



**Credit Agricole Corporate and Investment Bank (China) Limited**

# **2017 Annual Report**

# Contents

1	Bank Profile
2	Group and Parent Bank Introduction
4	Highlights of the Year
7	Management Report
12	Risk Management
19	Corporate Information
20	Important Events of the Year
21	Directors, Supervisor and Senior Management
28	Corporate Governance
36	Independent Auditor's Report
41	Financial Statements
145	Organization Chart
146	List of Domestic Operations

## Bank Profile

Credit Agricole Corporate and Investment Bank (China) Limited was locally incorporated on July 1<sup>st</sup>, 2009 and officially commenced business on August 3<sup>rd</sup>, 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 154 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.13 Bank by Tier One Capital and No.11 Bank by Total Assets (The Banker, July 2017). 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 retail banking, insurance, real estate, payment systems, asset management, leasing and factoring, consumer finance, and corporate and investment banking.

2017 Full Year Results of Crédit Agricole Group:

Financial year 2017	EUR
Shareholder's equity Group share	102.3 billion
Net income Group share	6 536 million

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

Ratings	Standard & Poor's	Moody's	Fitch Ratings	DBRS
Long-term	A	A1	A+	AA (low)
Outlook/Review	Positive outlook	Stable outlook	Stable outlook	Stable outlook
Short-term	A-1	P-1	F1	R-1 (middle)
Last rating action	Oct/2017	Jul/2016	Dec/2017	Sep/2017
Rating action	Outlook changed to positive from stable; LT/ST ratings affirmed	LT ratings upgraded; outlook revised to stable from positive; ST debt ratings affirmed	LT / ST ratings affirmed; outlook unchanged	LT ratings upgraded (1 notch); outlook changed to stable from positive; ST debt ratings confirmed

## 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

# Highlights of the Year

## 1. Awards

- CA-CIB (China) has been awarded as The Best Market Member of Anonymous Trading in 2017 by China Foreign Exchange Trade System (CFETS) and SAFE. For anonymous trading, CFETS provides centralized clearing service as the central counterparty. This award is a good recognition for CA-CIB (China) as one of the active FX market-maker among foreign banks in China.
- CA-CIB (China) Shanghai branch won “A” rating in the 2017 annual assessment on the implementation of FX management rules organized by SAFE.
- CA-CIB (China) was rated “A” in the 2017 MBT assessment (Message Generation Subsystem of Non-Interface Banks) organized by PBOC.



## 2. Business

- CA-CIB (China) is among the most active foreign banks for syndicated loans. As an example, in December 2017, GAC-Sofinco Automobile Finance Company, a 50:50 joint-venture between the Guangzhou Automobile Company and Crédit Agricole Consumer Finance (Sofinco), engaged CA-CIB (China) as a Mandated Lead Arranger & Bookrunner in a 3-year syndicated revolving credit facility of RMB 2.15 billion. The proceeds were used to finance general working capital and other general corporate purposes. This is the second syndicated loan transaction for which CA-CIB (China) acted as Mandated Lead Arranger & Bookrunner for GAC-Sofinco since 2014.
- CA-CIB (China) also acted as Financial Advisor for GAC-Sofinco Automobile Finance Company for their RMB 4 billion Asset-Backed Securities issuance in December 2017. This first mandate in the Chinese ABS market is a successful outcome for CA-CIB (China) securitization developments in China.
- Being one of the major global commodity banks, CA-CIB (China) has successfully introduced its commodity expertise to local clients and steadily extended its Global Commodity Finance services in the Chinese market with a growing local presence. As an example, in 2017, the Bank successfully closed a bilateral 24-month copper cathodes pre-production facility for Xiangguang Copper, one of the largest privately-owned copper producers. The RMB 300 million line has been structured and secured by a copper cathode offtake contract entered into with Mercuria China's affiliate. With a classic pre-financing structure, this transaction is the first structured copper deal for CA-CIB (China) with a major player in the Chinese copper landscape that largely strengthens the Bank's local image being one of the major full-range commodity banking service providers.
- CA-CIB (China) is also supporting the international clients of the Bank in their activities in China. 2017 had a Nordic flavor with a couple of new transactions. Stora Enso, a paper producer headquartered in Finland and longtime client of the bank chose CA-CIB (China) to refinance the working capital loans for its Guangxi packaging company, the single biggest investment that Stora Enso made internationally. This refinancing helped the client to increase its working capital financing during the ramp up stage of its factory. A second example is Valmet, a paper machine manufacturer headquartered in Finland as well. Valmet asked China to be added in its global guarantee issuance facility. CA-CIB (China) established a local line to support the issuance of local guarantees.

### 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) sponsored a Children’s Happy Home in Jinting, Suzhou, which was the 1st happy home in Suzhou City. With the sponsor from the Bank, a room equipped with computer, TV, books, musical instruments, sporting goods and toys, had been set up for children to use and for family communication.

# 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 the Crédit Agricole Group (Crédit Agricole Regional Banks, LCL, DRF, BPI: Cariparma, Bankoa etc.) by offering account services and financing services and accompany them in 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) and 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

Crédit Agricole CIB has been one of the most active foreign banks in China for several years for arranging and distributing syndicated loans in RMB.

## Human Resources

As at the end of 2017, the Bank had 154 employees. The staff composition by age and education background was as follows:

Category	Detailed distribution	Number of employees	% of total
Age	Below 30	43	28%
	Between 31 and 40	66	43%
	Between 41 and 50	31	20%
	Above 51	14	9%
Educational Background	Holders of a Master's degree and above	65	42%
	Bachelor degree holders	67	44%
	Others	22	14%

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	16%	14%
From Supervisor to deputy Manager	10%	27%
Below Supervisor	12%	21%

## 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 4,000 hours of training in 2017 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 2017, 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.

Since 2011, each year our bank donated a total of 21,000 trees planted by Roots & Shoots in Inner Mongolia in an effort to offset its carbon footprint. In 2017, 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 Bank sponsored a Children's Happy Home in Jinting, Suzhou, which is the 1st happy home in Suzhou City. With the sponsor from the Bank, a room equipped with computer, TV, books, musical instruments, sporting goods and toys, is set up for children to use and for family communication. "Children's Happy Home" project is jointed launched by all China Women's Federation and China Children and Teenagers Fund. Those happy homes set up in rural areas provide child care services, family education guidance, psychological counseling and other services for left-behind children. In the meantime, "Children's Happy Home" provides a platform for parent-child video chat, classes, reading and video games, which serve to improve family communication, strengthen the popularization of scientific knowledge for family education and to optimize the family and social environment for left-behind children.

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 2017, China has been implemented its transformation plan effectively, in particular, China witnessed obvious increase of outbound investment enabling its deepening integration with global economy through the "One Belt And One Road" campaign which achieved remarkable results. The gross consumption in 2017 maintained a steady level with improved sign showed in retail segments and growth in net exports benefiting from recovery of global trade. The traditional three key investment pillars, namely infrastructure, property development and manufacture industries are in recovery mode. In 2018, China's economy might still face the downward pressure amid supply and demand reduction with the overall trend expected to be slow down but at moderate pace.

## 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 2017, the quality of our credit portfolios remained stable and 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 2017 was performed in September, 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 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 2017 respectively. The two testing results were satisfactory, demonstrating a very strong resilience of our Capital Adequacy Ratio even under an extreme scenario.

## Market Risk

With the introduction of counter-cyclical factor and bond connect “north”, CNY financial market evolved to a new stage. The bank also pays highly attention on the bond market trend due to financial leverage decline. Under such macro environment, the bank’s market risk management maintained a conservative attitude in daily work. Besides routine market risk control and monitoring, we also completed the procedure optimization about market risk management and stress test, risk training, effective communication which were planned in the beginning of 2017.

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 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 Management

The BOD and the Senior Management of the Bank have been effectively responsible for the supervision and control of operational risk management. The Risk Management Committee reports periodically to the Board all kinds of risks including operational risk management. The Senior Management has been actively involved in the operational risk management and effectively guided PCO in routines.

In 2017, PCO organized 4 ICC and 8 PCC to report all operational risk related matters to senior management. So that senior management has a comprehensive understanding of the bank's operational risk management.

Regulator inspection and sample check were conducted by PCO to ensure the effectiveness of relevant processes/systems' controls, including block leave control, GMD staff access control to dealing room/ Windows Session, AD account control for revoked people, bidding process control, data quality of Regulatory reports, BCP vendor onsite inspection and etc. All inspection results were reported in ICC. No significant issue was found in 2017.

All relevant outsourcing activity managers reviewed and updated their outsourcing activities half yearly, include service providers reassessment and contract review/update. The risk assessment results were reported to ICC. 2017 annual assessment report will be submitted to Regulator after approved by Board in April.

In 2017, all key risk indicators were reviewed and updated to be consistent with the risks to which the bank is exposed. The annual exercise of operational risk mapping was launched and implemented in the fourth quarter in 2017 which is involved all business lines and support functions. The final mapping results was reviewed by the Internal Control Committee (ICC), so that the senior management is able to know the whole picture of local risk concerns and validate the corresponding internal controls.

## Liquidity Risk

Liquidity risk is the risk of insolvency when a company is unable to meet its financial commitments in a timely fashion when they become due or cannot timely liquidate its asset at fair price.

The commitments include principal and interest payment obligations to depositors and fund suppliers as well as commitments in respect of loans and investments.

## **Policy and Objectives**

Assets and Liabilities Management Committee (ALCO) of CA-CIB (China) is responsible for setting the bank's short-term and medium-long-term liquidity risk management policies.

## **Liquidity Management**

### **Medium-Long-Term Liquidity Management**

The medium-long-term liquidity management is centralized in ALCO. The committee defines internal fund transfer pricing policies, rules and procedures on both an overall basis for major currencies and on specific basis for local currency. It analyzes the medium-long-term funding needs of the bank and authorizes implementation of funding activities.

Medium-long-term liquidity risk is measured by liquidity gap in time buckets 1-Year to 5-Year, representing the duration mismatch of assets and liabilities.

### **Short-Term Liquidity Management**

Short-term liquidity is managed by Treasury. Treasury renews short-term financing and manages portfolio of liquid assets. 7-day and 30-day cash flow gap, calculated and monitored by Treasury and Market Activities Monitoring Department (MAM), are two indicators for short-term liquidity risk.

## **Contingency Funding Plan and Liquidity Ratios**

Contingency Funding Plan (CFP) has been established as planned responses to liquidity deterioration based on CBRC liquidity guideline and group liquidity management policy. Testing of three liquidity stress scenarios (global/stress pilote, systemic and idiosyncratic) is performed on daily basis and presented in daily Early Warning Indicator (EWI) report to management. Three levels of action plan have been predetermined in cases of funding shortfall.

CA-CIB (China) closely monitors regulatory liquidity ratios. Daily liquidity ratio was properly controlled above 25% during 2017. Monthly average loan-to-deposit ratio was 71% by the end of December 2017. Liquidity Coverage Ratio (LCR) was 195.67% as at 31-Dec-17, compliant with the minimum requirement of *Administrative Measures on Liquidity Risks of Commercial Banks (For Trial Implementation, revised version 2017)*.

## **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 2017, 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 31<sup>st</sup>, 2017, 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, 12<sup>th</sup> 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 1<sup>st</sup>, 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

# Important Events of the Year

No

# Directors, Supervisor and Senior Management

## 1. Composition

<b>Supervisor</b>
LECHAUDEL, Eric

<b>Board of Directors</b>	
ROY, Michel	Chairman, Non-executive Director
PELLEGRIN, Philippe	Vice-Chairman, Executive Director, President
TCHOURBASSOFF, André	Executive Director, Vice-President
HONG, Didier	Executive Director, Head of Shanghai Branch
MARTIN, François	Non-executive Director
BALAÏ, Jean- François	Non-executive Director
BOLESLAWSKI, Alexandra	Non-executive Director
GIROLAMI, Isabelle	Non-executive Director
LIN, Yi Xiang	Independent Non-executive Director
WU, Zhi Ge	Independent Non-executive Director

<b>Senior Management</b>	
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
LING, Maggie	Secretary to the Board of Directors
HONG, Didier	Head of Shanghai Branch
YUAN, Arthur	Head of Beijing Branch
PAN, Frank	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 1<sup>st</sup> 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).

Michel Roy was appointed Chairman of CA-CIB (China) in June 2016.



**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).

André Tchourbassoff 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 Supérieur 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.

Didier Hong 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 also appointed as Head of Structured Finance Asia from November 2016.

François joined Credit Agricole Group in 1986 and gained international Corporate and Investment Banking experience in Paris, New York, Warsaw and Hong Kong. His areas of expertise span Client Coverage, Structured Finance and Investment Banking. 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 is Head of Global Coverage Organisation (GCO) since September 2017.

Alexandra started her career with Banque Indosuez in 1986 and since then accumulated over 20 years of banking experience in the asset based finance business including project finance and management of equity investments. As Global Head of the Power sector for the Bank since 2000, she has been actively involved in its development to position the Bank in the very top first players of the power project financing market. In 2010, she became Deputy Head of Natural Resources, Infrastructure and Power (NIP). From the end of 2012 to February 2015, she was heading the SFI Power, Utilities and Mining sectors. In March 2015, Alexandra is appointed Deputy Head of CIN.

Alexandra Boleslawski was appointed Non-executive Director of CA-CIB (China) in December 2016.



**GIROLAMI,**  
**Isabelle**

**Education:**

Isabelle graduated from Ecole des Hautes Etudes Commerciales in Paris with a major in international law and finance.

**Professional experience:**

Isabelle Girolami is Head of the Global Markets Division since September 2015. She reports to Jacques Prost, Deputy CEO and is a member of Crédit Agricole CIB's Executive Committee. Isabelle has extensive experience from Europe and Asia. Her career in banking began in 1995 at BNP Paribas where she became Chief Operating Officer for Global Fixed Income. She moved to Bear Stearns in 2000 as Chief of Staff for Europe and COO for Fixed Income Europe and Asia. She joined Standard Chartered in 2008 as Head of Global Markets Europe and Co-Head Wholesale Banking Europe and in 2011 was appointed Head of Global Markets ASEAN (2011 to 2015).

Isabelle Girolami was appointed Non-executive Director of CA-CIB (China) in August 2017.



**LIN,  
Yi Xiang**

**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.



**WU,  
Zhi ge**

**Education:**

Mr. WU is a graduate from Beijing Foreign Studies University and holds a Master Degree in Business Administration from Ross School of Business, University of Michigan.

**Professional experience:**

Mr. WU worked for ING BANK N.V. from 2011 to 2016, as Managing Director and Head of Corporate Finance, Greater China. He was accountable for greater China cross-border M&A strategies, executions, annual budgets and staff management. His main deals included advising State Power Investment Corp. to acquire Australian wind farm operator Taralga, advising JP Morgan Infrastructure fund to sell Goldtrust, advising Bright Foods on its acquisition of the leading Italian olive oil company Salov, etc. Prior to that, Mr. WU was the Founder and Managing Partner at China Link Capital. Previously he also worked for Lazard Asia, BOCI Asia Ltd, etc.

Mr. WU was appointed as the Independent Non-executive Director of CA-CIB (China) in December 2017.

## b. Supervisor



**LECHAUDEL,  
Eric**

**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.

## 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 2017, the Board of Directors held four ordinary meetings, on March 20<sup>th</sup>, June 29<sup>th</sup>, September 26<sup>th</sup>, and December 5<sup>th</sup> respectively and, in addition, circulated eleven 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. Eric CHEVRE, the Vice Chairman and Non-Executive Director of the Board, was transferred to another position within CA-CIB Group; consequently, Mr. CHEVRE tendered his resignation from his position as the Vice Chairman and Non-Executive Director on December 5<sup>th</sup>, 2017.

