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重慶農村商業銀行

CHONGQING RURAL COMMERCIAL BANK

重慶農村商業銀行股份有限公司*

Chongqing Rural Commercial Bank Co., Ltd.*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 3618)

FIRST QUARTERLY REPORT 2018

The board of directors (the “**Board**”) of Chongqing Rural Commercial Bank Co., Ltd. 重慶農村商業銀行股份有限公司* (the “**Bank**”) is pleased to announce the unaudited results (the “**Quarterly Report**”) of the Bank and its subsidiaries (the “**Group**”) prepared under the International Financial Reporting Standards (“**IFRSs**”) for the first quarter ended 31 March 2018 (the “**Reporting Period**”). This Quarterly Report is made in accordance with Rule 13.09 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

1. IMPORTANT NOTICE

- 1.1 The Board, the board of supervisors and directors, supervisors and senior management of the Bank warrant that there are no false presentations and misleading statements contained in, or material omissions from, the Quarterly Report, and are severally and jointly responsible for the truthfulness, accuracy and completeness of the information contained therein.
- 1.2 The Quarterly Report has been reviewed and approved at the sixty-eighth meeting of the third session of the Board held on 27 April 2018.
- 1.3 The Quarterly Report has not been audited.
- 1.4 The operating information set out in the Quarterly Report is provided as additional information.

2. BASIC INFORMATION OF THE BANK

2.1 Basic Information

Stock name	CQRC Bank
Stock code	3618
Listing stock exchange	The Stock Exchange of Hong Kong Limited
Company Secretary	MOK Ming Wai
Registered address and postcode	No. 36 Jinshamen Road, Jiangbei District, Chongqing, the PRC 400023
Principal place of business in Hong Kong	36/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong
Telephone	86-23-61111533
Fax	86-23-61110844
Email address	cqrcb@cqrcb.com

2.2 Financial Summary

The financial information of the Group set forth in the Quarterly Report is prepared on a consolidated basis in accordance with IFRSs and expressed in Renminbi (“RMB”) unless otherwise stated.

Major financial information and financial indicators

(Expressed in RMB million, unless otherwise stated)

	As at the end of the Reporting Period (31 March 2018)	As at the end of the previous year (31 December 2017)	Increase/ (decrease) at the end of the Reporting Period as compared to the end of the previous year (%)
Total assets	898,821.7	905,778.1	-0.77
Loans and advances to customers, gross	350,743.0	338,346.6	3.66
Total liabilities	830,951.9	840,532.4	-1.14
Deposits from customers	608,872.4	572,184.3	6.41
Equity attributable to Shareholders of the Bank	66,502.4	63,688.7	4.42
Total equity	67,869.8	65,245.7	4.02
Net assets per share attributable to Shareholders of the Bank (<i>RMB</i>)	6.65	6.37	Increased by RMB0.28

	The Reporting Period (January to March 2018)	The same period of the previous year (January to March 2017)	Increase/ (decrease) in the Reporting Period as compared to the same period of the previous year (%)
Net profit	2,583.0	2,459.3	5.03
Net profit attributable to shareholders of the Bank	2,555.6	2,428.4	5.24
Basic earnings per share (<i>RMB</i>)	0.26	0.26	Unchanged
Annualised weighted average return on shareholders' equity (%) ⁽¹⁾	15.67	18.05	Decreased by 2.38 percentage points

Note: (1) The weighted average return on shareholder's equity is calculated in accordance with the requirements of "Rules on the Preparation and Submission of Information Disclosed by Companies that Offer Securities to the Public No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings Per Share" (Revision 2010) issued by China Securities Regulatory Commission.

2.3 Total number of the issued shares and particulars of shareholdings as at the end of the Reporting Period

As at 31 March 2018, the Bank had a total of 10,000,000,000 shares in issue, of which 7,486,663,959 were non-overseas listed shares and 2,513,336,041 were overseas listed H shares.

