the capital adequacy ratio, aiming to comply with the regulatory requirements and support the business expansion.

The Bank insists on positive capital management policy as to achieve goals as follow:

(1) To ensure the Bank’s continuous compliance with the regulatory CAR requirements and have sufficient capital to support the internally assessed capital demand;
(2) To ensure the Bank’s capital is adequate to support the business strategy and growth;
(3) To optimize the return to shareholders while maintaining a prudent level of capital in relation to the underlying risks of the business.

From January 1st, 2013, the Bank calculates and discloses Capital Adequacy Ratio in accordance with “Capital Rules for Commercial Banks (Provisional)” and other regulatory requirements issued by the CBRC. As requested, the Bank uses Regulatory Weighting Approach for credit risk, the standardized measurement method for market risk, and the Basic Indicator Approach for operational risk in the reporting period.

11. **Capital Management (continued)**

The Core tier-one capital adequacy ratios, tier-one capital adequacy ratios and capital adequacy ratios calculated by the Bank in accordance with "Regulations Governing Capital of Commercial Banks (Provisional)" are as follows:

	31-12-2016	31-12-2015
Core Tier-one capital	3,590,463,356	3,604,937,187
Paid-in capital	3,196,000,000	3,196,000,000
Qualified capital reserve	2,881,771	2,881,771
Other comprehensive (loss)/income	(850,088)	283,529
Surplus reserves	98,774,711	87,154,698
General reserves	189,076,846	189,076,846
Retained earnings	104,580,116	129,540,343
Core Tier-one capital deductions		
Other intangible assets (exclusive of land use rights) net amount discounting related deferred income tax liability	2,587,891	2,358,269
Net core tier-one capital	3,587,875,465	3,602,578,918
Other core tier-one capital	-	-
Net tier-one capital	3,587,875,465	3,602,578,918
Net Tier-two capital		
Surplus provisions for loans impairment	98,379,191	89,190,200
Net capital	3,686,254,656	3,691,769,118
Risk-weighted assets	11,516,520,116	10,273,842,298
Core Tier-one capital adequacy ratio	31.15%	35.07%
Tier-one capital adequacy ratio	31.15%	35.07%
Capital adequacy ratio	32.01%	35.93%

12. Post balance sheet events

As at the date on which the financial statements are approved, there is no material post balance sheet event that needs to be disclosed by the Bank.

13. Segment reporting

The Bank is organised into six segments based on geographical region, which is Head office, Shanghai Branch, Beijing Branch, Guangzhou Branch, Tianjin Branch and Xiamen Branch. Segment profit or loss and assets and liabilities are presented based on the location of the booking entities. Management periodically reviews the financial information of the segments to determine resource allocation and performance assessment.