The Shareholder appointed Mr. Philippe PELLEGRIN as the Vice Chairman of the Board, replacing Mr. Eric CHEVRE, and the post-taking qualification of Mr. PELLEGRIN as the Vice Chairman of the Board was approved by CBRC on March 1<sup>st</sup>, 2018.

The Shareholder appointed Ms. Isabelle GIROLAMI as a Non-Executive Director, and the post-taking qualification of Ms. GIROLAMI as a Non-Executive Director was approved by CBRC on August 1<sup>st</sup>, 2017.

The Shareholder appointed Mr. WU Zhi Ge as an Independent Non-Executive Director, and the post-taking qualification of Mr. WU as an Independent Non-Executive Director was approved by CBRC on December 29<sup>th</sup>, 2017.

### **Shareholder's Meeting**

Not applicable

## **Specialized Committees under the Board of Directors**

In 2017, 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

### ***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

### ***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

### ***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

## Independent Non-Executive Director

Members of the Board of Directors include two (2) Independent Non-Executive Directors, 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, namely the Internal Audit Committee, the Connected Transaction Control Committee and the Risk Management Committee. Among them, he serves as the chairman of the Internal Audit Committee and the Connected Transaction Control Committee.

Mr. WU Zhi Ge will serve as permanent member of three (3) specialized committees under the Board of Directors, namely the Internal Audit Committee, the Connected Transaction Control Committee and the Compensation and Nomination 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 and Mr. WU Zhi Ge, the Independent Non-executive Directors of the Bank.

In 2017, Mr. LIN Yi Xiang, acting as an Independent Non-executive Director of the Bank attended 4 meetings of the Board, 4 meetings of the Internal Audit Committee, 4 meetings of the Connected Transaction Control Committee and 4 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. Since Mr. WU Zhi Ge was approved as an Independent Non-Executive Director by CBRC on December 29<sup>th</sup>, 2017, he didn't attend any meeting.

## 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 2017.

## **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 2017, the Supervisor was in attendance of 4 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 31<sup>st</sup>, 2017 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 2017, the Board of Directors resolved to re-appoint Ernst & Young Hua Ming LLP ("Ernst & Young") as the Bank's Public Accountants for the year 2017.

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

CREDIT AGRICOLE CIB (CHINA) LIMITED

Audited Financial Statements

31 December 2017

**Important Notice**

The attached financial statements have been translated from the statutory financial statements prepared in accordance with Chinese accounting standard for business enterprises established in the People's Republic of China. In the event of any inconsistency between the Chinese and English versions, the Chinese version shall prevail.

Index

	Page
Part One AUDITORS'REPORT	38 – 40
Part Two AUDITED FINANCIAL STATEMENTS	
1. Balance Sheet	41 – 42
2. Income Statement	43
3. Statement of Changes in Equity	44 – 45
4. Statement of Cash Flows	46 – 47
5. Notes to Financial Statements	48 – 144

## Auditors' Report

Ernst & Young Hua Ming (2018) Shen Zi No 61114184\_B01  
CREDIT AGRICOLE CIB (China) Limited

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

### **(I) Opinion**

We have audited the financial statements of CREDIT AGRICOLE CIB (China) Limited (hereinafter referred to as "the Bank"), which comprise the balance sheets as at 31 December 2017, the income statements, the statements of changes in equity and the statements of cash flows for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material aspects, the bank's financial position as at 31 December 2017 and the bank's financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises ("ASBEs").

### **(II) Basis for Opinion**

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

### **(III) Responsibilities of the management and those charged with governance for the financial statements**

The management of the Bank is responsible for the preparation and fair presentation of the financial statements in accordance with ASBEs, and for designing, implementing and maintaining such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the management either intends to liquidate the Bank or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

## Auditors' Report (continued)

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

CREDIT AGRICOLE CIB (China) Limited

### (IV) Auditor's responsibilities for the audit of the financial statements

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

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

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- (4) Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

**Auditors' Report (continued)**

Ernst & Young Hua Ming (2017) Shen Zi No 61114184\_B01  
CREDIT AGRICOLE CIB (China) Limited

*Auditors' Responsibility (continued)*

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

Ernst & Young Hua Ming LLP,  
Shanghai Branch

Yan, Shengwei

Chinese Certified Public Accountant

Shanghai, the People's Republic of China

Wang, Wenyan

Chinese Certified Public Accountant

【】 2018

**CREDIT AGRICOLE CIB (CHINA) LIMITED**  
**BALANCE SHEET**  
**31 December 2017**  
(Unless otherwise stated, expressed in Renminbi Yuan)

<b>ASSETS:</b>	<b>Note 5</b>	<b><u>2017-12-31</u></b>	<b><u>2016-12-31</u></b>
Cash and due from the central bank	1	1,530,536,422	2,523,774,612
Due from banks and other financial institutions	2	1,251,690,235	3,242,189,376
Placements with banks and other financial institutions	3	2,047,428,463	1,900,743,564
Financial assets at fair value through profit or loss	4	10,187,255	10,654,470
Derivative financial assets	5	2,528,830,970	1,860,727,335
Interest receivables	6	37,584,052	23,698,032
Loans and advances to customers	7	4,209,290,464	3,835,818,705
Available-for-sale financial assets	8	985,873,200	987,168,105
Account receivables investments	9	227,780,000	-
Fixed assets	10	3,833,358	3,980,325
Intangible assets	11	2,231,092	2,587,891
Deferred tax assets	12	36,159,115	22,603,018
Other assets	13	<u>29,084,759</u>	<u>81,306,950</u>
<b>TOTAL ASSETS</b>		<b><u><u>12,900,509,385</u></u></b>	<b><u><u>14,495,252,383</u></u></b>

*The notes on pages 48 to 144 form an integral part of these financial statements.*

<b><u>LIABILITIES:</u></b>	<b><u>Note 5</u></b>	<b><u>2017-12-31</u></b>	<b><u>2016-12-31</u></b>
Due to banks and other financial institutions	15	977,555,209	2,078,507,795
Placements from banks and other financial institutions	16	662,621,360	1,325,217,785
Derivative financial liabilities	5	2,471,595,873	1,767,121,466
Customer deposits	17	4,886,733,012	5,485,164,389
Payroll payables	18	36,931,090	31,074,732
Tax payables	19	29,615,572	12,173,050
Interest payables	20	42,164,237	40,352,978
Other liabilities	21	<u>177,108,477</u>	<u>165,176,832</u>
<b>TOTAL LIABILITIES</b>		<b><u><u>9,284,324,830</u></u></b>	<b><u><u>10,904,789,027</u></u></b>
<b><u>SHAREHOLDERS' EQUITY:</u></b>			
Paid-in capital	22	3,196,000,000	3,196,000,000
Capital reserve		2,881,771	2,881,771
Other comprehensive income	23	(383,643)	(850,088)
Surplus reserve	24	101,300,186	98,774,711
General reserve	25	189,076,846	189,076,846
Retained earnings	26	<u>127,309,395</u>	<u>104,580,116</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b><u><u>3,616,184,555</u></u></b>	<b><u><u>3,590,463,356</u></u></b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b><u><u>12,900,509,385</u></u></b>	<b><u><u>14,495,252,383</u></u></b>

*The notes on pages 48 to 144 form an integral part of these financial statements.*

The financial statements from page 41 to 144 have been signed by:

President

Vice President

Chief Financial Officer

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**CREDIT AGRICOLE CIB (CHINA) LIMITED**  
**INCOME STATEMENT**  
**Year 2017**  
**(Unless otherwise stated, expressed in Renminbi Yuan)**

	<u>Note 5</u>	<u>Year 2017</u>	<u>Year 2016</u>
<b>OPERATING INCOME</b>			
Interest income	27	341,273,443	303,482,383
Interest expense	27	<u>(99,319,476)</u>	<u>(108,195,517)</u>
Net interest income		241,953,967	195,286,866
Fee and commission income	28	85,937,654	92,278,243
Fee and commission expense	28	<u>(27,925,721)</u>	<u>(22,130,194)</u>
Net Fee and commission income		58,011,933	70,148,049
Investment income	29	(23,867,816)	33,421,522
(Loss)/Gain from changes in fair value	30	(34,776,494)	69,994,372
Foreign exchange loss		<u>(3,530,700)</u>	<u>(4,414,851)</u>
<b>TOTAL OPERATING INCOME</b>		<u>237,790,890</u>	<u>364,435,958</u>
<b>OPERATING EXPENSE</b>			
Tax and surcharges	31	(2,251,091)	(6,119,074)
General and administrative expense	32	(198,660,553)	(189,828,576)
Impairment losses	33	(12,159,688)	1,545,805
Other operating expense	34	<u>5,205,894</u>	<u>(24,881,963)</u>
<b>TOTAL OPERATING EXPENSE</b>		<u>(207,865,438)</u>	<u>(219,283,808)</u>
Other gain	35	<u>347,928</u>	-
<b>OPERATING PROFIT</b>		30,273,380	145,152,150
Non-operating income		-	3,200
Non-operating expense		<u>(206,765)</u>	<u>(304,898)</u>
<b>PROFIT BEFORE TAX</b>		30,066,615	144,850,452
Less: Income tax expense	36	<u>(4,811,861)</u>	<u>(28,650,323)</u>
<b>NET PROFIT</b>		<u>25,254,754</u>	<u>116,200,129</u>
<b>OTHER COMPREHENSIVE INCOME, NET OF TAX</b>			
Items that may be reclassified subsequently to profit or loss			
- Fair value gain/(loss) on available-for-sale financial assets	23	<u>466,445</u>	<u>(1,133,617)</u>
<b>TOTAL COMPREHENSIVE INCOME</b>		<u>25,721,199</u>	<u>115,066,512</u>

*The notes on pages 48 to 144 form an integral part of these financial statements.*

	Paid-in Capital	Capital Reserve	Other Comprehensive Income	Surplus Reserve	General Reserve	Retained Earnings	Total
1. Balance as at 1 January 2017	<u>3,196,000,000</u>	<u>2,881,771</u>	<u>(850,088)</u>	<u>98,774,711</u>	<u>189,076,846</u>	<u>104,580,116</u>	<u>3,590,463,356</u>
2. Movements during the year	-	-	<u>466,445</u>	<u>2,525,475</u>	-	<u>22,729,279</u>	<u>25,721,199</u>
(1) Total comprehensive income	-	-	466,445	-	-	25,254,754	25,721,199
(2) Profit distribution	-	-	-	2,525,475	-	(2,525,475)	-
1. Appropriation to surplus reserve	-	-	-	2,525,475	-	(2,525,475)	-
2. Appropriation to general reserve	-	-	-	-	-	-	-
3. Distribution to Shareholder	-	-	-	-	-	-	-
3. Balance as at 31 December 2017	<u><u>3,196,000,000</u></u>	<u><u>2,881,771</u></u>	<u><u>(383,643)</u></u>	<u><u>101,300,186</u></u>	<u><u>189,076,846</u></u>	<u><u>127,309,395</u></u>	<u><u>3,616,184,555</u></u>

*The notes on pages 48 to 144 form an integral part of these financial statements.*

	Paid-in Capital	Capital Reserve	Other Comprehensive Income	Surplus Reserve	General Reserve	Retained Earnings	Total
1. Balance as at 1 January 2016	<u>3,196,000,000</u>	<u>2,881,771</u>	<u>283,529</u>	<u>87,154,698</u>	<u>189,076,846</u>	<u>129,540,343</u>	<u>3,604,937,187</u>
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	<u>3,196,000,000</u>	<u>2,881,771</u>	<u>(850,088)</u>	<u>98,774,711</u>	<u>189,076,846</u>	<u>104,580,116</u>	<u>3,590,463,356</u>

*The notes on pages 48 to 144 form an integral part of these financial statements.*

	<u>Note 5</u>	<u>Year 2017</u>	<u>Year 2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
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		907,322,048	-
Net decrease in placements with banks and other financial institutions		28,435,667	-
Cash received from interest, service fee and commission		423,859,342	393,018,088
Net increase in placements from banks and other financial institutions		-	950,526,485
Cash received from other operating activities		<u>113,295,276</u>	<u>3,200</u>
Sub-total of cash inflows from operating activities		<u>1,472,912,333</u>	<u>2,424,837,589</u>
Net decrease in customer deposits and due to banks and other financial institutions		1,699,383,963	-
Net increase in due from the central bank		-	1,787,025,586
Net increase in due from banks and other financial institutions		36,240,541	-
Net increase in loans and advances to customers		382,775,106	809,675,931
Net decrease in placements from banks and other financial institutions		662,596,425	-
Net increase in placements with banks and other financial institutions		-	605,883,161
Payments made for interest, service fee and commission		129,477,584	143,754,945
Cash paid to and on behalf of employees		108,468,237	98,343,470
Cash paid for all types of taxes		3,742,161	22,101,579
Cash paid for other operating activities		<u>58,249,637</u>	<u>196,021,324</u>
Sub-total of cash outflows from operating activities		<u>3,080,933,654</u>	<u>3,662,805,996</u>
Net cash flows from operating activities	36	<u>(1,608,021,321)</u>	<u>(1,237,968,407)</u>

*The notes on pages 48 to 144 form an integral part of these financial statements.*

	<u>Note 5</u>	<u>Year 2017</u>	<u>Year 2016</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Cash received from maturity of investments	1,000,091,019	1,410,244,596	
Cash received from investment income		-	35,671,447
Sub-total of cash inflows from investing activities		<u>1,000,091,019</u>	<u>1,445,916,043</u>
Cash paid for purchase of fixed assets, intangible assets and other long term assets	2,367,191	4,784,709	
Cash paid for investment		<u>745,847,714</u>	<u>988,301,556</u>
Sub-total of cash outflows from investing activities		<u>748,214,905</u>	<u>993,086,265</u>
Net cash flows from investing activities		<u>251,876,114</u>	<u>452,829,778</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Sub-total of cash inflows from financing activities		-	-
Cash paid for distribution of profit		-	129,540,343
Subtotal of cash outflows from financing activities		-	<u>129,540,343</u>
Net cash flows from financing activities		-	<u>(129,540,343)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		<u>(72,136,723)</u>	<u>63,349,414</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(1,428,281,930)	(851,329,558)
Add: Cash and cash equivalents at beginning of the year		<u>3,912,586,533</u>	<u>4,763,916,091</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	37	<u><u>2,484,304,603</u></u>	<u><u>3,912,586,533</u></u>

*The notes on pages 48 to 144 form an integral part of these financial statements.*

## 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.

### Compliance with the Accounting Standards for Business Enterprises

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.

**CREDIT AGRICOLE CIB (CHINA) LIMITED**  
**Notes to Financial Statements (Continued)**  
**For the year ended 31 December 2017**  
**(Unless otherwise stated, expressed in RMB Yuan)**

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**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.

**CREDIT AGRICOLE CIB (CHINA) LIMITED**  
**Notes to Financial Statements (Continued)**  
**For the year ended 31 December 2017**  
**(Unless otherwise stated, expressed in RMB Yuan)**

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**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:

**CREDIT AGRICOLE CIB (CHINA) LIMITED**  
**Notes to Financial Statements (Continued)**  
**For the year ended 31 December 2017**  
**(Unless otherwise stated, expressed in RMB Yuan)**

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**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 doesn't fulfil the obligation, the guarantor 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 reorganization 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.

**CREDIT AGRICOLE CIB (CHINA) LIMITED**  
**Notes to Financial Statements (Continued)**  
**For the year ended 31 December 2017**  
**(Unless otherwise stated, expressed in RMB Yuan)**

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**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.

**CREDIT AGRICOLE CIB (CHINA) LIMITED**  
**Notes to Financial Statements (Continued)**  
**For the year ended 31 December 2017**  
**(Unless otherwise stated, expressed in RMB Yuan)**

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**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.