Particulars of shareholdings of the top ten shareholders of non-overseas listed shares

Unit: share

Name of shareholders	Nature of shareholder	Total number of shares held	Percentage of the total share capital of the Bank (%)	Number of shares pledged
Chongqing Yufu Assets Management Group Company Limited	State-owned	998,000,000	9.98	Nil
Chongqing City Construction Investment (Group) Company Limited	State-owned	787,087,430	7.87	Nil
Chongqing Transport and Travel Investment Group Company Limited	State-owned	589,084,181	5.89	Nil
Loncin Holding Co., Ltd.	Private enterprise	570,000,000	5.70	470,000,000
Chongqing Casin Group Co., Ltd.	Private enterprise	443,100,000	4.43	221,500,000
Beijing Jiuding Real Estate Co., Ltd.	Private enterprise	300,000,000	3.00	149,900,000
Xiamen Gaoxinhong Equity Investment Co., Ltd.	Private enterprise	200,000,000	2.00	Nil
Chongqing Yerui Property Development Co., Ltd.	Private enterprise	150,000,000	1.50	120,000,000
Jiangsu Huaxi Group Corporation Limited	Private enterprise	150,000,000	1.50	120,000,000
Chongqing Water Group Co., Ltd.	State-owned	125,000,000	1.25	Nil
Total		4,312,271,611	43.12	1,081,400,000

Note: 1. During the Reporting Period, the percentage of the non-overseas listed shares mentioned above was calculated based on the total share capital of 10 billion shares of the Bank.

Particulars of shareholdings of substantial shareholders of overseas listed H shares (holding 5% or above H shares)

Unit: share

Name of shareholders	Capacity	Number of H shares held	Percentage of the total issued H share capital of the Bank (%)	Percentage of the total share capital of the Bank (%)
BlackRock, Inc. ⁽¹⁾	Interest of controlled corporations	343,161,412(L)	13.65(L)	3.43(L)
		181,000(S)	0.01(S)	0.002(S)
JPMorgan Chase & Co. ⁽²⁾	Beneficial Owner/Investment Manager/Approved Lending Agent	176,119,374(L)	7.00(L)	1.76(L)
		2,813,000(S)	0.11(S)	0.03(S)
		69,446,486(P)	2.76(P)	0.69(P)
BlackRock Global Funds	Beneficial Owner	168,390,000(L)	6.70(L)	1.68(L)
Citigroup Inc. ⁽³⁾	Interest of controlled corporations/Approved Lending Agent	133,803,595(L)	5.32(L)	1.34(L)
		4,424,700(S)	0.17(S)	0.04(S)
		128,684,759(P)	5.12(P)	1.29(P)
Fosun Holdings Limited ⁽⁴⁾	Interest of controlled corporations	125,814,000 (L)	5.01(L)	1.26(L)
Fosun International Holdings Ltd. ⁽⁴⁾	Interest of controlled corporations	125,814,000 (L)	5.01(L)	1.26(L)
Fosun International Limited ⁽⁴⁾	Interest of controlled corporations	47,574,000(L)	1.89(L)	0.48(L)
		78,240,000 (L)	3.11(L)	0.78(L)
Guo Guangchang ⁽⁴⁾	Interest of controlled corporations	125,814,000(L)	5.01(L)	1.26(L)

Note: (L) – long position, (S) – short position, (P) – shares in lending pool

(1) BlackRock, Inc. holds the entire issued share capital of BlackRock Holdco 2, Inc. and BlackRock Holdco 2, Inc. holds the entire issued share capital of BlackRock Financial Management, Inc.. In accordance with the Securities and Futures Ordinance of Hong Kong, BlackRock, Inc. and BlackRock Holdco 2, Inc. are deemed to have interests in the Bank held by BlackRock Financial Management, Inc. and its controlled subsidiaries. BlackRock, Inc. had a long position in 336,369,997 H shares and a short position in 181,000 H shares of the Bank through BlackRock Financial Management, Inc. and other corporations controlled by it. Among which, the long position in 1,169,000 H shares and short position in 16,000 H shares involved derivatives.

(2) The long position in 370,000 H shares and short position in 2,313,000 H shares involved derivatives.