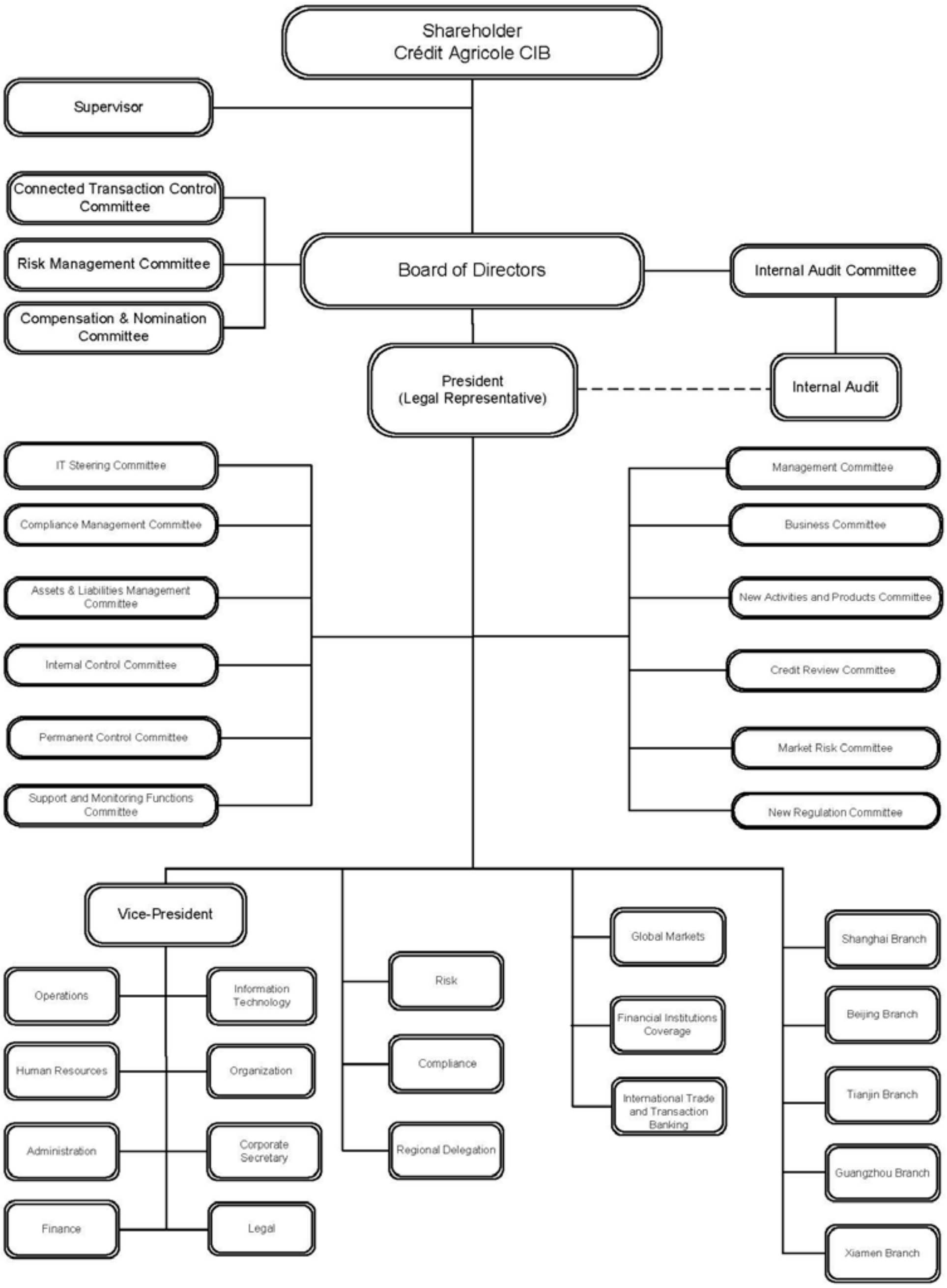
14. Comparative amounts

Certain comparative amounts have been adjusted to conform with the current year's presentation and the accounting treatment requirements.

15. Approval of the financial statements

The financial statements were approved for issue by the Board of Directors on 7 April 2017.

Organization Chart



List of Domestic Operations

Head Office

Unit 1201, 1202, 1206 - 1209, 1212, 1213, 12th Floor, Office Tower 2, Plaza 66, 1266 West Nanjing Road, Jing'an District, Shanghai 200040
Telephone: 86 21 38566888
Facsimile: 86 21 38566922

Shanghai Branch

Unit 1203, 1204, 1205, 1210, 1211, 12th Floor, Office Tower 2, Plaza 66, 1266 West Nanjing Road, Jing'an District, Shanghai 200040, PRC
Telephone: 86 21 38566888
Facsimile: 86 21 38566922

Beijing Branch

Unit1901, 19/F Unit 1901, Fortune Financial Center, No.5 Dongsanhuan Zhong Road, Chaoyang District, Beijing 100020
Telephone: 86 10 56514000
Facsimile: 86 10 56514001

Tianjin Branch

Suite 710, Tianjin International Building, No. 75, Nanjing Road, Tianjin 300050
Telephone: 86 22 23393010
Facsimile: 86 22 23307171

Guangzhou Branch

Room 2103, Teemtower, Teemmall, No. 208, Tianhe Road, Tianhe District Guangzhou 510620
Telephone: 86 20 87324608
Facsimile: 86 20 87324272

Xiamen Branch

Suite 2115, 21st Floor, Bank Center, No. 189, Xiahe Road, Xiamen 361003
Telephone: 86 592 2396168
Facsimile: 86 592 2396169

Definitions

In this Annual Report, unless the context otherwise requires, the following terms shall have the meanings set out below:

The Group / Crédit Agricole Group	Crédit Agricole S.A., Caisses Régionales (Regional Banks), and its subsidiaries
Crédit Agricole CIB / CA-CIB	Crédit Agricole Corporate and Investment Bank and all of its subsidiaries and branches
Parent Bank / Shareholder	Crédit Agricole Corporate and Investment Bank
CA-CIB (China) / Our Bank / the Bank / we / us	Credit Agricole Corporate and Investment Bank (China) Limited, its predecessors and all of its branches
Articles of Association / AOA	The performing Articles of Association of the Bank
PRC	People's Republic of China
RMB / Renminbi	The lawful currency of PRC
CBRC	China Banking Regulatory Commission
SAFE	State Administration of Foreign Exchange
PBOC	People's Bank of China

Note: Photos in this Annual Report are provided by CA-CIB (China) employees.

东方汇理银行（中国）有限公司
Credit Agricole Corporate and Investment Bank (China) Limited

Unit 1201, 1202, 1206 - 1209, 1212, 1213, 12th Floor, Office Tower 2, Plaza 66
1266 West Nanjing Road, Jing’an District, Shanghai 200040, PRC
Telephone: 86 21 38566888
Facsimile: 86 21 38566922
SWIFT - CRLYCNSH
Website: http://www.ca-cib.com.cn