**CREDIT AGRICOLE CIB (CHINA) LIMITED**  
**Notes to Financial Statements (Continued)**  
**For the year ended 31 December 2017**  
**(Unless otherwise stated, expressed in RMB Yuan)**

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**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 recognition 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.

The Bank records the operating leasing as lessee

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) Government subsidies**

Government subsidies will be recognized if the Bank can receive government subsidies and meet the conditions attached to government subsidies. If government subsidies are monetary assets, they shall be measured in the light of the amount received or receivable. If a government subsidy is a non-monetary asset, it shall be measured at its fair value; and if its fair value cannot be obtained in a reliable way, it shall be measured at a nominal amount.

**CREDIT AGRICOLE CIB (CHINA) LIMITED**  
**Notes to Financial Statements (Continued)**  
**For the year ended 31 December 2017**  
**(Unless otherwise stated, expressed in RMB Yuan)**

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**3. Significant accounting policies and estimates (continued)**

**(16) Government subsidies (continued)**

Government subsidies associated with income which are used as compensation for future costs, expenses or losses are recognized as deferred expenditures and shall recorded in future profits and losses to reverse the related costs where the relevant costs, expenses or losses are recognized.

Government subsidies associated with income which are used to compensate the related costs, expenses or losses incurred by the Bank are directly included in current profit and loss or used to reverse the related costs.

Government subsidies associated with assets shall set off the book value of related assets or be recognized as deferred expenditures if the Government subsidies. Government subsidies related to assets are recognized as deferred expenditures to be distributed over the useful lives of the relevant assets and shall be recorded in the profit or loss by stages in a reasonable and systematic manner. Government subsidies measured in nominal amounts, shall directly recognized in current profits and losses. Where relevant assets are sold, transferred, scrapped or damaged before the end of their lives, balance of the unallocated deferred expenditures shall be recognized in current profit and loss on asset disposal.

**(17) 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.

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.

### 3. Significant accounting policies and estimates (continued)

#### (18) 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 recognised 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.

**CREDIT AGRICOLE CIB (CHINA) LIMITED**  
**Notes to Financial Statements (Continued)**  
**For the year ended 31 December 2017**  
**(Unless otherwise stated, expressed in RMB Yuan)**

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**3. Significant accounting policies and estimates (continued)**

**(18) 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 when fulfilling of the following conditions:

- (i) A legally enforceable right exists to set off current tax assets against current tax liabilities.
- (ii) The deferred tax assets and deferred tax liabilities are related to the income tax levied on the same taxpayer by the same tax administrative department or are related to different taxpayers but, within each future period of reversal of important deferred tax assets and deferred tax liabilities, the taxpayers involved intend to settle current tax assets and current tax liabilities or acquire assets and liquidate liabilities at the same time.

### **3. Significant accounting policies and estimates (continued)**

#### **(19) 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.

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

#### **(20) 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.

**CREDIT AGRICOLE CIB (CHINA) LIMITED**  
**Notes to Financial Statements (Continued)**  
**For the year ended 31 December 2017**  
**(Unless otherwise stated, expressed in RMB Yuan)**

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**3. Significant accounting policies and estimates (continued)**

**(20) 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.

**(21) 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.

Impairment losses of loans and advances

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.

Fair value of financial instruments

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)**

**(21) 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.

**CREDIT AGRICOLE CIB (CHINA) LIMITED**  
**Notes to Financial Statements (Continued)**  
**For the year ended 31 December 2017**  
**(Unless otherwise stated, expressed in RMB Yuan)**

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**3. Significant accounting policies and estimates (continued)**

**(22) Changes to principal accounting policies and accounting estimates**

Changes in accounting policies

According to The Accounting Standards for Business Enterprises No.16 - Government Subsidies (Cai Kuai [2017] No.15), the bank shall separately present the "other gains" item above the "Operating profits" item. Any government grant related to the daily activities of an enterprise shall be presented in the "other gains" item instead of "non-operating income" item. To link up with the previous version of the standards, for the government subsidies obtained before January 1, 2017, the prospective application method shall apply for the accounting treatment, for the newly increased government subsidies from January 1, 2017 to the value date of the accounting standards (June 6, 2017), the adjustment shall be made in accordance with this standards. The above-mentioned changes in accounting policies have no impacts on the "Net profit" item of the financial statements.

#### 4. Taxes

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

Value-added tax	– Calculate output tax based on 6% of taxable revenue and the Bank 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 (be cancelled since April 1 <sup>st</sup> 2017).
Corporate income tax	– The Bank is subjected to a corporate tax rate of 25%.

**CREDIT AGRICOLE CIB (CHINA) LIMITED**  
**Notes to Financial Statements (Continued)**  
**For the year ended 31 December 2017**  
**(Unless otherwise stated, expressed in RMB Yuan)**

**5. Notes to financial statements**

**(1) Cash and due from the central bank**

	2017-12-31	2016-12-31
Cash on hand	75,935	127,756
Statutory deposit reserve with the central bank - RMB	506,385,729	455,989,338
Statutory deposit reserve with the central bank - FCY	109,223,451	122,244,179
Excess reserve with the central bank	229,310,995	315,175,316
Foreign exchange risk reserve with the central bank	<u>685,540,312</u>	<u>1,630,238,023</u>
	<u><u>1,530,536,422</u></u>	<u><u>2,523,774,612</u></u>

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% (2016: 5%) of the balance of customer deposits denominated in foreign currencies, and 15% (2016: 14.5%) 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. Since 11th September 2017, the foreign exchange risk reserve is calculated at 0% of the contractual amount of forward sales of exchanges in accordance with the PBOC announcement.

**(2) Due from banks and other financial institutions**

	2017-12-31	2016-12-31
Due from domestic banks	809,926,235	3,163,595,871
Due from foreign banks	<u>443,983,920</u>	<u>80,244,790</u>
Sub-total	1,253,910,155	3,243,840,661
Less: Impairment provisions for due from banks (Note 1)	<u>(2,219,920)</u>	<u>(1,651,285)</u>
Net amount of due from banks	<u><u>1,251,690,235</u></u>	<u><u>3,242,189,376</u></u>

## 5. Notes to financial statements (continued)

### (2) Due from banks and other financial institutions (continued)

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

	2017-12-31	2016-12-31
Placements with domestic banks	1,954,241,667	1,758,628,334
Placements with foreign banks	<u>106,372,100</u>	<u>153,442,800</u>
Sub-total	2,060,613,767	1,912,071,134
Less: Impairment provisions for placements with banks and other financial institutions (Note 1)	<u>(13,185,304)</u>	<u>(11,327,570)</u>
Net amount of placements with banks and other financial institutions	<u><u>2,047,428,463</u></u>	<u><u>1,900,743,564</u></u>

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 2,882,236 in 2017 (2016: RMB 1,767,214)

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

	2017-12-31	2016-12-31
<i>Held-for-trading financial assets</i>		
Bond investments:		
Government bonds	<u><u>10,187,255</u></u>	<u><u>10,654,470</u></u>

**CREDIT AGRICOLE CIB (CHINA) LIMITED**  
**Notes to Financial Statements (Continued)**  
**For the year ended 31 December 2017**  
**(Unless otherwise stated, expressed in RMB Yuan)**

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

**(5) Derivative financial instruments**

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:

2017-12-31

	Notional Amount	Fair Value	
		Assets	Liabilities
Foreign exchange contracts:			
Forwards	12,992,019,280	228,163,241	(121,438,735)
Swaps	156,127,648,615	2,097,959,652	(2,188,226,640)
Options	<u>3,814,679,148</u>	<u>13,768,383</u>	<u>(9,945,041)</u>
Sub-total	<u>172,934,347,043</u>	<u>2,339,891,276</u>	<u>(2,319,610,416)</u>
Provisions for foreign exchange contracts (Note 1)	-	(1,530,439)	-
Net amount of foreign exchange contracts	<u>172,934,347,043</u>	<u>2,338,360,837</u>	<u>(2,319,610,416)</u>
Interest rate contracts			
Swaps	25,348,870,556	52,170,870	(46,189,562)
Cross-currency swaps	<u>2,110,471,523</u>	<u>35,626,044</u>	<u>(2,376,840)</u>
Sub-total	<u>27,459,342,079</u>	<u>87,796,914</u>	<u>(48,566,402)</u>
Provisions for interest rate contracts (Note 1)	-	(253,676)	-
Net amount of interest rate contracts	<u>27,459,342,079</u>	<u>87,543,238</u>	<u>(48,566,402)</u>
Non-deliverable forwards	<u>11,603,192,795</u>	<u>103,334,519</u>	<u>(103,419,055)</u>
Sub-total	<u>11,603,192,795</u>	<u>103,334,519</u>	<u>(103,419,055)</u>

## 5. Notes to financial statements (continued)

### (5) Derivative financial instruments (continued)

2017-12-31 (continued)

	Notional Amount	Fair Value	
		Assets	Liabilities
Provisions for non-deliverable forward contracts (Note 1)	-	(407,624)	-
Net amount of non-deliverable forward contracts	11,603,192,795	102,926,895	(103,419,055)
<b>Total</b>	<b>211,996,881,917</b>	<b>2,528,830,970</b>	<b>(2,471,595,873)</b>

2016-12-31

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

## 5. Notes to financial statements (continued)

**CREDIT AGRICOLE CIB (CHINA) LIMITED**  
**Notes to Financial Statements (Continued)**  
**For the year ended 31 December 2017**  
**(Unless otherwise stated, expressed in RMB Yuan)**

**(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**

	31-12-2017	31-12-2016
Interest receivables on loans	11,267,391	8,858,343
Interest receivables from banks	13,765,437	7,030,257
Interest receivables on bonds	<u>12,553,015</u>	<u>7,947,616</u>
Sub-total	<u>37,585,843</u>	<u>23,836,216</u>
Less: Impairment provisions for interest receivables (Note 1)	<u>(1,791)</u>	<u>(138,184)</u>
	<u><u>37,584,052</u></u>	<u><u>23,698,032</u></u>

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 1,791 in 2017 (2016: RMB 1,164).

Movements of interest receivables:

	Interest receivables on loans	Interest receivables from banks	Interest receivables on bonds	Total
2017				
Opening balance	<u>8,858,343</u>	<u>7,030,257</u>	<u>7,947,616</u>	<u>23,836,216</u>
Accrued	232,168,517	111,320,507	16,354,952	359,843,976
Received	<u>229,759,469</u>	<u>104,585,327</u>	<u>11,749,553</u>	<u>346,094,349</u>
Closing balance	<u><u>11,267,391</u></u>	<u><u>13,765,437</u></u>	<u><u>12,553,015</u></u>	<u><u>37,585,843</u></u>

## 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	Total
2016				
Opening balance	<u>8,568,641</u>	<u>7,973,579</u>	<u>10,197,540</u>	<u>26,739,760</u>
Accrued	167,054,695	125,273,728	13,369,547	305,697,970
Received	<u>166,764,993</u>	<u>126,217,050</u>	<u>15,619,471</u>	<u>308,601,514</u>
Closing balance	<u>8,858,343</u>	<u>7,030,257</u>	<u>7,947,616</u>	<u>23,836,216</u>

### (7) Loans and advances to customers

#### 7.1 Distribution of loans and advances by corporate

	31-12-2017	31-12-2016
Corporate loans and advances:		
- Loans	3,215,139,525	2,764,606,745
- Trade finance	<u>1,102,233,477</u>	<u>1,171,191,151</u>
Sub-total	<u>4,317,373,002</u>	<u>3,935,797,896</u>
Less: Impairment provisions for loans	<u>(108,082,538)</u>	<u>(99,979,191)</u>
Net value of loans and advances to customers	<u>4,209,290,464</u>	<u>3,835,818,705</u>

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 zero in 2017 (2016: RMB 413,507).

**CREDIT AGRICOLE CIB (CHINA) LIMITED**  
**Notes to Financial Statements (Continued)**  
**For the year ended 31 December 2017**  
**(Unless otherwise stated, expressed in RMB Yuan)**

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

**(7) Loans and advances to customers (continued)**

**7.2 Distribution of loans and advances to customers by industry**

	31-12-2017		31-12-2016	
	Amount	%	Amount	%
Real estates	1,792,731,910	41	574,334,252	15
Manufacturing	1,539,326,517	36	1,470,806,088	37
Wholesale and retail	684,333,305	16	1,331,848,304	34
Telecommunication, software and information technology service	209,777,522	5	339,384,134	9
Production and supply of electricity, heat, gas and water	-	-	50,000,000	1
Others	91,203,748	2	169,425,118	4
Total amount of loans and advances	4,317,373,002	100	3,935,797,896	100
Impairment provisions for loans	(108,082,538)		(99,979,191)	
Net value of loans and advances	4,209,290,464		3,835,818,705	

**7.3 Distribution of loans and advances to customers by geographical region**

	31-12-2017		31-12-2016	
	Amount	%	Amount	%
East	3,113,970,147	72	2,755,116,563	70
North	585,714,223	14	634,043,312	16
South	320,688,632	7	376,638,021	10
Northwest	-	-	120,000,000	3
Southwest	297,000,000	7	50,000,000	1
Total amount of loans and advances	4,317,373,002	100	3,935,797,896	100
Impairment provisions for loans	(108,082,538)		(99,979,191)	
Net value of loans and advances	4,209,290,464		3,835,818,705	

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

	31-12-2017	31-12-2016
Unsecured loans	510,959,843	938,783,595
Guaranteed loans	2,009,174,095	950,962,607
Secured by mortgages	582,333,305	560,333,308
Secured by pledges	<u>1,214,905,759</u>	<u>1,485,718,386</u>
Total amount of loans and advances	<u><u>4,317,373,002</u></u>	<u><u>3,935,797,896</u></u>
Impairment provisions for loans	<u>(108,082,538)</u>	<u>(99,979,191)</u>
Net value of loans and advances	<u><u>4,209,290,464</u></u>	<u><u>3,835,818,705</u></u>

7.5 Overdue loans

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

As at 31 December 2017, there isn't any Overdue loans exist.