- (3) The long position in 6,000 H shares and short position in 4,075,000 H shares involved derivatives.
- (4) Mr. Guo Guangchang holds 64.45% of the issued share capital of Fosun International Holdings Ltd., Fosun International Holdings Ltd. holds the entire issued share capital of Fosun Holdings Limited, and Fosun Holdings Limited holds 71.72% of the issued share capital of Fosun International Limited. Therefore, Mr. Guo Guangchang is deemed to have interests in the Bank held by Fosun International Limited. Fosun International Limited had a long position in 125,814,000 H shares of the Bank through other corporations controlled by it.

3. HIGHLIGHTS OF QUARTERLY RESULTS

As at 31 March 2018, the total assets of the Group decreased by RMB6,956 million, or 0.77%, to RMB898,822 million as compared with the end of the previous year; the total liabilities decreased by RMB9,580 million, or 1.14%, to RMB830,952 million as compared with the end of the previous year. Among these:

- Deposits from customers increased by RMB36,688 million, or 6.41%, to RMB608,872 million as compared with the end of the previous year. In particular, time deposits, demand deposits, pledged deposits and other deposits amounted to RMB370,612 million, RMB229,697 million, RMB8,487 million, RMB76 million, respectively.
- Gross loans and advances to customers increased by RMB12,396 million, or 3.66%, to RMB350,743 million as compared with the end of the previous year. In particular, corporate loans, personal loans and discounted bills amounted to RMB219,685 million, RMB118,240 million and RMB12,818 million, respectively.
- The outstanding balance of non-performing loans increased by RMB847 million to RMB4,148 million as compared with the end of the previous year; the non-performing loan ratio was 1.18%, representing an increase of 0.20 percentage point as compared with that at the end of the previous year. It was reflected that due to the impact of slower economic growth, pressure in control of credit risks increased; and allowance to non-performing loan ratio decreased by 96.99 percentage points to 334.25% as compared with the end of the previous year. However, it was still 184.25 percentage points higher than the regulatory requirements, representing a relatively strong risk compensation ability.
- The loan-to-deposit ratio decreased by 1.52 percentage points to 57.61%⁽¹⁾ as compared with the end of the previous year.

Note: (1) The loan-to-deposit ratio was calculated by dividing total loans by total deposits.

For the three months ended 31 March 2018, the net profit of the Group increased by 5.03% year-on-year to RMB2,583 million. The annualised average return on total assets was 1.14%, representing a year-on-year decrease of 0.07 percentage point. The annualised weighted average return on shareholders' equity was 15.67%, representing a year-on-year decrease of 2.38 percentage points. The basic and diluted earnings per share recorded RMB0.26, which was the same as representing a year-on-year.

- Net interest income grew by 14.92% year-on-year to RMB5,871 million; annualised net interest margin increased by 6 basis points year-on-year to 2.68%.
- Total non-interest-bearing income increased by RMB333 million, or 58.93%, year-on-year to RMB899 million, of which, the net commission and fee was RMB535 million.
- Operating expenses increased by RMB65 million or 3.56% year-on-year to RMB1,883 million. The cost-to-income ratio decreased by 4.83 percentage points year-on-year to 27.09%. The loss on impairment of assets increased by RMB910 million or 157.32% year-on-year to RMB1,489 million.

In accordance with the “Regulation Governing Capital of Commercial Banks (Provisional)”, the core Tier 1 capital adequacy ratio, the Tier 1 capital adequacy ratio and the capital adequacy ratio of the Group recorded at 10.69%, 10.70% and 13.31% respectively as at the end of the Reporting Period, representing an increase of 0.30, 0.30 and 0.28 percentage points respectively as compared to the end of the previous year.

In accordance with the “Regulation Governing Leverage Ratio of Commercial Banks (Revised)”, the leverage ratio of the Group was 7.23% as at the end of the Reporting Period, representing an increase of 0.38 percentage point as compared to the end of the previous year, which was due to the increase of growth in the net Tier 1 capital was larger than the increase of scale of assets in the current period, which resulted in the increase in leverage ratio.

(Expressed in RMB million, unless otherwise stated)

Item	March 2018	December 2017	September 2017	June 2017
Net Tier 1 capital	66,628.4	63,781.2	61,995.7	55,617.4
Balance of assets on and off balance sheet after adjustments	921,792.8	930,768.3	902,051.9	881,670.7
Leverage ratio	7.23%	6.85%	6.87%	6.31%

In accordance with the “Liquidity Risk Management of Commercial Banks (Provisional)”, the liquidity coverage ratio of the Group was 213.16% at the end of the Reporting Period, the qualified and quality current assets amounted to RMB53,301 million, and the net cash outflow in the next 30 days will be RMB25,005 million.

4. MAJOR ISSUES

4.1 Significant changes in major accounting items, financial indicators and the reasons thereof

Applicable Not applicable

Major consolidated accounting items and financial indicators which fluctuated over 30% compared with those for the same period of the previous year or as at the end of the previous year, and the reasons of their significant changes are as follows:

(Expressed in RMB million, unless otherwise stated)

	January to March 2018	January to March 2017	Change as compared with the same period of the previous year (%)	Main reason(s) of the change
Interest expense	5,094.26	3,775.48	34.93	Primarily due to the year-on-year increase in average balance of interbank certificates of deposit issued by the Group and the increase in its average cost rate.
Fee and commission expense	8.77	20.60	-57.43	Primarily due to the decrease in fee expense of bank card of the Group.
Net trading profit or losses	383.94	-19.94	2,025.48	Primarily due to the valuation of financial assets measured at fair value through profit or loss by the Group according to International Financial Reporting Standard 9 (IFRS 9).
Other operating gains or losses, net	-20.25	26.66	-175.96	Primarily due to the impact of the change in exchange rate on the Group's foreign currency operations.
Impairment losses on financial assets	1,489.08	578.68	157.32	Primarily due to that the Group fully considered macro-economic factors, and was more prudent in allowance for impairment losses.

	31 March 2018	31 December 2017	Percentage of change as compared with the end of the previous year (%)	Main reason(s) of the change
Net gains or losses from derecognition of financial assets measured at fair value through other comprehensive income	-1.70	N/A	N/A	Primarily due to that upon the implementation of IFRS 9 on 1 January 2018, the classification of financial instruments by the Group was adjusted according to the requirements but restatement of figures for comparative period was not required.
Net gains from disposal of debt securities classified as receivables	N/A	0.01	N/A	
Other comprehensive income	49.89	-8.18	709.90	Primarily due to the impact of the change in fair values of financial assets measured at fair value through other comprehensive income or available-for-sale financial assets.
Financial assets measured at fair value through profit or loss	113,748.23	519.23	21,807.10	Primarily due to the reclassification of certain assets into financial assets measured at fair value through profit or loss by the Group according to IFRS 9.
Derivative financial assets	299.00	169.63	76.27	Primarily due to the increased purchases of forward contracts and foreign exchange swaps of the Group.
Financial assets held under resale agreements	1,143.66	2,443.69	-53.20	Primarily due to the adjustment to the interbank asset structure according to the management aims on assets and liabilities by the Group.

	31 March 2018	31 December 2017	Percentage of change as compared with the end of the previous year (%)	Main reason(s) of the change
Financial assets measured at fair value through other comprehensive income	3,871.18	N/A	N/A	Primarily due to that upon the implementation of IFRS 9 on 1 January 2018, the classification of financial instruments by the Group was adjusted according to the requirements but restatement of figures for comparative period was not required.
Financial assets measured at amortised cost	172,176.04	N/A	N/A	
Available-for-sale financial assets	N/A	165,780.62	N/A	
Held-to-maturity investments	N/A	72,444.19	N/A	
Debt securities classified as receivables	N/A	78,743.07	N/A	
Deposits from banks and other financial institutions	58,677.34	85,487.82	-31.36	Primarily due to the decline in time deposits with domestic banks.
Derivative financial liabilities	298.06	176.59	68.79	Primarily due to the increased purchases of forward contracts and foreign exchange swaps of the Group.
Financial assets sold under repurchase agreements	3,022.20	7,545.03	-59.94	Primarily due to the adjustment to the interbank liability structure according to the management aims of assets and liabilities by the Group.
Income tax payable	1,145.00	877.16	30.53	Primarily due to the provision of the corporate income tax.
Investment revaluation reserve	75.87	-109.67	169.18	Primarily due to the impact of the change in fair values of financial assets measured at fair value through other comprehensive income or available-for-sale financial assets.