**CREDIT AGRICOLE CIB (CHINA) LIMITED**  
**Notes to Financial Statements (Continued)**  
**For the year ended 31 December 2017**  
**(Unless otherwise stated, expressed in RMB Yuan)**

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

**(7) Loans and advances to customers (continued)**

**7.6 Impairment provisions for loans**

	Collective	Individual	Total
2017			
Opening balance	<u>98,890,018</u>	<u>1,089,173</u>	<u>99,979,191</u>
Charge during the year(Notes 5, 32)	9,192,520	110,827	9,303,347
Write off during the year(Notes 5, 32)	<u>-</u>	<u>(1,200,000)</u>	<u>(1,200,000)</u>
Closing balance	<u><u>108,082,538</u></u>	<u><u>-</u></u>	<u><u>108,082,538</u></u>
	Collective	Individual	Total
2016			
Opening balance	<u>80,718,065</u>	<u>2,274,972</u>	<u>82,993,037</u>
Charge/(Reversal) during the year(Notes 5, 32)	<u>18,171,953</u>	<u>(1,185,799)</u>	<u>16,986,154</u>
Closing balance	<u><u>98,890,018</u></u>	<u><u>1,089,173</u></u>	<u><u>99,979,191</u></u>

**(8) Available-for-sale financial assets**

	31-12-2017	31-12-2016
Government bonds	506,826,960	508,140,801
Financial bonds	<u>479,046,240</u>	<u>479,027,304</u>
	<u><u>985,873,200</u></u>	<u><u>987,168,105</u></u>
	31-12-2017	31-12-2016
Amortised cost	986,384,724	988,301,556
Fair value	985,873,200	987,168,105
Changes in fair value of available-for-sale financial assets recognised as other comprehensive income	<u>(511,524)</u>	<u>(1,133,451)</u>
	<u><u>985,873,200</u></u>	<u><u>987,168,105</u></u>

5. Notes to financial statements (continued)

(9) Account receivables investments

	31-12-2017	31-12-2016
Asset-based security	<u>227,780,000</u>	<u>-</u>

(10) Fixed assets

	Office equipment and motor vehicles	Computers	Total
Cost:			
At 1 January 2016	6,432,150	10,549,829	16,981,979
Additions	87,986	1,883,325	1,971,311
Disposals	<u>(122,493)</u>	<u>(51,360)</u>	<u>(173,853)</u>
At 31 December 2016	<u>6,397,643</u>	<u>12,381,794</u>	<u>18,779,437</u>
Additions	<u>-</u>	<u>1,224,903</u>	<u>1,224,903</u>
At 31 December 2017	<u>6,397,643</u>	<u>13,606,697</u>	<u>20,004,340</u>
Accumulated depreciation:			
At 1 January 2016	3,875,416	9,546,815	13,422,231
Additions	475,591	1,006,375	1,481,966
Disposals	<u>(53,725)</u>	<u>(51,360)</u>	<u>(105,085)</u>
At 31 December 2016	<u>4,297,282</u>	<u>10,501,830</u>	<u>14,799,112</u>
Additions	<u>484,573</u>	<u>887,297</u>	<u>1,371,870</u>
At 31 December 2017	<u>4,781,855</u>	<u>11,389,127</u>	<u>16,170,982</u>
Net book value:			
At 31 December 2017	<u>1,615,788</u>	<u>2,217,570</u>	<u>3,833,358</u>
At 31 December 2016	<u>2,100,361</u>	<u>1,879,964</u>	<u>3,980,325</u>
At 1 January 2016	<u>2,556,734</u>	<u>1,003,014</u>	<u>3,559,748</u>

**CREDIT AGRICOLE CIB (CHINA) LIMITED**  
**Notes to Financial Statements (Continued)**  
**For the year ended 31 December 2017**  
**(Unless otherwise stated, expressed in RMB Yuan)**

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

**(11) Intangible assets**

	31-12-2017	31-12-2016
Software		
Cost:		
Opening balance	13,330,560	11,442,512
Additions	1,142,288	1,961,625
Disposals	-	(73,577)
Closing balance	14,472,848	13,330,560
Accumulated amortisation:		
Opening balance	10,742,669	9,084,243
Additions	1,499,087	1,732,003
Disposals	-	(73,577)
Closing balance	12,241,756	10,742,669
Net carrying amount:		
Closing balance	2,231,092	2,587,891

**(12) Deferred tax assets**

2017

	Opening balance	Credited/ (charged) to income statement	Credited/ (Charged) to equity	Closing balance
Impairment provisions	14,148,630	1,714,627	-	15,863,257
Unrealised profit or loss on the available-for-sale financial assets	283,363	-	(155,482)	127,881
Changes in fair value of derivatives	(23,839,559)	8,577,320	-	(15,262,239)
Unrealised profit or loss on the financial assets at fair value through profit or loss	(72,141)	116,804	-	44,663
Accrued expenses	4,552,176	5,194,574	-	9,746,750
Accrued liabilities	22,413,906	(1,301,474)	-	21,112,432
Deferred revenue	4,972,765	(644,409)	-	4,328,356
Intangible assets	143,878	54,137	-	198,015
Total	22,603,018	13,711,579	(155,482)	36,159,115

## 5. Notes to financial statements (continued)

### (12) Deferred tax assets (continued)

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	<u>20,989,524</u>	<u>6,541,025</u>	<u>-</u>	<u>27,530,549</u>
Total	<u><u>36,983,355</u></u>	<u><u>(14,758,210)</u></u>	<u><u>377,873</u></u>	<u><u>22,603,018</u></u>

### (13) Other assets

	Notes	31-12-2017	31-12-2016
Long-term deferred expenses	13.1	7,519,058	9,890,607
Other receivables	13.2	19,722,490	70,045,804
Input VAT to be verified		<u>2,005,878</u>	<u>1,595,151</u>
Sub-total		29,247,426	81,531,562
Less: Impairment provisions for other receivables		<u>(162,667)</u>	<u>(224,612)</u>
Other assets		<u><u>29,084,759</u></u>	<u><u>81,306,950</u></u>

#### 13.1 Long-term deferred expenses

2017

	Leasehold improvement	Others	Total
Opening balance	7,846,625	2,043,982	9,890,607
Additions	-	-	-
Amortisation	(1,880,993)	(490,556)	(2,371,549)
Disposals	<u>-</u>	<u>-</u>	<u>-</u>
Closing balance	<u><u>5,965,632</u></u>	<u><u>1,553,426</u></u>	<u><u>7,519,058</u></u>

**CREDIT AGRICOLE CIB (CHINA) LIMITED**  
**Notes to Financial Statements (Continued)**  
**For the year ended 31 December 2017**  
**(Unless otherwise stated, expressed in RMB Yuan)**

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

**(13) Other assets (continued)**

**13.1 Long-term deferred expenses (continued)**

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	<u>7,846,625</u>	<u>2,043,982</u>	<u>9,890,607</u>

**13.2 Other receivables**

	31-12-2017	31-12-2016
Guarantee deposit for business	1,050,508	48,668,198
Rental deposits	3,411,292	3,409,388
Fee and commission receivables	10,594,151	16,524,219
Others	<u>4,666,539</u>	<u>1,443,999</u>
Total	<u>19,722,490</u>	<u>70,045,804</u>

**(14) Provisions for impairment losses**

2017	Opening Balance	Accrual/ (Reversal)	Write off	Closing Balance
Impairment provisions for due from banks and other financial institutions	1,651,285	568,635	-	2,219,920
Impairment provisions for placements with banks and other financial institutions	11,327,570	1,857,734	-	13,185,304
Impairment provisions for loans	99,979,191	9,303,347	1,200,000	108,082,538
Impairment provisions for interest receivables	138,184	627	137,020	1,791
Impairment provisions for other receivables	224,612	(10,028)	51,917	162,667
Impairment provisions for derivative financial assets	<u>1,752,366</u>	<u>439,373</u>	-	<u>2,191,739</u>
合计	<u>115,073,208</u>	<u>12,159,688</u>	<u>1,388,937</u>	<u>125,843,959</u>



**CREDIT AGRICOLE CIB (CHINA) LIMITED**  
**Notes to Financial Statements (Continued)**  
**For the year ended 31 December 2017**  
**(Unless otherwise stated, expressed in RMB Yuan)**

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

**(14) Provisions for impairment losses (continued)**

2016	Opening Balance	Accrual/ (Reversal)	Write off	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
合计	<u>116,619,013</u>	<u>(1,545,805)</u>	-	<u>115,073,208</u>

**(15) Due to banks and other financial institutions**

	31-12-2017	31-12-2016
Due to overseas financial institutions	<u>977,555,209</u>	<u>2,078,507,795</u>

**(16) Placements from banks and other financial institutions**

	31-12-2017	31-12-2016
Placements from domestic banks	526,710,000	312,415,785
Placements from overseas banks	<u>135,911,360</u>	<u>1,012,802,000</u>
	<u>662,621,360</u>	<u>1,325,217,785</u>

**(17) Customer deposits**

	31-12-2017	31-12-2016
Time deposits	3,965,934,542	4,341,543,818
Demand deposits	895,798,470	1,142,161,711
Margin deposits	<u>25,000,000</u>	<u>1,458,860</u>
	<u>4,886,733,012</u>	<u>5,485,164,389</u>

5. Notes to financial statements (continued)

(18) Payroll payables

	31-12-2017	31-12-2016
Amount unpaid		
Salary, bonus, subsidy and allowance	34,503,571	28,353,042
Housing fund	106,958	-
Social insurance	-	30,960
Labour union expenditure and staff education fee	525	300,488
Defined contribution plan	2,320,036	2,390,242
Of which:		
Annuity	<u>2,320,036</u>	<u>2,390,242</u>
 Total	 <u><u>36,931,090</u></u>	 <u><u>31,074,732</u></u>
	31-12-2017	31-12-2016
Amount payable		
Salary, bonus, subsidy and allowance	98,483,369	88,680,315
Social insurance	1,069,503	1,654,521
Housing fund	1,973,491	1,773,355
Labour union expenditure and staff education fee	2,255,964	2,078,812
Defined contribution plan	10,542,268	10,979,641
Of which:		
Pension fund	6,268,044	5,341,643
Unemployment insurance	259,977	295,224
Annuity	4,014,247	5,342,774
Termination benefits will be paid within one year	<u>-</u>	<u>(1,465,000)</u>
 Total	 <u><u>114,324,595</u></u>	 <u><u>103,701,644</u></u>

**CREDIT AGRICOLE CIB (CHINA) LIMITED**  
**Notes to Financial Statements (Continued)**  
**For the year ended 31 December 2017**  
**(Unless otherwise stated, expressed in RMB Yuan)**

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

**(19) Tax payables**

	31-12-2017	31-12-2016
Company income tax payable	19,175,950	4,813,344
Unpaid Value-added tax	4,115,415	3,482,253
Withholding Value-added tax	2,418,430	1,755,965
Accrued withholding income tax	2,248,436	674,052
Others	<u>1,657,341</u>	<u>1,447,436</u>
	<u><u>29,615,572</u></u>	<u><u>12,173,050</u></u>

**(20) Interest payables**

	31-12-2017	31-12-2016
Interest payable to depositors	39,878,236	27,461,590
Interest payable to banks	<u>2,286,001</u>	<u>12,891,388</u>
	<u><u>42,164,237</u></u>	<u><u>40,352,978</u></u>

The movement of interest payables:

	Interest payable to depositors	Interest payable to banks
1-1-2016	21,615,330	30,966,075
Accrued	56,419,329	51,776,188
Paid	<u>50,573,069</u>	<u>69,850,875</u>
31-12-2016	<u><u>27,461,590</u></u>	<u><u>12,891,388</u></u>
Accrued	76,449,553	22,869,923
Paid	<u>64,032,907</u>	<u>33,475,310</u>
31-12-2017	<u><u>39,878,236</u></u>	<u><u>2,286,001</u></u>

5. Notes to financial statements (continued)

(21) Other liabilities

	Notes	31-12-2017	31-12-2016
Accrued liability		84,449,729	89,655,623
Deferred income		11,384,895	15,428,541
Other payables	21.1	<u>81,273,853</u>	<u>60,092,668</u>
		<u>177,108,477</u>	<u>165,176,832</u>

21.1 Other payables

		31-12-2017	31-12-2016
Service fee to parent bank (Note 6)		20,810,721	19,049,989
Guarantee fee to parent bank (Note 6)		7,072,910	5,129,540
Professional service fees payable		3,715,489	3,725,628
Letter of guarantee commission expenses payable		104,392	12,707
Technology maintenance fee to parent bank (Note 6)		5,288,615	8,157,553
Settlement and clearing		15,167,282	11,195,710
Others		<u>29,114,444</u>	<u>12,821,541</u>
		<u>81,273,853</u>	<u>60,092,668</u>

(22) Paid-in capital

	2017		2016	
	RMB equivalent	%	RMB equivalent	%
CA-CIB	<u>3,196,000,000</u>	<u>100.00%</u>	<u>3,196,000,000</u>	<u>100.00%</u>

On December 31, 2017 and December 31, 2016, 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.

**CREDIT AGRICOLE CIB (CHINA) LIMITED**  
**Notes to Financial Statements (Continued)**  
**For the year ended 31 December 2017**  
**(Unless otherwise stated, expressed in RMB Yuan)**

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

**(23) Other comprehensive income**

Accumulated balance of other comprehensive income in the balance sheet:

	1-1-2017	Increase/ (Decrease)	31-12-2017
Fair value changes of available-for-sale financial assets	<u>(850,088)</u>	<u>466,445</u>	<u>(383,643)</u>

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

Other comprehensive income in the income statement:

**2017**

	Before tax	Tax	After tax
Gains or losses arising from changes in fair value of available-for-sale financial assets	(511,524)	127,881	(383,643)
Less: Reclassification of other comprehensive income to profit or loss	<u>1,133,451</u>	<u>(283,363)</u>	<u>850,088</u>
Total other comprehensive income	<u>621,926</u>	<u>(155,482)</u>	<u>466,445</u>

**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	<u>(378,039)</u>	<u>94,510</u>	<u>(283,529)</u>
Total other comprehensive income	<u>(1,511,490)</u>	<u>377,873</u>	<u>(1,133,617)</u>

## 5. Notes to financial statements (continued)

### (24) Surplus reserves

2017	Opening balance	Increase	Decrease	Closing balance
surplus reserves	<u>98,774,711</u>	<u>2,525,475</u>	<u>-</u>	<u>101,300,186</u>
2016	Opening balance	Increase	Decrease	Closing balance
surplus reserves	<u>87,154,698</u>	<u>11,620,013</u>	<u>-</u>	<u>98,774,711</u>

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

	2017	2016
Opening balance	189,076,846	189,076,846
Increase	<u>-</u>	<u>-</u>
Closing balance	<u>189,076,846</u>	<u>189,076,846</u>

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 their gross risk assets at the year end.

As at 31 December 2017, the general reserves is no less than 1.5% of the Bank's total risk assets, and therefore no new general reserve is appropriated accrued this year.

**CREDIT AGRICOLE CIB (CHINA) LIMITED**  
**Notes to Financial Statements (Continued)**  
**For the year ended 31 December 2017**  
**(Unless otherwise stated, expressed in RMB Yuan)**

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

**(26) Retained earnings**

	2017	2016
Retained earnings brought forward	104,580,116	129,540,343
Net profit for the year	25,254,754	116,200,129
Less: Appropriation to surplus reserves	(2,525,475)	(11,620,013)
Distribution to shareholder	-	(129,540,343)
Appropriation to general reserves	-	-
	-	-
Closing balance of retained earnings	127,309,395	104,580,116

The bank has not appropriated any retained earnings to CRÉDIT AGRICOLE CIB S.A. ("CA-CIB") in 2017.

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").

**(27) Net interest income**

	2017	2016
Interest income:		
Loans and advances to customers	219,026,903	167,054,695
Placements with banks and other financial institutions	85,701,360	71,778,920
Due from the central bank	11,241,917	11,153,960
Due from banks and other financial institutions	25,303,263	53,494,808
	-	-
Sub-total	341,273,443	303,482,383

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

**(27) Net interest income (continued)**

	2017	2016
Interest expense:		
Customer deposits	76,449,553	56,419,329
Placements from banks and other financial institutions	13,950,093	41,865,667
Due to banks and other financial institutions	<u>8,919,830</u>	<u>9,910,521</u>
Sub-total	<u>99,319,476</u>	<u>108,195,517</u>
Net interest income	<u><u>241,953,967</u></u>	<u><u>195,286,866</u></u>

**(28) Net fees and commission income**

	2017	2016
Fees and commission income:		
Guarantee related income	10,278,482	13,659,419
Credit related income	15,282,562	20,157,546
Settlement and clearing fees	3,010,504	3,090,091
Agency brokerage fees	55,272,676	54,162,000
Others	<u>2,093,430</u>	<u>1,209,187</u>
Sub-total	<u>85,937,654</u>	<u>92,278,243</u>
Fees and commission expense:		
Fee expenses	<u>27,925,721</u>	<u>22,130,194</u>
Sub-total	<u>27,925,721</u>	<u>22,130,194</u>
Net fees and commission income	<u><u>58,011,933</u></u>	<u><u>70,148,049</u></u>

**CREDIT AGRICOLE CIB (CHINA) LIMITED**  
**Notes to Financial Statements (Continued)**  
**For the year ended 31 December 2017**  
**(Unless otherwise stated, expressed in RMB Yuan)**

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

**(29) Investment income**

	2017	2016
Net profit from financial assets investment	15,689,333	11,389,376
Bond interest income	16,354,952	13,369,547
Net realised gain/(loss) on derivatives	<u>(55,912,101)</u>	<u>8,662,599</u>
	<u><u>(23,867,816)</u></u>	<u><u>33,421,522</u></u>

**(30) (Loss)/Gain from changes in fair values**

	2017	2016
Derivative financial instruments	(34,309,280)	70,003,684
Financial assets at fair value through profit or loss	<u>(467,214)</u>	<u>(9,312)</u>
	<u><u>(34,776,494)</u></u>	<u><u>69,994,372</u></u>

**(31) Tax and surcharges**

	2017	2016
City construction tax	1,138,353	3,293,564
Education surcharge	487,866	1,411,527
Local education surcharge	325,244	941,018
Stamp duty	264,496	73,709
Other tax and surcharges	<u>35,132</u>	<u>399,256</u>
	<u><u>2,251,091</u></u>	<u><u>6,119,074</u></u>

5. Notes to financial statements (continued)

(32) General and administrative expenses

	2017	2016
Staff costs	114,324,595	103,701,644
Operating expenses	79,093,452	80,661,541
Depreciation	1,371,870	1,481,966
Amortisation expenses for intangible assets	1,499,087	1,732,003
Amortisation for long-term deferred expenses	<u>2,371,549</u>	<u>2,251,422</u>
	<u>198,660,553</u>	<u>189,828,576</u>

(33) Impairment losses

	2017	2016
Impairment losses for due from banks and other financial institutions	568,635	(4,005,935)
Impairment losses for placements with banks and other financial institutions	1,857,734	(14,983,177)
Impairment losses for loans	9,303,347	16,986,154
Impairment losses for derivative financial assets	439,373	591,710
Impairment losses for Interest receivables	627	(145,596)
Impairment losses for other receivables	<u>(10,028)</u>	<u>11,039</u>
	<u>12,159,688</u>	<u>(1,545,805)</u>

(34) Other operating expenses

	2017	2016
Impairment losses for letter of guarantee	<u>(5,205,894)</u>	<u>24,881,963</u>

**CREDIT AGRICOLE CIB (CHINA) LIMITED**  
**Notes to Financial Statements (Continued)**  
**For the year ended 31 December 2017**  
**(Unless otherwise stated, expressed in RMB Yuan)**

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

**(35) Other gain**

	2017	2016
Government subsidies associated with income	<u>347,928</u>	<u>-</u>

**(36) Income tax expenses**

	2017	2016
Income tax expenses for the current year	18,523,440	13,892,113
Deferred income tax expenses	<u>(13,711,579)</u>	<u>14,758,210</u>
	<u>4,811,861</u>	<u>28,650,323</u>

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

	2017	2016
Profit before tax	30,066,615	144,850,452
Tax charge on a tax rate at 25%	7,516,654	36,212,613
Tax-free interest income of government bonds	(3,498,582)	(3,208,821)
Non-deductible items	200,450	165,083
Adjustment in respect of prior periods	<u>593,339</u>	<u>(4,518,552)</u>
	<u>4,811,861</u>	<u>28,650,323</u>

5. Notes to financial statements (continued)

(37) Cash flows from operating activities

From net profit to cash flows from operating activities:

	2017	2016
Net profit:	25,254,754	116,200,129
Adjusted by:		
Impairment loss	12,159,688	(1,545,805)
Other operating expense	(5,205,894)	24,881,963
Depreciation and amortization	5,242,506	5,465,391
Losses on disposal of fixed assets and other long-term assets		204,898
Fair value loss/(gains)	34,776,494	(69,994,372)
Investment income	23,867,816	(33,421,522)
(Decrease)/Increase in deferred income tax	(13,711,579)	14,758,210
Decrease/(Increase) in operating receivables	557,476,973	(3,215,880,121)
(Decrease)/Increase in operating payables	<u>(2,247,882,079)</u>	<u>1,921,362,822</u>
Net cash provided by operating activities	<u><u>(1,608,021,321)</u></u>	<u><u>(1,237,968,407)</u></u>

**CREDIT AGRICOLE CIB (CHINA) LIMITED**  
**Notes to Financial Statements (Continued)**  
**For the year ended 31 December 2017**  
**(Unless otherwise stated, expressed in RMB Yuan)**

5. Notes to financial statements (continued)

(37) Cash and cash equivalent

	31-12-2017	31-12-2016
Cash (notes 5, 1)	75,935	127,756
Excess reserves with the central bank (notes 5, 1)	229,310,995	315,175,316
Due from financial institutions with maturity less than three months from acquisition date	1,217,669,614	3,243,840,661
Placements with financial institutions with maturity less than three months from acquisition date	530,421,100	353,442,800
Available-for-sale financial assets with maturity less than three months from acquisition date	<u>506,826,959</u>	<u>-</u>
Closing balance of cash and cash equivalents	<u><u>2,484,304,603</u></u>	<u><u>3,912,586,533</u></u>

## 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 2017 are as follows:

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

### (2) Parent company of the Bank

<u>Name</u>	<u>Registered location</u>	<u>Main business</u>	<u>Shareholding</u>	<u>Proportion of voting rights</u>	<u>Share Capital</u>
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.

### (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 – LATTES	Branch of parent bank
CA SRBIJA AD NOVI SA	Branch of parent bank
CREDIT AGRICOLE POL	Branch of parent bank
CREDIT DU MAROC	Branch of parent bank
CREDIT LYONNAIS	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
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**CREDIT AGRICOLE CIB (CHINA) LIMITED**  
**Notes to Financial Statements (Continued)**  
**For the year ended 31 December 2017**  
**(Unless otherwise stated, expressed in RMB Yuan)**

<b>6.</b>	<b>Related party transactions (continued)</b>		
	<b>(4) Main transactions between the Bank and related parties</b>		
	(i) Provide funding		
		2017	2016
	Interest income from financial institutions:		
	GAC-SOFINCO Automobile Finance Co.,Ltd.	924,139	11,045,775
	CA-CIB Luxembourg Branch	1,428,639	123,949
	CA-CIB Hong Kong Branch	3,434,711	820,286
	CA-CIB	<u>1,333,256</u>	<u>7,278</u>
		<u><u>7,120,745</u></u>	<u><u>11,997,288</u></u>
	Interest expenses to financial institutions:		
	CA-CIB	10,236,987	36,742,075
	CA-CIB Hong Kong Branch	6,410,835	14,502,058
	CA-CIB Shenzhen Representative Office	<u>-</u>	<u>1</u>
		<u><u>16,647,822</u></u>	<u><u>51,244,134</u></u>
	(ii) Receive service		
		2017	2016
	Service fee to parent bank	20,570,965	18,851,782
	Guarantee fee to parent bank	8,742,455	6,001,136
	Technology maintenance expenses to parent bank	12,275,861	8,279,015
	Foreign exchange trading fee to parent bank	<u>177,002</u>	<u>272,423</u>
		<u><u>41,766,283</u></u>	<u><u>33,404,356</u></u>

6. Related party transactions (continued)

(4) Main transactions between the Bank and related parties (continued)

(iii) Investment and provide service

	2017	2016
CA-CIB Hong Kong Branch	48,973,507	(2,688,379)
CA-CIB Nantes Branch	2,689	4,517
CA-CIB Bangalore Branch	7,116	3,277
CA-CIB India Branch	547	1,008
CA-CIB Pune Branch	-	2,053
CA-CIB Singapore Branch	39,820	15,241
CA-CIB Algeria Branch	1,203	354
CA-CIB Belgium Branch	-	17,080
CA-CIB New York Branch	55,355	354,194
CA-CIB	20,814,536	109,905,371
CA-CIB London Branch	194,679,404	(359,325,523)
CA-CIB Tokyo Branch	3,247	4,046
CA-CIB New Delhi Branch	6,297	4,322
CA-CIB Korea Branch	76,686	93,549
CA-CIB Sweden Branch	13,942	10,471
CA-CIB Egypt Branch	308,446	307,830
CA-CIB Germany Branch	120,104	120,239
CA – LATTES	354	-
CREDIT AGRICOLE POL	17,593	-
CA SRBIJA AD NOVI SA	1,061	-
CREDIT DU MAROC	1,746	-
CREDIT LYONNAIS	20,974	-
GAC-SOFINCO Automobile Finance Co., Ltd.	<u>1,468,257</u>	<u>1,622,308</u>
	<u>266,612,884</u>	<u>(249,548,042)</u>

**CREDIT AGRICOLE CIB (CHINA) LIMITED**  
**Notes to Financial Statements (Continued)**  
**For the year ended 31 December 2017**  
**(Unless otherwise stated, expressed in RMB Yuan)**

<b>6. Related party transactions (continued)</b>		
<b>(5) Balance with related parties</b>		
(i) Due from and placements with banks		
	31 December 2017	31 December 2016
Due from banks		
CA-CIB	<u>182,221,557</u>	<u>24,959,749</u>
Placements with banks		
CA-CIB Luxembourg Branch	-	153,442,800
CA-CIB Hong Kong Branch	106,372,100	-
GAC-SOFINCO Automobile Finance Co., Ltd	<u>200,000,000</u>	-
	<u>306,372,100</u>	<u>153,442,800</u>
(ii) Due to and placements from banks		
	31 December 2017	31 December 2016
Due to banks		
CA-CIB	130,024,158	1,437,554,158
CA-CIB Hong Kong Branch	<u>1,275,051</u>	<u>640,953,637</u>
	<u>131,299,209</u>	<u>2,078,507,795</u>
Placements from banks		
CA-CIB Hong Kong Branch	<u>135,911,360</u>	<u>1,012,802,000</u>
(iii) Interest receivables/ payables		
	31 December 2017	31 December 2016
Interest receivables		
GAC-SOFINCO Automobile Finance Co., Ltd.	298,986	-
CA-CIB Luxembourg Branch	-	3,410
CA-CIB	927,867	352,208
CA-CIB Hong Kong Branch	<u>13,626</u>	-
	<u>1,240,479</u>	<u>355,618</u>

**6. Related party transactions (continued)**

**(5) Balance with related parties (continued)**

(iii) Interest receivables/ payables (continued)

	31 December 2017	31 December 2016
Interest payables		
CA-CIB	80,916	5,625,098
CA-CIB Hong Kong Branch	<u>1,595,761</u>	<u>7,598,512</u>
	<u><u>1,676,677</u></u>	<u><u>13,223,610</u></u>

(iv) Other receivables/ payables

	31 December 2017	31 December 2016
Fee and commission receivables from related parties:		
CA-CIB Hong Kong Branch	2,422,680	5,245,369
CA-CIB Germany Branch	127,544	128,081
CA-CIB Singapore Branch	-	197,408
CA-CIB	2,436,610	4,300,998
CA-CIB Korea Branch	77,235	99,650
CA-CIB London Branch	<u>3,715,202</u>	<u>1,722,819</u>
	<u><u>8,779,271</u></u>	<u><u>11,694,325</u></u>
Unpaid service fee to parent bank	<u><u>20,810,721</u></u>	<u><u>19,049,989</u></u>
Unpaid Guarantee fee to parent bank	<u><u>7,072,910</u></u>	<u><u>5,129,540</u></u>
Accrued technology maintenance expenses to CA-CIB	<u><u>5,288,615</u></u>	<u><u>8,157,553</u></u>
	<u><u><u>33,172,246</u></u></u>	<u><u><u>32,337,082</u></u></u>

**CREDIT AGRICOLE CIB (CHINA) LIMITED**  
**Notes to Financial Statements (Continued)**  
**For the year ended 31 December 2017**  
**(Unless otherwise stated, expressed in RMB Yuan)**

**6. Related party transactions (continued)**

**(5) Balance with related parties (continued)**

**(v) Derivative financial instruments**

31 December 2017

	Notional amount	Fair value	
		Assets	Liabilities
CA-CIB Hong Kong Branch			
FOREX swap	104,657,213	-	(3,656,773)
Cross currency swap	752,319,023	5,128,371	(1,241,929)
Outright forward	63,059,273	-	(872,771)
	<u>920,035,509</u>	<u>5,128,371</u>	<u>(5,771,473)</u>
CA-CIB			
Interest rate swap	4,408,740,278	34,370,970	(2,994,493)
FOREX swap	6,767,665,000	118,491,508	(92,152,368)
	<u>11,176,405,278</u>	<u>152,862,478</u>	<u>(95,146,861)</u>
CA-CIB London Branch			
FOREX swap	1,926,928,434	80,948,593	(4,130,946)
Non-deliverable forward	5,842,375,837	81,032,182	(22,302,336)
FX option sold	421,244,181	-	(1,357,930)
	<u>8,190,548,452</u>	<u>161,980,775</u>	<u>(27,791,212)</u>

31 December 2016

	Notional amount	Fair value	
		Assets	Liabilities
CA-CIB Hong Kong Branch			
FOREX swap	1,644,880,647	38,985,518	(82,565,884)
	<u>1,644,880,647</u>	<u>38,985,518</u>	<u>(82,565,884)</u>
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)
	<u>13,679,459,848</u>	<u>255,418,123</u>	<u>(208,102,501)</u>
CA-CIB London Branch			
FOREX swap	693,700,000	502,062	-
Non-deliverable forward	490,842,709	13,591,280	(10,316,875)
	<u>1,184,542,709</u>	<u>14,093,342</u>	<u>(10,316,875)</u>

## 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 2017	31 December 2016
Within 1 year	13,422,878	13,257,263
1 to 2 years	12,831,483	12,080,774
2 to 3 years	12,536,451	11,800,436
After 3 years	<u>2,010,418</u>	<u>13,949,420</u>
	<u>40,801,230</u>	<u>51,087,893</u>

## 8. Commitments and Entrusted Business

	31 December 2017	31 December 2016
<b>Credit commitments</b>		
Letter of guarantee	2,719,813,390	3,094,361,623
Letter of credit	11,089,421	54,875,315
Irrevocable loan commitments	<u>100,900,000</u>	<u>75,786,124</u>
	<u>2,831,802,811</u>	<u>3,225,023,062</u>
	31 December 2017	31 December 2016
<b>Entrusted Business</b>		
Entrusted deposits	1,080,000,000	830,000,000
Entrusted loans	<u>1,080,000,000</u>	<u>830,000,000</u>

## 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.

**CREDIT AGRICOLE CIB (CHINA) LIMITED**  
**Notes to Financial Statements (Continued)**  
**For the year ended 31 December 2017**  
**(Unless otherwise stated, expressed in RMB Yuan)**

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**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 Individual Risk 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.