4.2 Progress of major issues, related impacts and solutions

Applicable Not applicable

4.3 Fulfillment of undertakings by the Company, shareholders and de-facto controllers

Applicable Not applicable

4.4 Implementation of cash dividend policy during the Reporting Period

Applicable Not applicable

4.5 Warnings and explanations of any forecasted loss or significant change in accumulated net profit for the period from the beginning of the year to the end of the next reporting period as compared to the same period of the previous year

Applicable Not applicable

5. RELEASE OF QUARTERLY REPORT

The Quarterly Report prepared under IFRSs is available on both the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the website of the Bank (www.cqrcb.com).

By order of the Board
Chongqing Rural Commercial Bank Co., Ltd.*
重慶農村商業銀行股份有限公司*
Xie Wenhui
Executive Director and President

Chongqing, the PRC, 27 April 2018

As at the date of this announcement, the executive directors of the Bank are Mr. Liu Jianzhong and Mr. Xie Wenhui; the non-executive directors of the Bank are Mr. He Zhiming, Mr. Sun Lida, Ms. Chen Xiaoyan, Mr. Duan Xiaohua, Mr. Luo Yuxing and Mr. Wen Honghai; and the independent non-executive directors of the Bank are Mr. Sun Leland Li Hsun, Mr. Yin Mengbo, Mr. Yuan Zengting, Mr. Cao Guohua and Mr. Song Qinghua.

* *The Bank holds a financial licence number B0335H250000001 approved by China Banking Regulatory Commission and was authorised by the Administration for Industry and Commerce of Chongqing to obtain a corporate legal person business licence with a unified social credit code 91500000676129728J. The Bank is not an authorised institution in accordance with the Hong Kong Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorised to carry on banking/deposit-taking business in Hong Kong.*

APPENDIX: FINANCIAL STATEMENTS PREPARED UNDER IFRSs

CONSOLIDATED INCOME STATEMENT

For the three months ended 31 March 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

	For the three months ended 31 March	
	2018 (Unaudited)	2017 (Unaudited)
Interest income	10,965,291	8,884,229
Interest expense	<u>(5,094,264)</u>	<u>(3,775,484)</u>
Net interest income	<u>5,871,027</u>	<u>5,108,745</u>
Fee and commission income	543,855	579,403
Fee and commission expense	<u>(8,772)</u>	<u>(20,598)</u>
Net fee and commission income	535,083	558,805
Net trading profit or losses	383,942	(19,935)
Other operating gains or losses, net	<u>(20,246)</u>	<u>26,663</u>
Operating income	6,769,806	5,674,278
Operating expenses	<u>(1,882,753)</u>	<u>(1,818,042)</u>
Impairment losses on financial assets	<u>(1,489,077)</u>	<u>(578,676)</u>
Net gains or losses from derecognition of financial assets measured at fair value through other comprehensive income	(1,698)	N/A
Net gains from disposal of investments of debt securities classified as receivables	<u>N/A</u>	<u>6</u>
Profit before tax	3,396,278	3,277,566
Income tax expense	<u>(813,244)</u>	<u>(818,279)</u>
Profit for the period	<u>2,583,034</u>	<u>2,459,287</u>
Attributable to:		
Shareholders of the Bank	2,555,590	2,428,370
Non-controlling interests	<u>27,444</u>	<u>30,917</u>
	<u>2,583,034</u>	<u>2,459,287</u>
Earnings per share (<i>Expressed in RMB per share</i>)		
– Basic and Diluted	<u>0.26</u>	<u>0.26</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