**CREDIT AGRICOLE CIB (CHINA) LIMITED**  
**Notes to Financial Statements (Continued)**  
**For the year ended 31 December 2017**  
**(Unless otherwise stated, expressed in RMB Yuan)**

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**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

	2017-12-31	2016-12-31
Credit risk exposure of on-balance-sheet items:		
Due from the central bank	1,530,460,487	2,523,646,856
Due from banks and other financial institutions	1,251,690,235	3,242,189,376
Placements with banks and other financial institutions	2,047,428,463	1,900,743,564
Financial assets at fair value through profit or loss	10,187,255	10,654,470
Derivative financial assets	2,528,830,970	1,860,727,335
Interest receivables	37,584,052	23,698,032
Loans and advances to customers	4,209,290,464	3,835,818,705
Available-for-sale financial assets	985,873,200	987,168,105
Account receivables investments	227,780,000	-
Other assets	<u>19,559,823</u>	<u>69,821,192</u>
On-balance-sheet credit risk exposure	<u><u>12,848,684,949</u></u>	<u><u>14,454,467,635</u></u>
Letter of guarantee	2,719,813,390	3,094,361,623
Letter of credit	11,089,421	54,875,315
Irrevocable loan commitments	<u>100,900,000</u>	<u>75,786,124</u>
Maximum credit risk exposure	<u><u>15,680,487,760</u></u>	<u><u>17,679,490,697</u></u>

**CREDIT AGRICOLE CIB (CHINA) LIMITED**  
**Notes to Financial Statements (Continued)**  
**For the year ended 31 December 2017**  
**(Unless otherwise stated, expressed in RMB Yuan)**

**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**

**2017-12-31**

	Neither overdue nor impaired	Overdue but not impaired	Impaired	Total
Due from the central bank	1,530,460,487	-	-	1,530,460,487
Due from banks and other financial institutions	1,253,910,155	-	-	1,253,910,155
Placements with banks and other financial institutions	2,060,613,767	-	-	2,060,613,767
Account receivables investments	227,780,000	-	-	227,780,000
Available-for-sale financial assets	985,873,200	-	-	985,873,200
Derivative financial assets	2,531,022,709	-	-	2,531,022,709
Interest receivables	37,585,843	-	-	37,585,843
Financial assets at fair value through profit or loss	10,187,255	-	-	10,187,255
Loans and advances to customers	4,317,373,002	-	-	4,317,373,002
Other assets	19,559,823	-	162,667	19,722,490
<b>Total</b>	<b>12,974,366,241</b>	<b>-</b>	<b>162,667</b>	<b>12,974,528,908</b>

**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	3,243,840,661	-	-	3,243,840,661
Placements with banks and other financial institutions	1,912,071,134	-	-	1,912,071,134
Financial assets at fair value through profit or loss	10,654,470	-	-	10,654,470
Derivative financial assets	1,862,479,701	-	-	1,862,479,701
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
<b>Total</b>	<b>14,567,979,211</b>	<b>-</b>	<b>1,561,632</b>	<b>14,569,540,843</b>

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:

	2017	2016
Unsecured loans	510,959,843	938,783,595
Secured by mortgage	582,333,305	560,333,308
Guaranteed loans	2,009,174,095	950,962,607
Secured by pledges	<u>1,214,905,759</u>	<u>1,484,518,386</u>
Total	<u><u>4,317,373,002</u></u>	<u><u>3,934,597,896</u></u>

(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 2017 is nil. (31 December 2016: 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".

**CREDIT AGRICOLE CIB (CHINA) LIMITED**  
**Notes to Financial Statements (Continued)**  
**For the year ended 31 December 2017**  
**(Unless otherwise stated, expressed in RMB Yuan)**

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:

	2017-12-31	2016-12-31
Substandard	-	-
Doubtful	-	-
Loss	<u>-</u>	<u>1,200,000</u>
Total	<u><u>-</u></u>	<u><u>1,200,000</u></u>

As at the balance sheet date, the fair value of collateral of impaired loans held by the Bank is zero.

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 expiry 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.

**CREDIT AGRICOLE CIB (CHINA) LIMITED**  
**Notes to Financial Statements (Continued)**  
**For the year ended 31 December 2017**  
**(Unless otherwise stated, expressed in RMB Yuan)**

**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:

	2017-12-31							Total
	Overdue / On demand	Within 1 month	1 to 3 months	3 months to 1 years	1 to 5 years	5 years above	undated	
Financial assets:								
Cash and due from the central bank	229,386,930	192,959,526	347,896,732	144,684,055	-	-	615,609,179	1,530,536,422
Due from banks and other financial institutions	464,016,694	751,574,030	-	-	-	-	36,240,541	1,251,831,265
Placements with banks and other financial institutions	-	626,046,477	100,469,446	956,602,702	430,846,076	-	-	2,113,964,701
Financial assets at fair value through profit or loss	-	-	196,500	196,500	11,366,255	-	-	11,759,255
Account receivables investments	-	24,413,546	45,010,640	152,092,596	11,787,560	-	-	233,304,342
Interest receivables	-	5,237,385	21,060,280	11,286,387	-	-	-	37,584,052
Loans and advances to customers	-	974,335,100	1,228,156,566	1,072,556,270	1,115,420,179	-	-	4,390,468,115
Available-for-sale financial assets	-	-	988,861,036	-	-	-	-	988,861,036
Other financial assets	21,149	1,019,448	416	2,894,828	1,195,126	373,754	14,055,102	19,559,823
<b>Total financial assets</b>	<b>693,424,773</b>	<b>2,575,585,512</b>	<b>2,731,651,616</b>	<b>2,340,313,338</b>	<b>1,570,615,196</b>	<b>373,754</b>	<b>665,904,822</b>	<b>10,577,869,011</b>

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):

	2017-12-31							Total
	Overdue / On demand	Within 1 month	1 to 3 months	3 months to 1 years	1 to 5 years	5 years above	undated	
Financial liabilities:								
Due to banks and other financial institutions	1,299,209	-	780,061,297	-	203,337,620	-	-	984,698,126
Placements from banks and other financial institutions	-	527,539,452	15,742,476	120,902,627	-	-	-	664,184,555
Customer deposits	920,798,470	1,682,970,620	2,099,786,260	195,797,850	516,576	-	-	4,899,869,776
Interest payable	34,618	2,274,522	17,899,671	21,930,179	25,247	-	-	42,164,237
Other financial liabilities	-	55,994,284	-	109,572,373	-	-	-	165,566,657
<b>Total financial liabilities</b>	<b>922,132,297</b>	<b>2,268,778,878</b>	<b>2,913,489,704</b>	<b>448,203,029</b>	<b>203,879,443</b>	<b>-</b>	<b>-</b>	<b>6,756,483,351</b>
Net liquidity	(228,707,524)	306,806,634	(181,838,088)	1,892,110,309	1,366,735,753	373,754	665,904,822	3,821,385,660
Off-balance sheet commitments	21,248,582	45,181,655	63,021,934	785,500,603	342,898,609	1,473,951,429	100,000,000	2,831,802,812

**CREDIT AGRICOLE CIB (CHINA) LIMITED**  
**Notes to Financial Statements (Continued)**  
**For the year ended 31 December 2017**  
**(Unless otherwise stated, expressed in RMB Yuan)**

**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							Total
	Overdue / On demand	Within 1 month	1 to 3 months	3 months to 1 years	1 to 5 years	5 years above	undated	
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
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
<b>Total financial assets</b>	<b>408,882,309</b>	<b>4,708,496,149</b>	<b>3,430,218,212</b>	<b>3,291,212,706</b>	<b>236,023,338</b>	<b>376,116</b>	<b>595,592,438</b>	<b>12,670,801,268</b>

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							Total
	Overdue / On demand	Within 1 month	1 to 3 months	3 months to 1 years	1 to 5 years	5 years above	undated	
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
<b>Total financial liabilities</b>	<b>1,143,656,486</b>	<b>2,244,394,398</b>	<b>2,965,515,988</b>	<b>2,455,362,209</b>	<b>296,280,001</b>	<b>-</b>	<b>-</b>	<b>9,105,209,082</b>
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

**CREDIT AGRICOLE CIB (CHINA) LIMITED**  
**Notes to Financial Statements (Continued)**  
**For the year ended 31 December 2017**  
**(Unless otherwise stated, expressed in RMB Yuan)**

**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:

	2017-12-31							Total
	Overdue / On demand	Within 1 month	1 to 3 months	3 months to 1 years	1 to 5 years	5 years above	undated	
Interest Rate Swap	-	(3,130,558)	11,810,981	(2,610,783)	(260,187)	-	-	5,809,453
Cross-currency Swap	-	-	-	-	33,167,383	-	-	33,167,383
	<u>-</u>	<u>(3,130,558)</u>	<u>11,810,981</u>	<u>(2,610,783)</u>	<u>(260,187)</u>	<u>-</u>	<u>-</u>	<u>5,809,453</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,167,383</u>	<u>-</u>	<u>-</u>	<u>33,167,383</u>
	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-currency Swap	-	-	-	(760)	-	-	-	(760)
	<u>-</u>	<u>(779,026)</u>	<u>(1,807,881)</u>	<u>(2,049,733)</u>	<u>(1,810,167)</u>	<u>-</u>	<u>-</u>	<u>(6,446,807)</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(760)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(760)</u>

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

	2017-12-31							Total
	Overdue / On demand	Within 1 month	1 to 3 months	3 months to 1 years	1 to 5 years	5 years above	undated	
Currency forward								
Outflow	-	(1,058,180,889)	(2,345,911,847)	(9,281,289,012)	(268,256,466)	-	-	(12,953,638,214)
Inflow	-	<u>1,066,483,333</u>	<u>2,382,579,636</u>	<u>9,397,837,672</u>	<u>267,263,366</u>	-	-	<u>13,114,164,007</u>
FOREX swap								
Outflow	-	(8,219,139,589)	(13,813,168,186)	(11,688,162,593)	(8,696,216,381)	-	-	(42,416,686,749)
Inflow	-	<u>8,072,510,281</u>	<u>13,865,209,694</u>	<u>11,531,606,368</u>	<u>8,617,470,545</u>	-	-	<u>42,086,796,888</u>
	2016-12-31							Total
	Overdue / On demand	Within 1 month	1 to 3 months	3 months to 1 years	1 to 5 years	5 years above	undated	
Currency forward								
Outflow	-	(2,237,418,031)	(3,275,419,007)	(7,849,217,260)	(245,898,054)	-	-	(13,607,952,352)
Inflow	-	<u>2,227,460,506</u>	<u>3,264,180,450</u>	<u>7,745,733,579</u>	<u>255,827,364</u>	-	-	<u>13,493,201,899</u>
FOREX swap								
Outflow	-	(22,653,882,640)	(27,497,775,518)	(52,389,301,226)	(8,865,067,902)	-	-	(111,406,027,286)
Inflow	-	<u>22,695,238,618</u>	<u>27,628,068,058</u>	<u>52,434,663,430</u>	<u>8,864,754,909</u>	-	-	<u>111,622,725,015</u>

**CREDIT AGRICOLE CIB (CHINA) LIMITED**  
**Notes to Financial Statements (Continued)**  
**For the year ended 31 December 2017**  
**(Unless otherwise stated, expressed in RMB Yuan)**

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**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.

2017	RMB	USD RMB equivalent	Others RMB equivalent	Total RMB equivalent
<b>Assets:</b>				
Cash and due from the central bank	735,230,607	794,534,083	771,732	1,530,536,422
Due from banks and other financial institutions	50,547,914	980,320,869	220,821,452	1,251,690,235
Placements with banks and other financial institutions	1,476,745,833	485,164,350	85,518,280	2,047,428,463
Financial assets at fair value through profit or loss	10,187,255	-	-	10,187,255
Derivative financial assets	61,262,014,765	(59,110,527,479)	377,343,684	2,528,830,970
Interest receivables	36,159,141	461,966	962,945	37,584,052
Loans and advances to customers	4,209,290,464	-	-	4,209,290,464
Available-for-sale financial assets	985,873,200	-	-	985,873,200
Account receivables investments	227,780,000	-	-	227,780,000
Other financial assets	<u>9,983,440</u>	<u>671,819</u>	<u>8,904,564</u>	<u>19,559,823</u>
<b>Total financial assets</b>	<b><u>69,003,812,619</u></b>	<b><u>(56,849,374,392)</u></b>	<b><u>694,322,657</u></b>	<b><u>12,848,760,884</u></b>
<b>Liabilities:</b>				
Due to banks and other financial institutions	1,299,209	196,026,000	780,230,000	977,555,209
Placements from banks and other financial institutions	200,000,000	462,621,360	-	662,621,360
Derivative financial liabilities	62,914,981,486	(60,133,073,874)	(310,311,739)	2,471,595,873
Customer deposits	2,854,884,376	1,824,032,129	207,816,507	4,886,733,012
Interest payables	22,821,300	19,341,843	1,094	42,164,237
Other financial liabilities	<u>33,911,229</u>	<u>102,522,353</u>	<u>29,290,000</u>	<u>165,723,582</u>
<b>Total financial liabilities</b>	<b><u>66,027,897,600</u></b>	<b><u>(57,528,530,189)</u></b>	<b><u>707,025,862</u></b>	<b><u>9,206,393,273</u></b>
<b>Net position</b>	<b><u>2,975,915,019</u></b>	<b><u>679,155,797</u></b>	<b><u>(12,703,205)</u></b>	<b><u>3,642,367,611</u></b>

**CREDIT AGRICOLE CIB (CHINA) LIMITED**  
**Notes to Financial Statements (Continued)**  
**For the year ended 31 December 2017**  
**(Unless otherwise stated, expressed in RMB Yuan)**

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

**Market risk (continued)**

Foreign exchange risk (continued)

2016

	RMB	USD RMB equivalent	Others RMB equivalent	Total RMB equivalent
<b>Assets:</b>				
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	<u>56,044,839</u>	<u>1,681,922</u>	<u>12,094,431</u>	<u>69,821,192</u>
<b>Total financial assets</b>	<u><b>10,009,182,453</b></u>	<u><b>3,612,314,285</b></u>	<u><b>833,098,653</b></u>	<u><b>14,454,595,391</b></u>
<b>Liabilities:</b>				
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	<u>29,520,797</u>	<u>89,896,112</u>	<u>30,331,382</u>	<u>149,748,291</u>
<b>Total financial liabilities</b>	<u><b>3,069,726,620</b></u>	<u><b>5,430,170,533</b></u>	<u><b>2,346,215,551</b></u>	<u><b>10,846,112,704</b></u>
<b>Net position</b>	<u><b>6,939,455,833</b></u>	<u><b>(1,817,856,248)</b></u>	<u><b>(1,513,116,898)</b></u>	<u><b>3,608,482,687</b></u>

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.

	2017	2016
1% appreciation against RMB	6,664,526	(33,307,327)
1% depreciation against RMB	(6,664,526)	33,307,327

## 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.

**CREDIT AGRICOLE CIB (CHINA) LIMITED**  
**Notes to Financial Statements (Continued)**  
**For the year ended 31 December 2017**  
**(Unless otherwise stated, expressed in RMB Yuan)**

**9. FINANCIAL RISK MANAGEMENT (continued)**

**Market risk (continued)**

Interest rate risk (continued)

	31-12-2017						
	Within 1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
<b>Financial assets</b>							
Cash and Due from the central bank	735,219,839	-	-	-	-	795,316,583	1,530,536,422
Due from banks and other financial institutions	1,215,449,694	36,240,541	-	-	-	-	1,251,690,235
Placements with banks and other financial institutions	625,366,889	675,811,574	746,250,000	-	-	-	2,047,428,463
Financial assets at fair value through profit or loss	-	-	-	10,187,255	-	-	10,187,255
Account receivables investments	23,660,000	43,500,076	148,881,933	11,737,991	-	-	227,780,000
Derivative financial assets	-	-	-	-	-	2,528,830,970	2,528,830,970
Interest receivables	-	-	-	-	-	37,584,052	37,584,052
Loans and advances to customers	972,378,964	1,201,370,077	1,012,380,766	1,023,160,657	-	-	4,209,290,464
Available-for-sale financial assets	-	985,873,200	-	-	-	-	985,873,200
Other financial assets	1,050,508	-	-	-	-	18,509,315	19,559,823
<b>Total financial assets</b>	<b>3,573,125,894</b>	<b>2,942,795,468</b>	<b>1,907,512,699</b>	<b>1,045,085,903</b>	<b>-</b>	<b>3,380,240,920</b>	<b>12,848,760,884</b>
<b>Financial liability</b>							
Due to banks and other financial institutions	1,299,209	780,230,000	-	196,026,000	-	-	977,555,209
Placements from banks and other financial institutions	526,710,000	15,682,080	120,229,280	-	-	-	662,621,360
Customer deposits	2,603,325,012	2,090,208,000	192,700,000	500,000	-	-	4,886,733,012
Derivative financial liabilities	-	-	-	-	-	2,471,595,873	2,471,595,873
Interest payables	-	-	-	-	-	42,164,237	42,164,237
Other financial liabilities	-	-	-	-	-	165,723,582	165,723,582
<b>Total financial liabilities</b>	<b>3,131,334,221</b>	<b>2,886,120,080</b>	<b>312,929,280</b>	<b>196,526,000</b>	<b>-</b>	<b>2,679,483,692</b>	<b>9,206,393,273</b>
<b>Net position</b>	<b>441,791,673</b>	<b>56,675,388</b>	<b>1,594,583,419</b>	<b>848,559,903</b>	<b>-</b>	<b>700,757,228</b>	<b>3,642,367,611</b>

## 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
<b>Financial assets</b>							
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
<b>Total financial assets</b>	<b>5,135,720,474</b>	<b>4,076,041,307</b>	<b>1,332,280,659</b>	<b>10,654,470</b>	<b>-</b>	<b>3,899,898,481</b>	<b>14,454,595,391</b>
<b>Financial liability</b>							
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
<b>Total financial liabilities</b>	<b>3,348,233,323</b>	<b>2,941,389,682</b>	<b>2,416,066,964</b>	<b>183,200,000</b>	<b>-</b>	<b>1,957,222,735</b>	<b>10,846,112,704</b>
<b>Net position</b>	<b>1,787,487,151</b>	<b>1,134,651,625</b>	<b>(1,083,786,305)</b>	<b>(172,545,530)</b>	<b>-</b>	<b>1,942,675,746</b>	<b>3,608,482,687</b>

**CREDIT AGRICOLE CIB (CHINA) LIMITED**  
**Notes to Financial Statements (Continued)**  
**For the year ended 31 December 2017**  
**(Unless otherwise stated, expressed in RMB Yuan)**

**9. FINANCIAL RISK MANAGEMENT (continued)**

**Market risk (continued)**

Interest rate risk (continued)

Change in interest rate	2017-12-31		2016-12-31	
	Impact on profit before tax	Impact on equity	Impact on profit before tax	Impact on equity
+100 basis points	9,538,270	(1,734,586)	22,521,317	(2,836,883)
-100 basis points	(9,538,270)	1,734,586	(22,521,317)	2,836,883

**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 identical 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 2017

	Level 1	Level 2	Level 3	Total
Financial assets				
- Available-for-sale financial assets	-	985,873,200	-	985,873,200
- Derivative financial assets	2,528,830,970	-	-	2,528,830,970
- Financial assets at fair value through profit or loss	-	10,187,255	-	10,187,255
	-	3,524,891,425	-	3,524,891,425

## 10. Fair value of financial instruments (continued)

### (1) Fair value hierarchy (continued)

#### 31 December 2017 (continued)

	Level 1	Level 2	Level 3	Total
Financial liabilities				
- Derivative financial Liabilities	-	2,471,595,873	-	2,471,595,873
	<u>-</u>	<u>2,471,595,873</u>	<u>-</u>	<u>2,471,595,873</u>

#### 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
	<u>-</u>	<u>10,654,470</u>	<u>-</u>	<u>10,654,470</u>
	<u>-</u>	<u>2,858,549,910</u>	<u>-</u>	<u>2,858,549,910</u>
Financial liabilities				
- Derivative financial Liabilities	-	1,767,121,466	-	1,767,121,466
	<u>-</u>	<u>1,767,121,466</u>	<u>-</u>	<u>1,767,121,466</u>

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.

**CREDIT AGRICOLE CIB (CHINA) LIMITED**  
**Notes to Financial Statements (Continued)**  
**For the year ended 31 December 2017**  
**(Unless otherwise stated, expressed in RMB Yuan)**

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**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 1<sup>st</sup>, 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:

	31-12-2017	31-12-2016
<b>Core Tier-one capital</b>	3,616,184,555	3,590,463,356
Paid-in capital	3,196,000,000	3,196,000,000
Qualified capital reserve	2,881,771	2,881,771
Other comprehensive (loss)/income	(383,643)	(850,088)
Surplus reserves	101,300,186	98,774,711
General reserves	189,076,846	189,076,846
Retained earnings	127,309,395	104,580,116
<b>Core Tier-one capital deductions</b>		
Other intangible assets (exclusive of land use rights) net amount discounting related deferred income tax liability	<u>2,231,092</u>	<u>2,587,891</u>
Net core tier-one capital	<u>3,613,953,463</u>	<u>3,587,875,465</u>
Other core tier-one capital	-	-
Net tier-one capital	<u>3,613,953,463</u>	<u>3,587,875,465</u>
<b>Net Tier-two capital</b>		
Surplus provisions for loans impairment	<u>107,320,838</u>	<u>98,379,191</u>
<b>Net capital</b>	<u>3,721,274,301</u>	<u>3,686,254,656</u>
<b>Risk-weighted assets</b>	<u>12,526,465,319</u>	<u>11,516,520,116</u>
<b>Core Tier-one capital adequacy ratio</b>	28.85%	31.15%
<b>Tier-one capital adequacy ratio</b>	28.85%	31.15%
<b>Capital adequacy ratio</b>	<u>29.71%</u>	<u>32.01%</u>

**CREDIT AGRICOLE CIB (CHINA) LIMITED**  
**Notes to Financial Statements (Continued)**  
**For the year ended 31 December 2017**  
**(Unless otherwise stated, expressed in RMB Yuan)**

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**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 【】 2018.

**The following parts are not the components of the audited financial statements**

**CREDIT AGRICOLE CIB (CHINA) LIMITED**  
**APPENDIX**

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INDEX

		<u>PAGES</u>
Appendix I	Adjusted Taxable Income Calculation Sheet	131
Appendix II	Balance Sheet and Income Statement of Branches	
Attachment (1)	Balance sheet and Income statement of Head office	132 – 133
Attachment (2)	Balance sheet and Income statement of Shanghai Branch	134 – 136
Attachment (3)	Balance sheet and Income statement of Beijing Branch	137 – 138
Attachment (4)	Balance sheet and Income statement of Guangzhou Branch	139 – 140
Attachment (5)	Balance sheet and Income statement of Tianjin Branch	141 – 142
Attachment (6)	Balance sheet and Income statement of Xiamen Branch	143 – 144



Appendix I

**CREDIT AGRICOLE CIB (CHINA) LIMITED**  
**Adjusted Taxable Income Calculation Sheet**  
**Expressed in RMB Yuan**

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	<u>2017</u>
Total profit of current year	30,066,615
Estimated tax adjustments:	
Fair value change of held-for-trading assets	467,214
Non-deductible financial assets provisions	6,858,508
Non-deductible portion of business entertainment expense	698,792
Unrealized gain from derivative financial instruments	34,309,280
Interest income of government bonds	(13,994,328)
Accrued expenses	20,778,299
Non-public welfare donations adjustments	103,000
Accrued liabilities	(5,205,894)
Intangible assets difference between accounting and tax	216,547
Long-term deferred income	(2,577,638)
Penalty	<u>8</u>
Total taxable income after tax adjustment	<u><u>71,720,403</u></u>

Note: At the request of tax authorities, the Bank prepared the Adjusted Taxable Income Calculation Sheet. This sheet is for the tax authorities' reference only, and is not a component of the audited financial statements.

Appendix II  
Attachment (1)

CREDIT AGRICOLE CIB (CHINA) LIMITED  
Balance Sheet of Head office  
Expressed in RMB Yuan

<u>Assets</u>	<u>2017-12-31</u>	<u>2016-12-31</u>
Cash and due from the central bank	109,223,451	122,244,179
Due from banks and other financial institutions	6,494,292	8,058,681
Due from inter-bank	2,341,599,634	2,353,276,474
Interest receivables from inter-bank	9,027,691	5,827,358
Interest receivables	636	-
Fixed assets	1,527,971	2,089,296
Intangible assets	914,331	2,128,916
Deferred tax assets	5,551,319	(2,076,436)
Other assets	<u>5,226,086</u>	<u>6,908,008</u>
<b>TOTAL ASSETS</b>	<u><b>2,479,565,411</b></u>	<u><b>2,498,456,476</b></u>
 <b><u>LIABILITIES AND EQUITY</u></b>		
LIABILITIES:		
Tax payables	19,175,951	4,813,346
Payroll payables	106,960	-
Other liabilities	<u>106,961</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u><b>19,389,872</b></u>	<u><b>4,813,346</b></u>
SHAREHOLDERS' EQUITY:		
Paid-in capital	2,696,000,000	2,696,000,000
Capital reserve	2,881,771	2,881,771
Surplus reserve	101,300,186	98,774,711
General reserve	189,076,846	189,076,846
Retained earnings	<u>(529,083,264)</u>	<u>(493,090,198)</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<u><b>2,460,175,539</b></u>	<u><b>2,493,643,130</b></u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u><u><b>2,479,565,411</b></u></u>	<u><u><b>2,498,456,476</b></u></u>

Appendix II  
Attachment (1)

CREDIT AGRICOLE CIB (CHINA) LIMITED  
Income statement of Head office  
Expressed in RMB Yuan

	2017	2016
OPERATING INCOME		
Interest income	19,023	43,751
Inter-bank interest income	39,148,937	31,829,275
Inter-bank interest expense	(19,024,704)	(13,396,123)
Net interest income	<u>20,143,256</u>	<u>18,476,903</u>
Fee and commission expense	(2,086)	(5,991)
Net fee and commission expense	<u>(2,086)</u>	<u>(5,991)</u>
Foreign exchange gain	<u>(46,271,765)</u>	<u>50,271,511</u>
TOTAL OPERATING INCOME	<u>(26,130,595)</u>	<u>68,742,423</u>
OPERATING EXPENSE		
General and administrative expense	<u>(470,177)</u>	<u>(1,723,926)</u>
TOTAL OPERATING EXPENSE	<u>(470,177)</u>	<u>(1,723,926)</u>
Other gain	<u>244,380</u>	=
OPERATING PROFIT	<u>(26,356,392)</u>	<u>67,018,497</u>
PROFIT BEFORE TAX	<u>(26,356,392)</u>	<u>67,018,497</u>
Less: Income tax expense	<u>(7,111,199)</u>	<u>(22,649,724)</u>
NET PROFIT	<u><u>(33,467,591)</u></u>	<u><u>44,368,773</u></u>

Appendix II  
Attachment (2)

CREDIT AGRICOLE CIB (CHINA) LIMITED  
Balance sheet of Shanghai Branch  
Expressed in RMB Yuan

<u>Assets</u>	<u>2017-12-31</u>	<u>2016-12-31</u>
Cash and due from the central bank	1,420,836,088	2,401,015,792
Due from banks and other financial institutions	1,244,310,349	3,233,032,493
Placements with banks and other financial institutions	769,682,630	591,489,397
Financial assets at fair value through profit or loss	10,187,255	10,654,470
Derivative financial assets	2,528,830,970	1,860,727,335
Interest receivables	24,111,566	17,197,399
Interest receivables from inter-bank	14,288,687	6,879,803
Loans and advances to customers	3,121,463,076	2,800,678,049
Available-for-sale financial assets	985,873,200	987,168,105
Account receivables investments	227,780,000	-
Fixed assets	1,780,769	1,434,761
Intangible assets	1,316,761	458,975
Deferred tax assets	16,057,488	10,129,146
Other assets	<u>20,112,692</u>	<u>69,886,687</u>
<b>TOTAL ASSETS</b>	<u><u>10,386,631,531</u></u>	<u><u>11,990,752,412</u></u>

Appendix II  
Attachment (2)

CREDIT AGRICOLE CIB (CHINA) LIMITED  
Balance sheet of Shanghai Branch (continued)  
Expressed in RMB Yuan

<u>LIABILITIES AND EQUITY</u>	<u>2017-12-31</u>	<u>2016-12-31</u>
LIABILITIES:		
Due to banks and other institutions	977,555,209	2,078,507,795
Placements from banks and other financial institutions	662,621,360	1,325,217,785
Due to inter-bank	862,385,918	1,416,111,378
Derivative financial liabilities	2,471,595,873	1,767,121,466
Customers deposit	4,603,643,914	4,604,828,822
Payroll payables	30,290,982	27,174,297
Tax payables	9,440,667	6,582,610
Interest payables	41,350,640	39,606,515
Interest payable to inter-bank	13,784,130	6,752,421
Other liabilities	<u>90,713,848</u>	<u>61,230,304</u>
<b>TOTAL LIABILITIES</b>	<u>9,763,382,541</u>	<u>11,333,133,393</u>
SHAREHOLDERS' EQUITY:		
Paid-in capital	100,000,000	100,000,000
Capital reserve	(383,643)	(850,088)
Retained earnings	<u>523,632,633</u>	<u>558,469,107</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<u>623,248,990</u>	<u>657,619,019</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u><u>10,386,631,531</u></u>	<u><u>11,990,752,412</u></u>

Appendix II  
Attachment (2)

CREDIT AGRICOLE CIB (CHINA) LIMITED  
Income statement of Shanghai Branch  
Expressed in RMB Yuan

	2017	2016
<b>OPERATING INCOME</b>		
Interest income	228,020,580	207,275,560
Inter-bank interest income	126,030,628	65,575,044
Interest expense	(94,229,598)	(100,466,584)
Inter-bank interest expense	(153,357,075)	(81,209,597)
Net interest income	<u>106,464,535</u>	<u>91,174,423</u>
Fee and commission income	75,007,077	87,878,639
Fee and commission expense	(27,461,504)	(21,922,341)
Net fee and commission income	<u>47,545,573</u>	<u>65,956,298</u>
Investment income	(23,867,816)	33,394,747
Gains from changes in fair value	(34,776,494)	69,994,372
Foreign exchange gain/(loss)	<u>41,193,043</u>	<u>(52,567,919)</u>
<b>TOTAL OPERATING INCOME</b>	<u><b>136,558,841</b></u>	<u><b>207,951,921</b></u>
<b>OPERATING EXPENSE</b>		
Business tax and surcharges	(1,686,956)	(4,806,367)
General and administrative expense	(161,919,534)	(153,502,015)
Impairment losses	<u>(10,785,065)</u>	<u>(3,585,470)</u>
<b>TOTAL OPERATING EXPENSE</b>	<u><b>(174,391,555)</b></u>	<u><b>(161,893,852)</b></u>
Other gain	<u>93,277</u>	-
<b>OPERATING PROFIT</b>	(37,739,437)	46,058,069
Add: Non-operating income		-
Less: Non-operating expense	<u>(206,757)</u>	<u>(304,898)</u>
<b>PROFIT BEFORE TAX</b>	(37,946,194)	45,753,171
Less: Income tax expense	<u>3,109,720</u>	<u>79,420</u>
<b>NET PROFIT</b>	<u><b>(34,836,474)</b></u>	<u><b>45,832,591</b></u>

Appendix II  
Attachment (3)

CREDIT AGRICOLE CIB (CHINA) LIMITED  
Balance sheet of Beijing Branch  
Expressed in RMB Yuan

<u>Assets</u>	<u>2017-12-31</u>	<u>2016-12-31</u>
Due from banks and other financial institutions	260,942	386,218
Placements with banks and other financial institutions	1,277,745,833	1,309,254,167
Interest receivables	13,238,743	6,326,076
Interest receivables from inter-bank	277,654	188,487
Loans and advances to customers	599,503,367	613,233,056
Fixed assets	317,997	439,123
Intangible assets	-	-
Deferred tax assets	13,370,563	13,370,563
Other assets	<u>3,341,870</u>	<u>3,980,398</u>
<b>TOTAL ASSETS</b>	<u><b>1,908,056,969</b></u>	<u><b>1,947,178,088</b></u>
 <b><u>LIABILITIES AND EQUITY:</u></b>		
<b>LIABILITIES:</b>		
Customers deposits	115,980,385	604,330,726
Due to inter-bank	1,544,386,774	1,159,985,585
Payroll payables	5,498,830	3,408,126
Tax payables	712,942	641,598
Interest payables	746,732	661,915
Interest payable to inter-bank	13,832,482	3,811,909
Other liabilities	<u>86,093,783</u>	<u>103,728,364</u>
<b>TOTAL LIABILITIES</b>	<u><b>1,767,251,928</b></u>	<u><b>1,876,568,223</b></u>
 <b>SHAREHOLDERS' EQUITY:</b>		
Paid-in capital	100,000,000	100,000,000
Retained earnings	<u>40,805,041</u>	<u>(29,390,135)</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<u><b>140,805,041</b></u>	<u><b>70,609,865</b></u>
 <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	 <u><b>1,908,056,969</b></u>	 <u><b>1,947,178,088</b></u>