	For the three months ended 31 March	
	2018 (Unaudited)	2017 (Unaudited)
Profit for the period	<u>2,583,034</u>	<u>2,459,287</u>
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Actuarial gains on defined benefit plans	–	–
Income tax relating to actuarial gains	<u>–</u>	<u>–</u>
	<u>–</u>	<u>–</u>
Items that may be reclassified subsequently to profit or loss:		
Fair value gains or losses from financial assets measured at fair value through other comprehensive income		
– fair value gains/(losses) arising during the period	64,828	N/A
– amount reclassified to the profit or loss upon derecognition	1,698	N/A
Tax effect of related income tax	<u>(16,632)</u>	<u>N/A</u>
Fair value gains or losses on available-for-sale financial assets		
– fair value (losses)/gains arising during the period	N/A	(10,911)
Tax effect of related income tax	<u>N/A</u>	<u>2,728</u>
	<u>49,894</u>	<u>(8,183)</u>
Other comprehensive income for the period, net of tax	<u>49,894</u>	<u>(8,183)</u>
Total comprehensive income for the period	<u>2,632,928</u>	<u>2,451,104</u>
Total comprehensive income attributable to:		
Shareholders of the Bank	2,605,484	2,420,187
Non-controlling interests	<u>27,444</u>	<u>30,917</u>
Total comprehensive income for the period	<u>2,632,928</u>	<u>2,451,104</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

	At 31 March 2018 (Unaudited)	At 31 December 2017 (Audited)
ASSETS		
Cash and deposits with central bank	97,323,904	97,012,085
Deposits with banks and other financial institutions	32,299,140	45,380,379
Placements with banks and other financial institutions	124,231,870	102,641,378
Financial assets measured at fair value through profit or loss	113,748,234	519,234
Derivative financial assets	298,998	169,629
Financial assets held under resale agreements	1,143,660	2,443,685
Loans and advances to customers	336,879,479	324,109,622
Financial assets measured at fair value through other comprehensive income	3,871,180	N/A
Financial assets measured at amortised cost	172,176,036	N/A
Available-for-sale financial assets	N/A	165,780,616
Held-to-maturity investments	N/A	72,444,185
Debt securities classified as receivables	N/A	78,743,066
Property and equipment	4,926,659	5,000,967
Deferred tax assets	3,434,256	3,256,728
Goodwill	440,129	440,129
Other assets	8,048,181	7,836,377
Total assets	898,821,726	905,778,080
LIABILITIES		
Borrowings from central bank	32,784,210	31,338,420
Deposits from banks and other financial institutions	58,677,342	85,487,818
Placements from banks and other financial institutions	21,364,844	22,979,936
Derivative financial liabilities	298,061	176,589
Financial assets sold under repurchase agreements	3,022,200	7,545,030
Deposits from customers	608,872,436	572,184,256
Accrued staff costs	4,554,126	5,022,904
Income tax payable	1,144,998	877,159
Debt securities issued	90,631,202	103,901,345
Other liabilities	9,602,513	11,018,938
Total liabilities	830,951,932	840,532,395


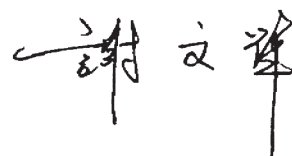
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 March 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

	At 31 March 2018 (Unaudited)	At 31 December 2017 (Audited)
EQUITY		
Share capital	10,000,000	10,000,000
Capital reserve	12,471,607	12,501,557
Investment revaluation reserve	75,870	(109,673)
Actuarial changes reserve	(130,651)	(130,651)
Surplus reserve	9,457,152	9,457,152
General reserve	10,767,106	10,726,344
Retained earnings	<u>23,861,268</u>	<u>21,243,958</u>
Equity attributable to Shareholders of the Bank	66,502,352	63,688,687
Non-controlling interests	<u>1,367,442</u>	<u>1,556,998</u>
Total equity	<u>67,869,794</u>	<u>65,245,685</u>
Total equity and liabilities	<u>898,821,726</u>	<u>905,778,080</u>

The consolidated financial statements on pages 14 to 19 were approved and authorised for issue by the Board on 27 April 2018 and are signed on its behalf by:

**LIU JIANZHONG***CHAIRMAN***XIE WENHUI***EXECUTIVE DIRECTOR AND PRESIDENT*

CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended 31 March 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

	For the three months ended 31 March	
	2018 (Unaudited)	2017 (Unaudited)
Operating activities		
Profit before tax	3,396,278	3,277,566
Adjustments for:		
Depreciation and amortisation	186,819	174,078
Impairment losses on financial assets	1,485,369	578,676
Interest income arising from debt securities	(3,891,162)	(3,124,914)
Interest income arising from impaired financial assets	(17,816)	(15,764)
Interest expense arising from debt securities issued	1,252,189	698,345
Net losses/(gains) on disposal of investment securities	1,698	(6)
Net gains on disposal of property and equipment	(4,053)	(1,801)
Net (gains)/losses from financial assets measured at fair value through profit or loss	(382,355)	19,454
Exchange losses/(gains)	37,924	(2,134)
Operating cash flows before movements in working capital	<u>2,064,891</u>	<u>1,603,500</u>
Decrease/(Increase) in balances with central bank, deposits with banks and other financial institutions	13,573,063	(17,548,590)
Increase in placements with banks and other financial institutions	(31,433,898)	(807,569)
Decrease in financial assets held under resale agreements	–	2,549,864
Decrease in financial assets held for trading	N/A	302,633
Decrease in financial assets designated at fair value through profit or loss	N/A	1,009,400
Decrease in financial assets measured at fair value through profit or loss	134,939	N/A
Increase in loans and advances to customers	(13,774,095)	(11,915,163)
Decrease in financial assets sold under repurchase agreements	(4,522,830)	(4,517,413)
Increase/(Decrease) in deposits from customers, deposits from banks and other financial institutions	9,877,704	(14,244,867)
Increase in borrowings from central bank	1,445,790	5,515,395
Decrease in placements from banks and other financial institutions	(1,615,092)	(2,456,683)
Decrease in other operating assets	510,933	159,130
Decrease in other operating liabilities	(2,788,275)	(1,226,840)
Cash used in operating activities	(26,526,870)	(41,577,203)
Income tax paid	(818,677)	(527,693)
Net cash used in operating activities	<u>(27,345,547)</u>	<u>(42,104,896)</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended 31 March 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

	For the three months ended 31 March	
	2018 (Unaudited)	2017 (Unaudited)
Investing activities		
Cash received from disposal and redemption of investment securities	89,974,721	83,416,221
Cash received from disposal of property and equipment and other assets	5,922	14,162
Interest income received from investment securities	3,629,135	3,151,597
Cash paid for purchase of property and equipment and other assets	(104,700)	(92,046)
Cash paid for purchase of investment securities	<u>(61,621,480)</u>	<u>(85,107,102)</u>
Net cash generated from investing activities	<u>31,883,598</u>	<u>1,382,832</u>
Financing activities		
Cash received from issuance of debt securities	20,525,417	68,890,720
Transactions with non-controlling interests	(246,950)	(42,420)
Cash paid for redemption of bonds issued	(34,930,000)	(34,150,000)
Dividends paid to shareholders of the Bank	<u>(1,041)</u>	<u>(962)</u>
Net cash (used in)/generated from financing activities	<u>(14,652,574)</u>	<u>34,697,338</u>
Net decrease in cash and cash equivalents	(10,114,523)	(6,024,726)
Cash and cash equivalents as at 1 January	48,568,062	69,664,471
Effect of foreign exchange rate changes	<u>(74,388)</u>	<u>(3,081)</u>
Cash and cash equivalents as at 31 March	<u>38,379,151</u>	<u>63,636,664</u>
Net cash from/(used in) operating activities include:		
Interest received	7,082,625	5,829,897
Interest paid	<u>(4,639,739)</u>	<u>(4,205,728)</u>
Net interest in cash received from operating activities	<u>2,442,886</u>	<u>1,624,169</u>