Appendix II  
Attachment (3)

CREDIT AGRICOLE CIB (CHINA) LIMITED  
Income Statement of Beijing Branch  
Expressed in RMB Yuan

	2017	2016
<b>OPERATING INCOME</b>		
Interest income	89,902,116	76,745,260
Inter-bank interest income	64,425,627	22,181,708
Interest expense	(3,123,281)	(4,075,561)
Inter-bank interest expense	(72,095,463)	(39,395,828)
Net interest income	<u>79,108,999</u>	<u>55,455,579</u>
Fee and commission income	10,597,983	3,714,645
Fee and commission expense	(199,718)	(8,767)
Net fee and commission income	<u>10,398,265</u>	<u>3,705,878</u>
Foreign exchange (loss)	<u>1,502,531</u>	<u>(2,072,087)</u>
<b>TOTAL OPERATING INCOME</b>	<u>91,009,795</u>	<u>57,089,370</u>
<b>OPERATING EXPENSE</b>		
Business tax and surcharges	(304,476)	(853,576)
General and administrative expense	(25,541,618)	(23,848,890)
Other operating expense	5,205,894	(24,881,963)
Impairment losses	<u>406,736</u>	<u>4,569,433</u>
<b>TOTAL OPERATING EXPENSE</b>	<u>(20,233,464)</u>	<u>(45,014,996)</u>
<b>OPERATING PROFIT</b>	70,776,331	12,074,374
Add: Non-operating income	-	3,200
Less: Non-operating expense	<u>-</u>	<u>-</u>
<b>PROFIT BEFORE TAX</b>	70,776,331	12,077,574
Less: Income tax expense	<u>(581,155)</u>	<u>(6,088,763)</u>
<b>NET PROFIT</b>	<u><u>70,195,176</u></u>	<u><u>5,988,811</u></u>

Appendix II  
Attachment (4)

CREDIT AGRICOLE CIB (CHINA) LIMITED  
Balance sheet of Guangzhou Branch  
Expressed in RMB Yuan

<u>Assets</u>	<u>2017-12-31</u>	<u>2016-12-31</u>
Cash and due from the central bank	476,883	514,641
Due from banks and other financial institutions	197,625	172,681
Due from inter-bank	151,167,731	269,632,272
Interest receivables	8,325	53,952
Interest receivables from inter-bank	307,884	250,938
Loans and advances to customers	20,292,016	35,487,001
Fixed assets	76,776	3,859
Deferred tax assets	62,981	62,981
Other assets	<u>150,091</u>	<u>149,847</u>
<b>TOTAL ASSETS</b>	<u><b>172,740,312</b></u>	<u><b>306,328,172</b></u>
 <b><u>LIABILITIES AND EQUITY:</u></b>		
LIABILITIES:		
Customer deposits	61,007,905	197,717,881
Payroll payables	314,731	159,242
Tax payables	53,753	40,504
Interest payables	18,846	81,330
Interest payable to inter-bank	246,824	251,309
Other liabilities	<u>127,377</u>	<u>147,557</u>
<b>TOTAL LIABILITIES</b>	<u><b>61,769,436</b></u>	<u><b>198,397,823</b></u>
SHAREHOLDERS' EQUITY:		
Paid-in capital	100,000,000	100,000,000
Retained earnings	<u>10,970,876</u>	<u>7,930,349</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<u><b>110,970,876</b></u>	<u><b>107,930,349</b></u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u><u><b>172,740,312</b></u></u>	<u><u><b>306,328,172</b></u></u>

Appendix II  
Attachment (4)

CREDIT AGRICOLE CIB (CHINA) LIMITED  
Income statement of Guangzhou Branch  
Expressed in RMB Yuan

	2017	2016
OPERATING INCOME		
Interest income	1,613,367	1,521,789
Inter-bank interest income	10,116,475	8,333,485
Interest expense	(1,311,779)	(2,780,115)
Inter-bank interest expense	(3,531,708)	(1,590,662)
Net interest income	<u>6,886,355</u>	<u>5,484,497</u>
Fee and commission income	96,000	81,144
Fee and commission expense	(210,936)	(95,088)
Net fee and commission income	<u>(114,936)</u>	<u>(13,944)</u>
Foreign exchange gain	<u>17,877</u>	<u>2,159</u>
TOTAL OPERATING INCOME	<u>6,789,296</u>	<u>5,472,712</u>
OPERATING EXPENSE		
Business tax and surcharges	(16,512)	(30,735)
General and administrative expense	(4,069,052)	(3,932,070)
Impairment losses	<u>389,615</u>	<u>(275,377)</u>
TOTAL OPERATING EXPENSE	<u>(3,695,949)</u>	<u>(4,238,182)</u>
OPERATING PROFIT	<u>3,093,347</u>	<u>1,234,530</u>
Add: Non-operating income	<u>-</u>	<u>-</u>
PROFIT BEFORE TAX	<u>3,093,347</u>	<u>1,234,530</u>
Less: Income tax expense	<u>(52,820)</u>	<u>45,552</u>
NET PROFIT	<u><u>3,040,527</u></u>	<u><u>1,280,082</u></u>

Appendix II  
Attachment (5)

CREDIT AGRICOLE CIB (CHINA) LIMITED  
Balance sheet of Tianjin Branch  
Expressed in RMB Yuan

<u>Assets</u>	<u>2017-12-31</u>	<u>2016-12-31</u>
Due from banks and other financial institutions	100,702	137,547
Interest receivables	224,744	120,605
Interest receivables from inter-bank	3,904,352	304,692
Loans and advances to customers	468,032,005	386,420,599
Fixed assets	67,760	13,286
Deferred tax assets	1,077,727	1,077,727
Other assets	<u>13,786</u>	<u>18,059</u>
<b>TOTAL ASSETS</b>	<u><b>473,421,076</b></u>	<u><b>388,092,515</b></u>
 <b><u>LIABILITIES AND EQUITY:</u></b>		
<b>LIABILITIES:</b>		
Customer deposits	103,449,418	78,064,684
Due to inter-bank	179,809,655	138,445,085
Payroll payables	468,266	292,658
Tax payables	248,997	97,103
Interest payables	48,019	3,218
Interest payable to inter-bank	196,026	2,810,488
Other liabilities	<u>66,508</u>	<u>70,607</u>
<b>TOTAL LIABILITIES</b>	<u><b>284,286,889</b></u>	<u><b>219,783,843</b></u>
<b>SHAREHOLDERS' EQUITY:</b>		
Paid-in capital	100,000,000	100,000,000
Retained earnings	<u>89,134,187</u>	<u>68,308,672</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<u><b>189,134,187</b></u>	<u><b>168,308,672</b></u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u><u><b>473,421,076</b></u></u>	<u><u><b>388,092,515</b></u></u>

Appendix II  
Attachment (5)

CREDIT AGRICOLE CIB (CHINA) LIMITED  
Income statement of Tianjin Branch  
Expressed in RMB Yuan

	2017	2016
<b>OPERATING INCOME</b>		
Interest income	21,715,666	17,893,156
Inter-bank interest income	21,248,563	16,025,327
Interest expense	(629,283)	(869,563)
Inter-bank interest expense	(15,391,986)	(10,309,533)
Net interest income	<u>26,942,960</u>	<u>22,739,387</u>
Fee and commission income	231,944	602,042
Fee and commission expense	(50,977)	(93,671)
Net fee and commission income	<u>180,967</u>	<u>508,371</u>
Foreign exchange loss	<u>15,001</u>	<u>(11,929)</u>
<b>TOTAL OPERATING INCOME</b>	<u>27,138,928</u>	<u>23,235,829</u>
<b>OPERATING EXPENSE</b>		
Business tax and surcharges	(242,628)	(428,396)
General and administrative Expense	(3,759,304)	(3,522,581)
Impairment losses	<u>(2,170,974)</u>	<u>837,219</u>
<b>TOTAL OPERATING EXPENSE</b>	<u>(6,172,906)</u>	<u>(3,113,758)</u>
<b>OPERATING PROFIT</b>	<u>20,966,022</u>	<u>20,122,071</u>
Add: Non-operating income	<u>-</u>	<u>-</u>
<b>PROFIT BEFORE TAX</b>	<u>20,966,022</u>	<u>20,122,071</u>
Less: Income tax expense	<u>(140,507)</u>	<u>(40,493)</u>
<b>NET PROFIT</b>	<u><u>20,825,515</u></u>	<u><u>20,081,578</u></u>

Appendix II  
Attachment (6)

CREDIT AGRICOLE CIB (CHINA) LIMITED  
Balance sheet of Xiamen Branch  
Expressed in RMB Yuan

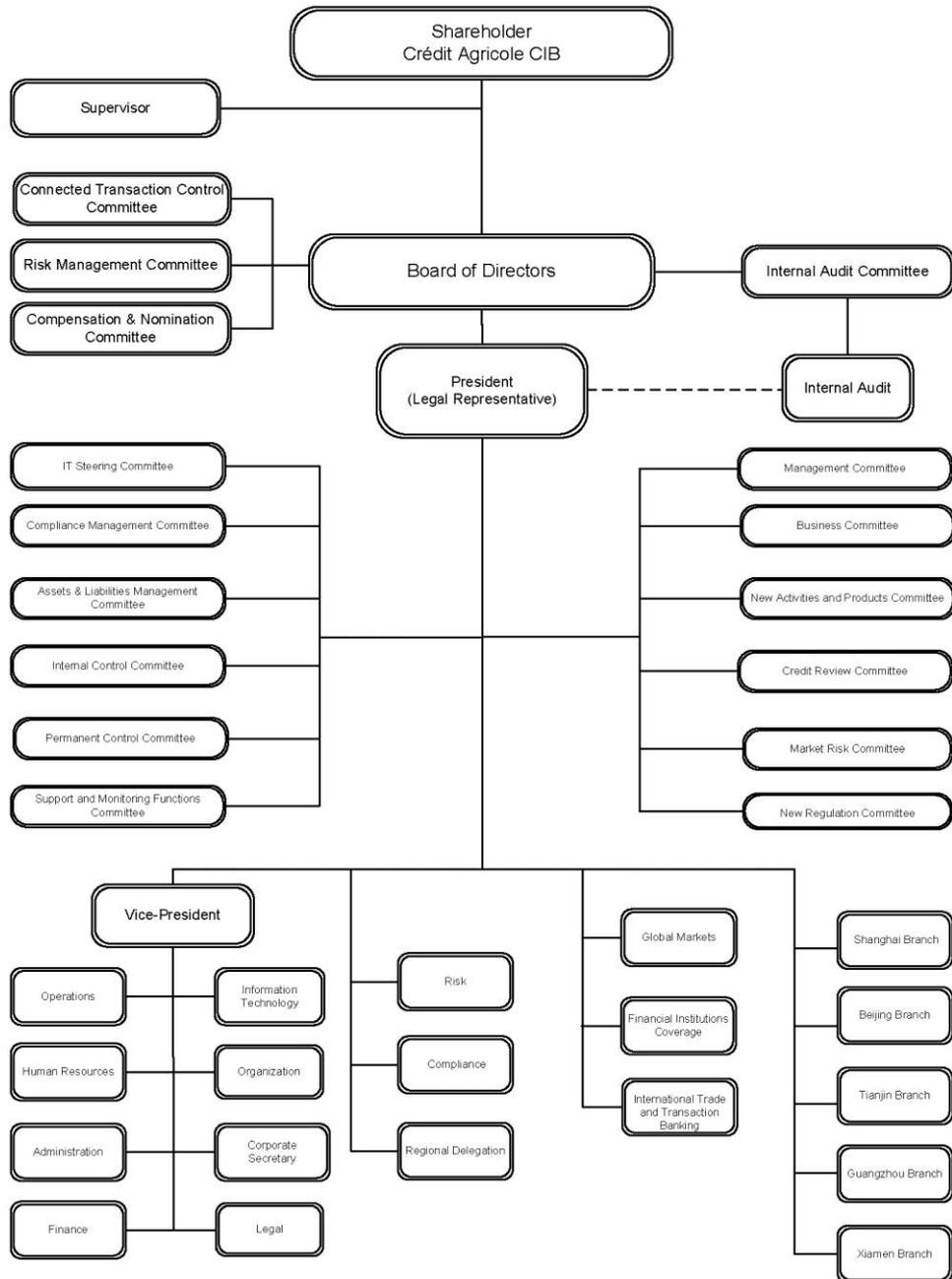
<u>Assets</u>	<u>2017-12-31</u>	<u>2016-12-31</u>
Due from banks and other financial institutions	326,325	401,756
Due from inter-bank	93,814,982	91,633,302
Interest receivables from inter-bank	266,548	180,947
Interest receivables	38	-
Fixed assets	62,085	-
Deferred tax assets	39,037	39,037
Other assets	<u>240,234</u>	<u>363,951</u>
<b>TOTAL ASSETS</b>	<u>94,749,249</u>	<u>92,618,993</u>
 <b><u>LIABILITIES AND EQUITY:</u></b>		
LIABILITIES:		
Customer deposits	2,651,390	222,276
Payroll payables	251,321	40,409
Tax payable	(16,738)	(2,111)
Interest payable to inter-bank	13,354	6,098
Other liabilities	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>2,899,327</u>	<u>266,672</u>
SHAREHOLDERS' EQUITY:		
Paid-in capital	100,000,000	100,000,000
Retained earnings	<u>(8,150,078)</u>	<u>(7,647,679)</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<u>91,849,922</u>	<u>92,352,321</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u>94,749,249</u>	<u>92,618,993</u>

Appendix II  
Attachment (6)

CREDIT AGRICOLE CIB (CHINA) LIMITED  
Income statement of Xiamen Branch  
Expressed in RMB Yuan

	2017	2016
<b>OPERATING INCOME</b>		
Interest income	2,691	2,867
Inter-bank interest income	18,417,468	2,839,802
Interest expense	(25,535)	(3,694)
Inter-bank interest expense	(15,986,762)	(882,898)
Net interest income	<u>2,407,862</u>	<u>1,956,077</u>
Fee and commission income	4,650	1,773
Fee and commission expense	(500)	(4,336)
Net fee and commission income	<u>4,150</u>	<u>(2,563)</u>
Foreign exchange gain/(loss)	<u>12,613</u>	<u>(9,811)</u>
<b>TOTAL OPERATING INCOME</b>	<u>2,424,625</u>	<u>1,943,703</u>
<b>OPERATING EXPENSE</b>		
Business tax and surcharges	(519)	-
General and administrative Expense	<u>(2,900,868)</u>	<u>(3,299,094)</u>
<b>TOTAL OPERATING EXPENSE</b>	<u>(2,901,387)</u>	<u>(3,299,094)</u>
Other gain	<u>10,271</u>	-
<b>OPERATING PROFIT</b>	(466,491)	(1,355,391)
Less: Non-operating expense	<u>(8)</u>	-
<b>PROFIT BEFORE TAX</b>	(466,499)	(1,355,391)
Less: Income tax expense	<u>(35,900)</u>	<u>3,685</u>
<b>NET PROFIT</b>	<u>(502,399)</u>	<u>(1,351,706)</u>

# Organization Chart



# List of Domestic Operations

## Head Office

Unit 1201, 1202, 1206 - 1209, 1212, 1213, 12<sup>th</sup> 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, 12<sup>th</sup> 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

Unit 1901, 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, 21<sup>st</sup> 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>**